



Matex International Limited

Company Registration No. 198904222M

万得国际有限公司



LIVING
THE CULTURE OF

COLOUR

ECO-FRIENDLY · NATURAL · BIODEGRADABLE

ANNUAL REPORT 2019

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This annual report has been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Jason Chian, Managing Director, Investment Banking, CIMB Bank Berhad, Singapore Branch. The contact details are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.





CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr John Chen Seow Phun
Non-Executive Chairman and
Independent Director

Dr Tan Pang Kee
CEO / Managing Director

Mr Foo Der Rong
Independent Director

Mr Wang Dao Fu
Independent Director

Mr Tan Guan Liang
(Chen Guanliang)
Executive Director

COMPANY SECRETARIES

Mr Chew Kok Liang
Ms Lissa Siau

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

REGISTERED AND BUSINESS OFFICE

47 Ayer Rajah Crescent #05-10
Singapore 139947
Tel: (65) 6861 0028
Fax: (65) 6861 0128
Website: www.matex.com.sg

AUDITORS

Ernst & Young LLP
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge:
Mr Yong Kok Keong
(Appointed since FY2017)

PRINCIPAL BANKERS

DBS Bank Ltd
6 Shenton Way
DBS Building
Singapore 068809

Oversea-Chinese Banking
Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 049513

Citibank N.A.
8 Marina View
#17-01 Asia Square Tower 1
Singapore 018960

Standard Chartered Bank
8 Marina Boulevard
Marina Bay Financial Centre
Tower 1, Level 29
Singapore 018981

CORPORATE PROFILE

Established in September 1989 and listed on Singapore Exchange since February 2004, Matex International limited is a leading manufacturer, supplier and marketer of quality dyestuffs and specialty chemicals, colour measurement and computer aided systems to various global markets such as textile, paper, leather, detergent and polymers industry. As part of its blueprint, it aims to be a world-class integrated service provider in **CLEAN COLOUR SCIENCE TECHNOLOGIES** the **WORLD** seeks, with our Center of Excellence in Singapore for **PEOPLE, INNOVATIONS, PRODUCTS, SERVICES, TECHNOLOGIES** and **SOLUTIONS** to our Markets.



Matex International Limited

Dedicated to serve, Matex has established a network of well-trained sales and marketing professionals with a strong presence in China to support its wide base of global customers. We are widely recognized for our strength in providing excellent technical support services in order to satisfy our customers' ever changing needs. Across the years we have been awarded with numerous accolades for our efforts. Matex had been constantly

ranked as one of China's top chemical companies and of recent we were recognized as Singapore Specialty Chemicals Company of the Year for our contributions.

Matex makes a concerted effort to integrate environmental and social concerns into business operations, ensuring a balanced and sustainable development of our businesses. Our world famous Megafix® reactive dye series is a testimonial of our ability to constantly develop

unique, innovative products and services by combining the latest technologies through continuous research and development, with our intimate knowledge and business experience. We strive to add value to our customers' products, for higher quality, better performance, price competitiveness and eco-friendliness to achieve long term 'win-win' strategic partnerships.



OUR VISION

To be a world-class integrated service provider in clean colour science technologies the world seeks, with our center of excellence in Singapore for people, innovations, products, services, technologies and solutions to our markets.



OUR MISSION

To meet to excel as a global competent solutions provider with pools of innovative talents ready to explore business opportunities and to deliver credible and sustainable business growth.



OUR VALUES

We are customer-focused for full satisfaction and we aim to be on-target to the right needs, provide on time delivery on-demand for the highest and consistent quality at affordable prices.



OUR PROMISE

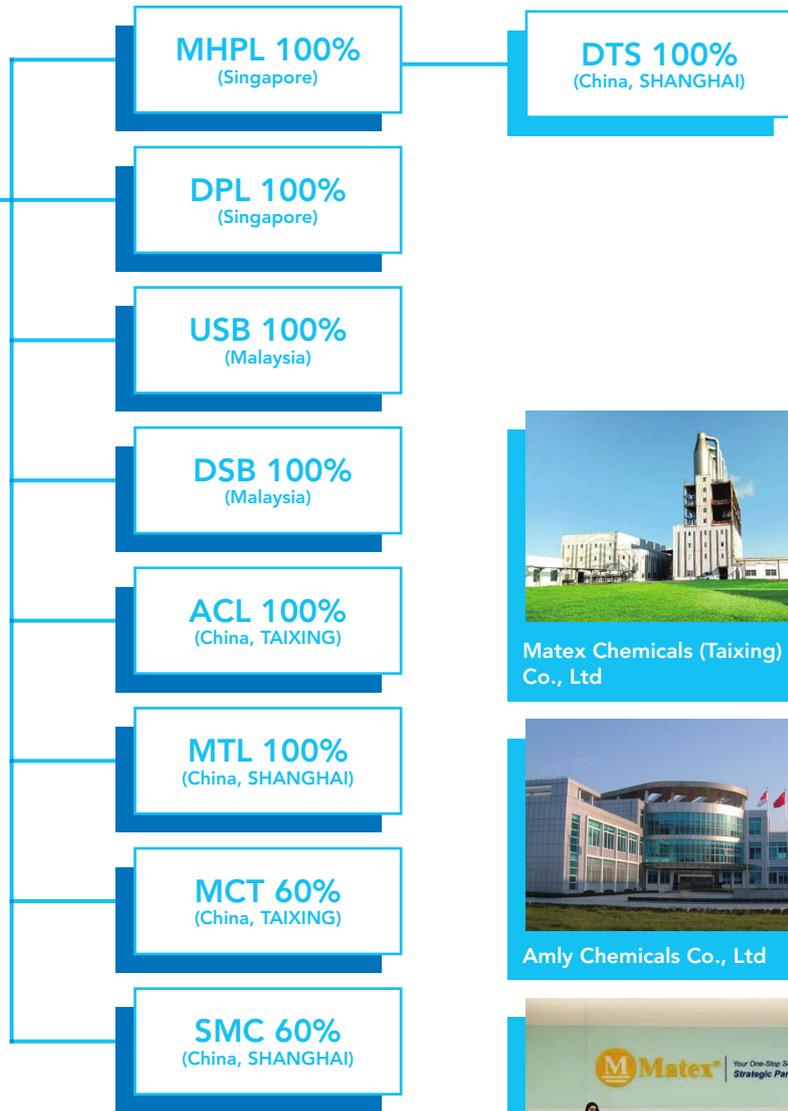
To meet the needs of our customers we value add through competitive and innovative viable solutions. The needs of our employees – with our corporate values.

The needs of our stakeholders – with healthy returns.

And the needs of our environment – by being sustainable.



GROUP STRUCTURE



Matex Chemicals (Taixing) Co., Ltd



Amly Chemicals Co., Ltd



Shanghai Matex Chemicals Co., Ltd



Unimatex Sdn Bhd.

MIL - Matex International Limited
(万得国际有限公司)

MHPL - Matex Holdings Pte Ltd
(万得控股私人有限公司)

DPL - Dedot Pte Ltd
(帝得貿易私人有限公司)

USB - Unimatex Sdn Bhd
(全万得私人有限公司)

DSB - Dedot Sdn Bhd
(帝得貿易(馬來西亞)私人有限公司)

ACL - Amly Chemicals Co., Ltd
(安力化学(泰兴)有限公司)

MTL - Matex Chemicals Technologies
(Shanghai) Co., Ltd
(万得化工科技(上海)有限公司)

MCT - Matex Chemicals (Taixing) Co., Ltd
(万得化工(泰兴)有限公司)

SMC - Shanghai Matex Chemicals Co., Ltd
(上海万得化工有限公司)

DTS - Dedot Trading (Shanghai) Co., Ltd
(帝得貿易(上海)有限公司)

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

2019: UNITY

Well wishes for a blessed, healthy and safe year ahead!

Amidst the global uncertainties resulting from the China and USA trade war and the ongoing COVID-19 situation, Matex turned 30 on 30th September 2019. Looking back at the group's illustrious and colourful history, Matex will continue to draw deeply on its experiences, and tap widely from its networks and current platforms to continue to navigate and work harder for sustainable business growth. Going forward into its next 30 years, it is imperative for Matex to advance with resilience, strength and unity.

In 2019, Matex made concerted efforts with its CSR activities to raise its global profile and give back to society. Many of the activities that the group had done can be viewed in the link below.

Please visit: – http://www.matex.com.sg/en/news_2019

Some key highlights include:

The official global launch of **Megapro ECO®** at ITMA 2019 Barcelona and Planet Textiles The Sustainable Textiles Summit, 22nd June 2019 at Fira de Barcelona, a global forum for leading key experts and practitioners in the fields of sustainability for textile and manufacturing across the

fashion value chain. **Megapro ECO®** (patent pending) is a system which eliminates the need for salt in exhaust dyeing of cellulose, which can potentially impact up to 50% of global demand.

Please visit: – <https://www.planet-textiles.com/pod-2019/>

This is a meaningful environmental revolution which Matex is very excited and working closely with its global strategic brands, partners and customers to implement quickly in view of the pressing issues of Climate Change and to target the UN Sustainable Development Goals ("SDGs").

GOAL 3: Ensure healthy lives and promote well-being for all at all ages

GOAL 6: Ensure availability and sustainable management of water and sanitation for all

GOAL 11: Make cities and human settlements inclusive, safe, resilient and sustainable

GOAL 12: Ensure sustainable consumption and production patterns

The SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilise global efforts around a common set of goals and targets. The SDGs call for worldwide action among governments, businesses and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet.

On the **6th November 2019**, with Megapro ECO®, Matex won the Singapore Apex Corporate Sustainability Awards under **Sustainable Solutions Category**. The Singapore Apex Corporate Sustainability Award recognises companies whose business operations or solutions have demonstrated excellence in embodying the Ten Principles of the United Nations Global Compact, in the areas of environment, human rights, labour and anti-corruption.

Please visit: – <https://sustainabilityawards.sg/winners/>

Matex continues to grow as a **Bluesign® System** Partner, committed to support Bluesign's vision to manage inputs and responsible actions. The Bluesign® system unites the entire textile supply chain to jointly reduce its impact on people and the environment.

Matex's products are approved by **Intertek's Green Leaf Mark Environmental Certification**, which places strong emphasis on the ban of hazardous Azo Dyes and limits on extractable heavy metal content.

The Company is a regular member partner at **Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers ("ETAD")**. It was founded in 1974 as an international organisation of Responsible Companies. ETAD's Code of Ethics, which is based on the principles of responsible care, complies



MESSAGE TO SHAREHOLDERS

with all national and international chemical regulations. It bases its position on sound science, internal industrial know-how and constantly updated regulatory information. It continued to chair the 3rd China Operating Committee ("ChOC") of ETAD in Shanghai to align common goals for safety and environment. The committee will focus on local activities in contact with regulatory bodies and on all legislation developments affecting the colorant industry.

In our efforts as a responsible global corporate citizen, we had continued to play our part actively to champion a growing diversity of programs and initiatives to give back to society as part of our ongoing CSR initiatives. Some of these highlights include:

- 1) working with various **social enterprises** like WaterROAM and start-up communities and companies on various projects ranging from developing suitable products to delivering to poverty and disaster struck areas and places, across to innovative solutions to treat and provide clean drinking water.
- 2) releasing its **2019 Communication on Progress Report ("COP")** on the UN Global Compact Website. We are constantly on the lookout for better ways to reduce our impact on the environment by lowering carbon emissions and improving energy efficiencies in our daily operations.

- 3) continuing to pledge its commitment to Fair Employment Practices under the framework of Tripartite Alliance for Fair & Progressive Employment Practices ("TAFEP") organised and endorsed by Ministry of Manpower of Singapore, National Trade Union Congress and Singapore National Employers Federation.

- 4) successfully organising the **9th year** running the Society of Dyers and Colourists ("**SDC**") Singapore heat. A country winner was chosen amongst local Textile and Fashion Schools to represent at the Grand Finals in Fuzhou, China. The SDC is the world's leading independent, educational charity dedicated to advancing the science and technology of colour worldwide.

- 5) working closely with the **Singapore Fashion Runway** to help the special needs community to take part in Next Top Inclusive Model Hunt 2019. Matex had sponsored the event and was an invited judge. Through this event, the participants learned about confidence-building, showcasing their talent(s) and social skills as they get to interact with other participants. The Singapore Fashion Runway is a platform founded to nurture and provide opportunities who are special needs, disabled, have chronic illness, are breast cancer patients and survivors in their journey of fashion, so that

they can learn a skill and seek happiness while battling with their illness.

Please visit: – <http://www.singaporefashionrunway.com/>

REVIEW OF OPERATIONAL RESULTS

REVENUE

The Group recorded a total revenue of S\$38.3m for the full year ended 31 December 2019 ("FY2019"), a drop of S\$5.0m or 11.6% in comparison to S\$43.3m for the corresponding year ended 31 December 2018 ("FY2018"). The reduction in sales during the year was mainly attributable to the decline in our sales in PRC as a result of decline in production due to safety and environmental upgrades required by the People's Republic of China ("PRC") government.

GROSS PROFIT

As a result of the decline in revenue, impairment losses on inventory and with much of the direct cost, such as labour cost, remaining status quo during the year, the Group's FY2019 gross profit decreased by S\$2.8m or 43.7% to S\$3.6m (FY2018: S\$6.4m).

NET OPERATING EXPENSES

Net operating expenses increased by S\$1.9m from S\$10.9m in FY2018 to S\$12.8m in FY2019. The increase was mainly a result of an increase in general and administrative ("G&A") expenses by S\$3.4m or 42.5%, where increase in depreciation of property, plant and equipment and

MESSAGE TO SHAREHOLDERS

right-of-use assets amounted to S\$0.3m, increase in amortisation of intangible assets amounted to S\$0.2m, an one-off expense of waste disposal fee of S\$1.3m and S\$1.3m impairment losses on a right-of-use asset were the main causes of the increase in G&A. During the year, there was a write back of impairment losses on trade receivables of S\$784k as compared to an impairment loss of S\$761k in year 2018, which was mainly due to recovery of debts in trade receivables at the end of the financial year. Selling and distribution expenses remained the same at S\$2.6m for both years.

In addition to the above mentioned increase in expenses, other operating income recorded for the year was about S\$0.5m, the same as per the last corresponding year.

NET FINANCIAL EXPENSE

The Group recorded a net financial expense of S\$511k in FY2019, as compared to S\$730k in FY2018. The decrease in net financial expense was mainly due to a decrease in financial income of S\$40k as well as a decrease in financial cost of S\$259k, which was mainly a result of the decline in our borrowings.

TAX

Taxation was in line with profits made by our profitable subsidiaries in China and Malaysia. The reduction in tax amount incurred in FY2019 was due to lower profits generated for the year.

NET RESULTS

As a result of the above, the Group registered a loss before tax of S\$9.7m for FY2019 as compared to loss before tax of S\$5.3m for FY2018. The loss after tax attributable to equity holders of the Company was S\$6.2m in FY2019, as compared to the loss after tax of S\$3.7m recorded in FY2018.

FINANCIAL POSITION

The Group's property, plant and equipment ("PPE") including the land use rights and right-of-use assets are at S\$13.5m and S\$14.5m as at 31 December 2019 and 31 December 2018 respectively. The decrease was mainly attributable to depreciation and amortisation of S\$2.1m and an impairment loss on right-of-use asset of \$1.3m, partially offset by the adoption of SFRS(I) 16 as mentioned with recognition of right-of-use assets at net book value of S\$0.7m at year-end and capital expenditure on PPE of S\$1.4m, which was mainly for the upgrading of old machines and automating part of the production facilities. The increase in intangible assets of S\$0.6m was mainly due to the capitalisation of our E-Commerce system.

Long term prepaid and deferred expenses decreased by S\$0.3m between 31 December 2019 and 31 December 2018, this was mainly due to expensed off accessories for laboratory use.

Inventories were at S\$12.8m and S\$12.2m as at 31 December 2018 and 31 December 2019 respectively. The decline in inventories was in line with the decrease in revenue recorded for the year.

Current and non-current trade and notes receivables decreased from S\$12.5m as at 31 December 2018 to S\$8.8m as at 31 December 2019, mainly due to the reduction in sales.

Other receivables decreased by S\$0.4m between 31 December 2019 and 31 December 2018, mainly due to capitalising of deposit placed with suppliers for implementing the E-Commerce System.

Cash and fixed deposits for the year decreased from S\$8.4m as at 31 December 2018 to S\$5.0m as at 31 December 2019. The decrease in cash was due to cash used in the Group's investing and financing activities.

Trade payables increased from S\$5.0m as at 31 December 2018 to S\$6.3m as at 31 December 2019. The increase in trade payables was due a longer credit term granted by some suppliers during the year.

Other payables and accruals increased from S\$5.1m as at 31 December 2018 to S\$6.0m as at 31 December 2019 due to a loan provided by the director during the year as well as an unpaid portion of the one-off expense of waste disposal fee.



MESSAGE TO SHAREHOLDERS

Term loan decreased from S\$8.2m as at 31 December 2018 to S\$6.2m as at 31 December 2019 mainly due to the repayment of loans.

Overall, our Group's equity as at 31 December 2019 was S\$21.7m, a reduction of approximately of S\$10.5m or 32.7% from the position as at 31 December 2018. This was mainly resulted from the loss incurred during FY2019.

CASH FLOW POSITION

NET CASH GENERATED FROM OPERATING ACTIVITIES

In FY2019, approximately S\$0.1m of net cash was generated from operating activities, which was a result of operating loss before changes in working capital of S\$5.7m, net working capital inflows of approximately S\$6.5m and net interest and tax paid of S\$0.7m.

NET CASH USED IN INVESTING ACTIVITIES

In FY2019, the Group's net cash outflow from investing activities amounted to S\$1.4m, which was mainly due to purchases of property, plant and equipment.

NET CASH USED IN FINANCING ACTIVITIES

In FY2019, the Group's net cash outflow from financing activities amounted to approximately S\$2.1m. This was mainly due to increase in restricted cash of S\$0.3m, loan repayment of S\$1.8m, repayment

of lease liabilities of \$0.4m, partially offset by an increase in bill payables to banks of S\$0.4m.

FUTURE OUTLOOK

In the coming months, the Group expects continued emphasis across labour, safety and environmental compliances in the chemicals industry. With the unfolding Coronavirus pandemic and an already weak global macro economy outlook, we believe the overall business environment will be disrupted and remains challenging.

The Group will continue to develop better supply chain partnerships, improve its internal cost controls and aim to increase its overall profit margins in its product and service solutions. Scaling up its current production capacity and developing higher valued products that yield better margins, will be some of its key priorities.

With these efforts, the Group aims to improve its performance.

WORDS OF APPRECIATION

We would like to take the opportunity to extend our heartfelt appreciation to our valued customers, business partners, associates and stakeholders for your kind support and understanding throughout Matex's last 30 years.

We would also like to take the opportunity to thank all at Matex for your unwavering determination and dedication to the Company. We have only been able to achieve the important milestones in 2019 and before because of you, our committed team. Let's continue to stay united and scale even greater heights in the coming years.

With your continued unwavering trust, support and confidence in Matex, we are confident the Group will rebound to develop better sustainable growth and value.

Yours sincerely,

Dr John Chen Seow Phun

Non-Executive Chairman

Dr Alex Tan Pang Kee

Chief Executive Officer/Managing Director

BOARD OF DIRECTORS



**DR JOHN CHEN
SEOW PHUN**

*Non-Executive
Chairman &
Independent Director*

Dr Chen has been our Chairman and Independent Director since 11 July 2003. He was a Member of Parliament ("MP") from September 1988 to May 2006. He was the Minister of State for Communications from March 1997 to June 1999. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Dr Chen holds a Doctor of Philosophy ("Ph.D") degree in Electrical Engineering from the University of Waterloo, Canada. He taught at the National University of Singapore from 1983 to 1991. In 1991, he became the Assistant Secretary General of the National Trades Union Congress (NTUC) until 1997. Dr Chen also served as the Deputy Chairman and Managing Director of the NTUC Healthcare Cooperative Ltd from 1992 to 1997. Dr Chen has served as a board member of the Economic Development Board (EDB), the Housing & Development Board (HDB), the then Port of Singapore Authority (PSA) and Singapore Power Ltd. He is presently the Executive Chairman of Pavillon Holdings Ltd (formerly known as Thai Village Holdings Ltd) and Chairman of SAC Capital Pte Ltd. He also sits on the board of several public listed companies as an independent director.



MR FOO DER RONG

Independent Director

Mr Foo was appointed as an Independent Director of the Company on 10 May 2016. Mr Foo holds a Bachelor of commerce from the then Nanyang University. Mr Foo is currently the Director of Tian International Pte Ltd and the Executive Director of Aedge Group Ltd. He also sits on the Board of Pavillon Holdings Ltd, Noel Gifts International Ltd, SLB Development Ltd and Southern Lion Sdn Bhd. He has a wealth rich experience and knowledge in business development, corporate restructuring, investment strategies and operations management, in a wide range of industries. He was formally the Managing Director/Chief Executive Officer of Intraco Ltd from 2013 to 2015 and the Managing Director/ Chief Executive Officer of Hanwell Holdings Ltd from 2002 to 2012. Mr Foo was the former Vice Chairman and currently a Patron of Teck Ghee Community Club.



MR WANG DAO FU

Independent Director

Mr. Wang Dao Fu is our Independent Director since 11 January 2017. He graduated with Bachelor of Law from Peking University in 1984. From August 1993 till May 2002, he had been working with many established Singapore law firms, as their Chinese Legal Counsel. Following that Mr. Wang set up Shanghai Yuntai Law Offices in 2004 and is the firm's founding partner. He has more than 30 years of PRC legal practice experience in wide ranging areas of capital market, corporate finance and mergers & acquisition. Mr Wang currently serves as director of a few companies which include Proceq Trading (Shanghai) Co. Ltd (China), SGD Investment Pte Ltd, MOBO Information Technology Pte Ltd and Sunpower Group Ltd.



BOARD OF DIRECTORS



DR TAN PANG KEE
*Managing Director &
 Chief Executive Officer*

Dr Tan founded our Company in September 1989 and was appointed as our Managing Director since early 1990. Dr Tan has more than 30 years of related experience and is instrumental in the development of our Company since its inception. He is in charge of formulating corporate strategies and management of our growth and development. He is also involved in developing new products and identifying new markets for our Group.

Dr Tan was once a member of Pro-Enterprise Panel with Ministry of Trade & Industry from 1 January 2016 to 31 December 2017 and has also served the Textile and Fashion Industry Training Center Academic and Examination Board for a term of 5 years from 1 November 2010 to 1 November 2015. He had also been appointed as the Chairman sat on IPI Industry Advisory Panel with IPI Ltd from 30 April 2014 to 31 May 2016, prior his current role as the member on IPS Steering Committee Board of IPI Ltd.

Dr Tan holds a Bachelor of Science degree in Chemistry from the University of London and obtained an honorary Ph. D in business administration from the Honolulu University, Hawaii, USA, in 2003. Between 1967 and 1989, Dr Tan was the Regional Technical Manager of the Sandoz Division of F.E. Zuellig (Trading) Pte Ltd (1976 to 1988). Technical Supervisor of Guthrie (M.S.) Pte Ltd (1973 to 1975) and a Chemical Analyst in the Malaysia Chemistry Department (1967 to 1972).



Mr DRO TAN GUAN LIANG
Executive Director

Mr Tan was appointed as our Executive Director since 2010. He is responsible for the Group's business, projects that cater to branding of the company and product innovation and development. He helps out with the design, expansion and overseeing of the group's buildings and infrastructures. He is actively involved in the group's diversification projects that aim to complement the group's existing core businesses. He has also been appointed as Vice President of International Affairs at Textile and Fashion Federation Singapore a non-profit organisation, and an active member of its executive and management committee dedicated to help the Singapore textile and fashion industry and its members globalize. He is also appointed as Executive Council Member in the 7th Council of the China Dyestuff Industry Association. Prior to this he has worked with various architectural firms in Seoul, Korea and Singapore. He is an ACAD board member of the Textile and fashion training center TaFtc. Mr Tan graduated with a Masters in Architecture and Minor in Technopreneurship from the National University of Singapore in 2008; his research thesis focused on the global study and development of sustainable suburban communities.

KEY MANAGEMENT

MR TAN PANG SIM

*Director / General
Manager of Unimatex
Sdn Bhd*

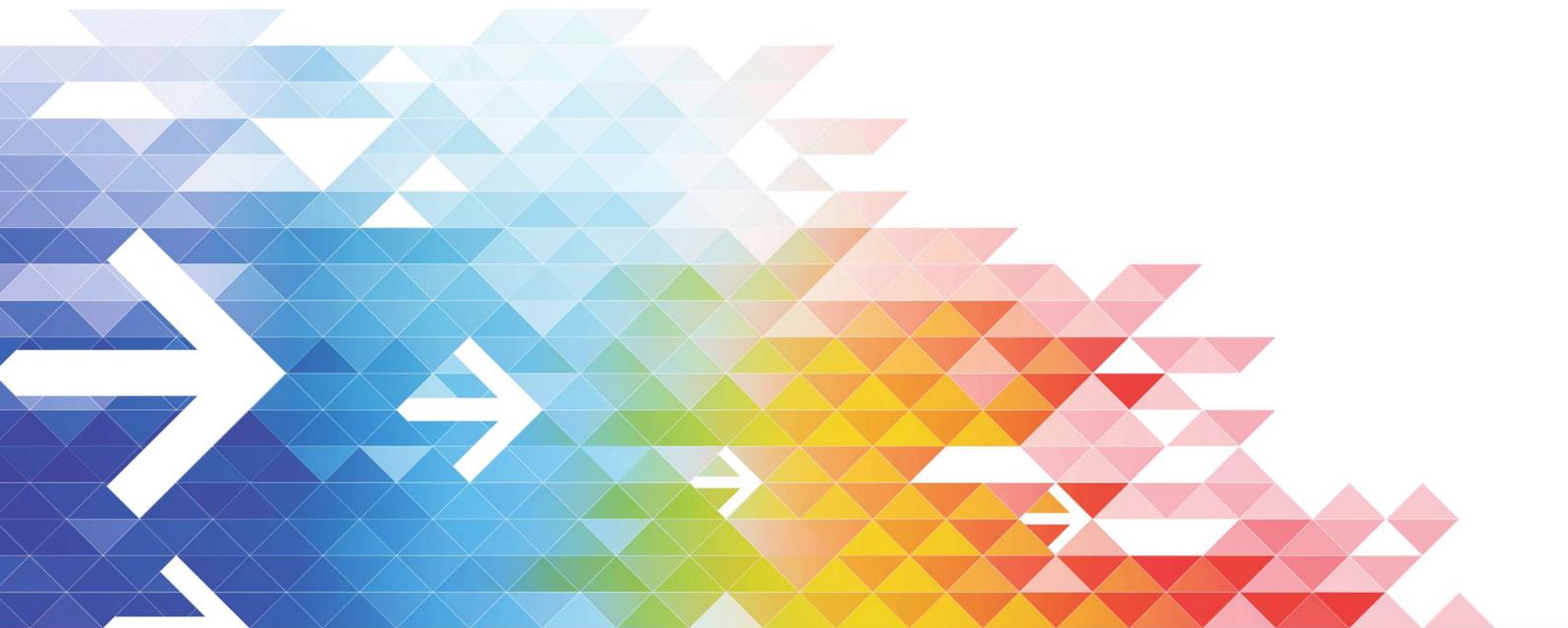
Mr Tan has been the General Manager of Unimatex Sdn Bhd (USB) since 2000. He is in charge of the management and development of corporate policies and procedures for USB. Mr Tan holds a diploma in commercial accounting from the Singapore Commercial Accounting Institute and is an Associate Financial Planner with the Financial Planner Association of Malaysia. Having started his career as an Accountant and Office Administrator in Pacific Food Product Sdn Bhd in 1971, Mr Tan has more than 30 years of experience in company administration and management as well as financial planning. Prior to joining us, he was the Financial Controller/Director of Macinda Sdn Bhd between 1989 and 2000.

MS SERINE YEO NGEN HUAY

*Chief Financial
Officer*

Ms Serine Yeo joined the Group as Chief Financial Officer since February 2013. She has been put in- charge of finance, accounting, taxation and treasury of the Group. In addition to her financial focus, Ms Yeo is actively involved in line-of-business executive and operations management. She also assists the Executive Directors to oversee the financial planning, business development and the management of strategic business investments. Prior to joining the Company, Ms Yeo was the Financial Controller with one of the Multi-National Company. She has acquired vast amount of working experience working as Group Financial Controller with various private, local and overseas listed companies.

Ms Yeo holds a Bachelor Degree in Commerce, major in Accounting & Finance from The University of Southern Queensland, Australia and Diploma in Computer Studies from The National Centre for Information Technology of United Kingdom. She is a Fellow Certified Public Accountant with CPA, Australia. In addition, she is an Accredited Tax Practitioner (Income Tax & GST) with Singapore Institute of Accredited Tax Professionals.



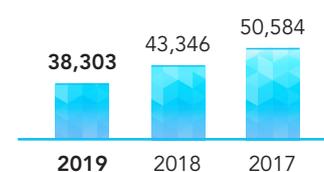


FINANCIAL HIGHLIGHTS

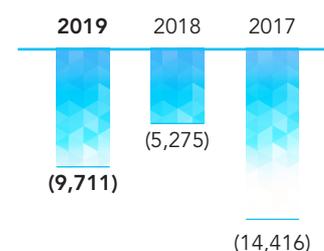
GROUP CONSOLIDATED STATEMENTS

	2019	2018	2017
Statement of Comprehensive Income (\$'000)			
Revenue	38,303	43,346	50,584
Gross Profit	3,592	6,381	1,929
Net operating & financial expenses	(13,303)	(11,656)	(16,345)
Loss before tax	(9,711)	(5,275)	(14,416)
Income tax	(105)	(246)	(287)
Loss after tax	(9,816)	(5,521)	(14,703)
Attributable to:			
Owners of the company	(6,247)	(3,721)	(9,628)
Non-controlling interests	(3,569)	(1,800)	(5,075)
	(9,816)	(5,521)	(14,703)
Loss per share (cents)*	(2.34)	(1.39)	(3.60)
Balance Sheet (\$'000)			
Property, plant and equipment	12,788	13,809	14,335
Other non-current assets	1,743	1,915	2,072
Current assets	27,642	35,364	46,079
Less : current liabilities	(19,665)	(18,722)	(23,592)
Net current assets	7,977	16,642	22,487
Non current liabilities	(847)	(195)	(234)
Net assets	21,661	32,171	38,660
Owners of the company	16,905	23,634	28,071
Non-controlling interests	4,756	8,537	10,589
Total equity	21,661	32,171	38,660
Net asset value per share (cents)**	6.32	8.84	10.50

REVENUE (\$'000)



(LOSS) BEFORE TAX (\$'000)



SHAREHOLDERS' EQUITY (\$'000)



NET ASSET VALUE PER SHARE (CENTS)



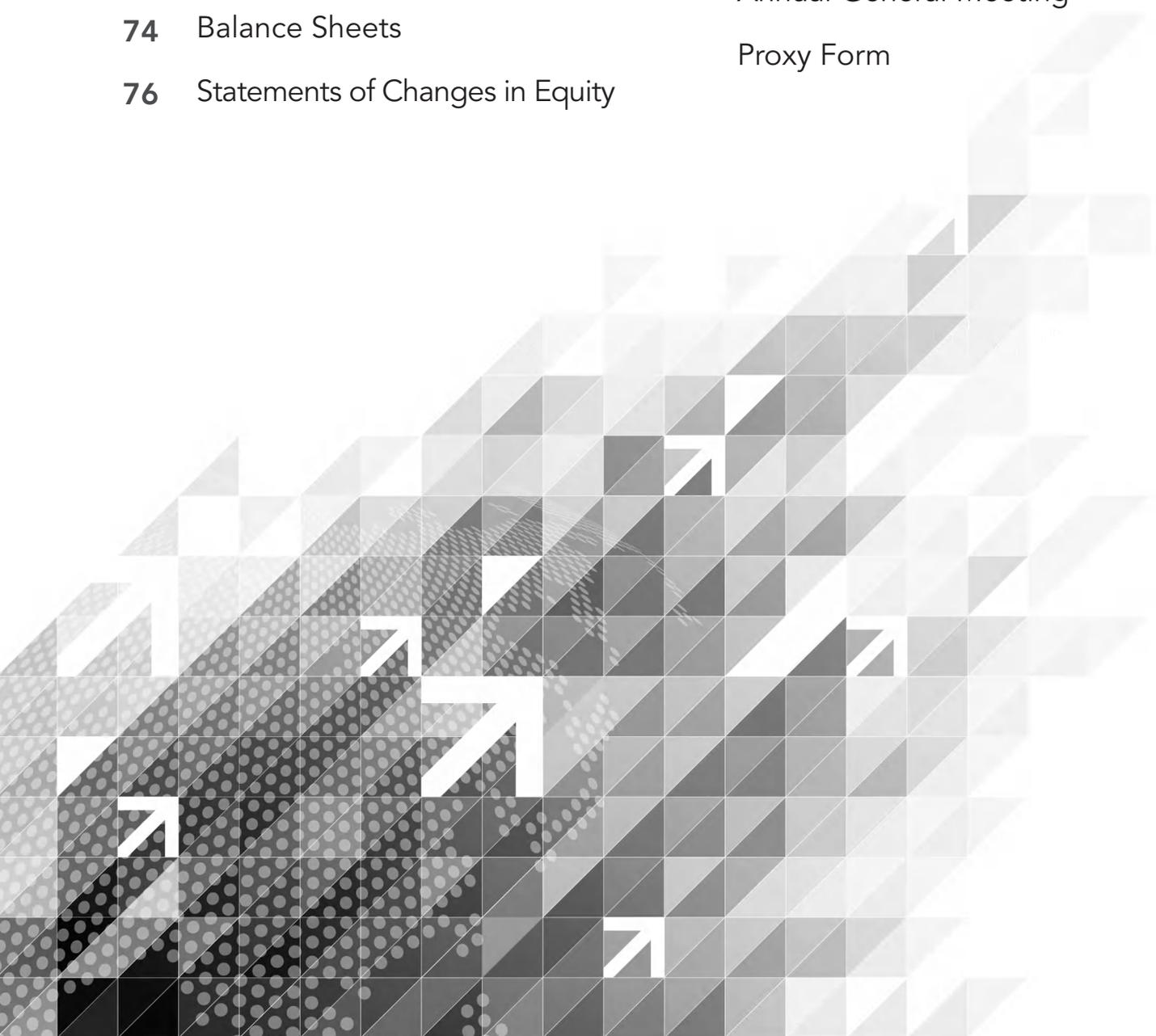
* Loss per share is calculated by dividing the loss attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year of 267,392,320 (2018/2017: 267,392,320/267,392,320) shares.

** The net asset value per share as at 31 December 2019 are computed based on 267,392,320 (2018/2017: 267,392,320/267,392,320) ordinary shares.

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SUSTAINABILITY REPORT

ABOUT THIS REPORT

The Group's sustainability report ("**Sustainability Report**") shows the Group's deep considerations for sustainability issues as part of its strategic formulation and business strategies. It draws from the Economic, Operational, Environmental and Social Performance Statements within the Annual Report.

The Group had its first Sustainability Report in year 2017 and will continue on a yearly basis as part of its Annual Report.

This report sets out the approaches adopted by the Group and the measures it has taken thus far in managing the environmental, social and governance ("**ESG**") aspects of our business operations based on Global Reporting Initiative ("**GRI**") guidelines

The Sustainability Report focuses on addressing material ESG factors to provide readers with meaningful overview of how sustainability issues are managed, in line with the Singapore Exchange's Listing Rule 711B for listed companies and covers the primary components outline as follows:-

- Board Statement;
- Sustainability reporting framework
- Materiality Assessment;
- Policies, practices and performance;
- Targets

BOARD STATEMENT

We best tackle each challenge with safe, reliable and innovative solutions. We trust our competent local teams to provide sustainable developments for the Group and the communities in which we operate.

We continue to monitor the impact that our business activities or actions may have on the environment and communities because we recognise the importance of healthy ecosystems and social equity. Operating at all times with integrity, trust and reliability continues to be our vision when we manufacture and supply innovative and high-quality products in a manner that minimises impact on the environment.

We deem sustainability as a critical success factor for companies to ensure long-term value creation. The key material ESG factors for the Group have been identified and reviewed by the management of the Group. The board of the Company (the "**Board**") monitors and oversees the management of these factors and takes them into consideration when determining the Group's strategic direction and policies.

We will continue to pursue good corporate governance and sustainable business practices that better fosters best practices, transparency, accountability and integrity for the long-term sustainability of our business and value creation for our stakeholders and communities.

SUSTAINABILITY REPORT

REPORTING FRAME WORK, PERIOD AND SCOPE

This report particularly articulates the economic and operational, governance, and social issues that affect our group of companies in general during the fiscal period of 1 January 2019 to 31 December 2019.

This report adopted the Framework of Global Reporting Initiative (GRI) Sustainability Reporting Standards, a Standard which is aligned with international standards and normative frameworks. The information and data are reported in good faith even as the Group continues to strengthen its data collection processes.

MATERIALITY ASSESSMENT

Economic & operational factors

Retention of customers

Customer retention continues to be the Group's key focus for its business sustainability and to drive sales growth.

Notwithstanding our low production volumes as a result of compliance with the Chinese government orders to switch from using coal to natural gas, in addition to implementing safety upgrades and waste management improvements during the last couple of years, the Group expects to gradually see the positive return of existing customers as a result of its ongoing effort to sustain good rapport with customers to gain back its market share.

Improvement of productivity efficiencies

Waste arising in production processes can have a significant effect on profitability and therefore it is necessary to eliminate wastage in raw material, wastage of time in the case of man and machine hours etc.

In year 2019, the Group has completed upgrading most of its old equipment as well as automating part of its production facilities with the aim of reducing wastage and to optimise utilisation of man and machine hours.

The Group intends to implement a progressive and flexible system to reward and publicise any good waste-reduction efforts by its employees in year 2020. This system was initially due to start in year 2019 but due to ongoing retrofitting works, this project was delayed and postponed to year 2020.

Strategic partnership

During the year, the Group continued to work closely with its global strategic brands, partners and customers to launch its range of eco-friendly products like **Megapro ECO®**, where it received positive feedback.

The Group expects better gross margins to be achieved through higher selling price and better control over the cost of production, mainly attributed to its optimum cost savings on raw materials purchased by way of centralised procurement. The Group will continue with its centralised procurement if it continues to be cost effective.



SUSTAINABILITY REPORT

Environmental factors

Reduce and reuse

The Group continues to fully embrace the concept of waste minimisation across the supply chain. It strives to minimise waste within its operations. Reduction of waste not only reduces its impact on the natural environment, it also creates savings on material costs.

Waste water treatment

As a dye and chemical company, environmental protection is certainly a key and crucial issue to us. As a responsible corporation, we ensure the wastewater generated from our production processes, is properly treated before discharging them.

Not only do we play our part to minimise the impact on the environment, we hope to spread our efforts to other stakeholders up and down our value chains. The Group has put in place novel membranes to treat high salt content wastewater in textile dyeing, with its expected operating pressure much lower than those of similar membranes available in the market. This saves time, energy and cost of the treatment.

The Group aims to make and commercialise such a system. The Group is targeting the middle of year 2020, or once the COVID-19 situation stabilises to add such a system in its product line which provides an integrated solution to customers who face ever increasing challenges in their own wastewater treatments.

Reduction in carbon emissions

The Group released its 2019 Communication on Progress Report ("**COP**") on the UN Global Compact Website. It is constantly on the lookout for better ways to reduce its impact on the environment by lowering carbon emissions and improving energy efficiencies in its daily operations.

By switching from coal to natural gas, a more environmentally friendly fuel, the Group has achieved reduction in our carbon emissions. Not only does it provide workers with a cleaner working environment, our products have thus lower carbon footprint which helps customers achieve better results and their carbon neutrality aspirations.

Environmental goals set to achieve from year 2020:-

- Energy consumption to be cut by up to 30%;
- Direct CO₂ emissions to be reduced by up to 45%;
- Water usage to be reduced by up to 25%;
- Volume of effluents to be reduced by up to 40%; and
- Volume of waste to be reduced by up to 45%

SUSTAINABILITY REPORT

Eco-friendly products

The Group continues to keep customers abreast of the latest technologies and comply with the required global standards. We have developed a wide range of products which entail the use of less resources like water and electricity. Last year, the Group received positive feedback on its eco-friendly product range, **Megapro ECO®**, a system comprising a range of products which fully eliminates the need for salt in exhaust dyeing. This enhances customers' business continuity as it results in lesser utility usage and lower ecological carbon footprint. With the increased worldwide awareness of environmental protection, the Group continues to innovate more eco-friendly products to better serve customers' needs.

Social factor

Compliance of industrial standards

The Group continues its commitment to meet the industry's best practices and ensures that its business conforms to the requirements and standards.

The Company is a regular member partner at **Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers ("ETAD")**. ETAD was founded in 1974 as an international organisation of Responsible Companies. ETAD's Code of Ethics, which is based on the principles of responsible care, complies with all national and international chemical regulations. It bases its position on sound science, internal industrial know-how and constantly updated regulatory information. It continued to chair the 3rd China Operating Committee ("ChOC") of ETAD in Shanghai to align common goals for safety and environment. The committee will focus on local activities in contact with regulatory bodies and on all legislation developments affecting the colorant industry.

The Group continues to be a partner of **Bluesign® System**, and is committed to support Bluesign's vision to manage inputs and responsible actions. The Bluesign® system unites the entire textile supply chain to jointly reduce its impact on people and the environment.

The Group has also joined **Zero Discharge of Hazardous Chemicals ("ZDHC")** and is committed to the goals of ZDHC. In the ZDHC Joint Roadmap, Version 2, ZDHC member brands are committed to define and develop a **Manufacturing Restricted Substances List ("MRSL")** for the apparel and footwear industry. The ZDHC MRSL addresses hazardous substances potentially used and discharged into the environment during manufacturing and related processes, not just substances that could be present in finished products.



SUSTAINABILITY REPORT

The ZDHC MRSL is a list of chemical substances subject to a usage ban. This means that the MRSL-listed chemical substance or group of substances may not be used to achieve a desired function or effect during production of the raw material or product (that is, no intentional use). Due to the existence of manufacturing impurities in chemical formulations, a minor or trace amount of the restricted substance is permitted within defined concentration limits. Chemical formulations containing restricted substances that exceed these limits are not compliant with the MRSL.

Restricted substances and groups of substances according to ZDHC MRSL (details on chemicals and individual limits see MRSL) are:

- Alkylphenol (AP) and Alkylphenol Ethoxylates (APEOs)
- Chlorobenzenes & Chlorotoluenes
- Chlorophenols
- Dyes – Azo (Forming Restricted Amines)
- Dyes – Navy Blue Colorant
- Dyes – Carcinogenic or Equivalent Concern
- Dyes – Disperse (Sensitizing)
- Flame Retardants
- Glycols
- Halogenated Solvents
- Organotin Compounds
- Polycyclic Aromatic Hydrocarbons (PAHs)
- Perfluorinated and Polyfluorinated Chemicals (PFCs)
- Phthalates – including all other esters of ortho-phthalic acid
- Total Heavy Metals
- Volatile Organic Compounds (VOC)

Compliance of law and regulation

Regulatory compliance is of importance for business continuity. It also serves to foster trust among stakeholders. Just as a positive reputation is likely to encourage stakeholders to maintain and deepen relationships, the converse can ultimately undermine the financial performance of the Group.

As a responsible corporate citizen, the Group will continue to observe all regulatory requirements within the Group.

Employment and retention of employee

The Group continues to pledge its full commitment to Fair Employment Practices under the framework of TAFEP (Tripartite Alliance for Fair & Progressive Employment Practices) organised and endorsed by Ministry of Manpower of Singapore, NTUC (National Trade Union Congress) and SNEF (Singapore National Employers Federation).

SUSTAINABILITY REPORT

It recognises that it is important to provide a safe and conducive working environment for employees. The Group’s standardised company-wide policy includes the maintenance of a comprehensive set of work safety management systems. These include procedures for operation of machinery, occupational health and safety practices, emergency rescue plans, environmental protection practices. Our operations have management systems that are following the ISO 14001, ISO 9001 and OHSAS 18001:2007 standards.

Fair and equitable employment, merit and the performance of individuals without discrimination of race, gender, age or religion, remain our recruitment and promotion selection and/or scoring criteria.

STAKEHOLDER ENGAGEMENT

The Group continues to stay engaged with stakeholders where it deems highly relevant to the sustainable developments of the Group and a prerequisite for its long-term sustainable growth.

The Group continues to actively communicate and interact with stakeholders during the course of daily operations to understand and address the demands and concerns of all parties. In addition to meeting stakeholders, the senior management also participates in conferences and exchanges with the Associations in order to contribute to different areas of the industry, as well as to stay abreast of industry trends. Such communications play a vital role in Group-wide decision-making processes.

Below table summarised the information on communications the Group has with the different group of stakeholders.

Stakeholders	Topics concerned	Communication channels	Frequency per year
Customers	<ul style="list-style-type: none"> • Production quality and Improvements; • Operation in compliance with applicable law and regulations; • Customer support; • Financial performance 	<ul style="list-style-type: none"> • Customer visits or meetings; • Industry exhibitions; • Quarterly or half yearly business review; • Customer service hotline and email 	<ul style="list-style-type: none"> • As required • Yearly • Quarterly or half year • As required
Employees	<ul style="list-style-type: none"> • Communication and engagement; • Career development and welfare; • Working environment condition; • Training 	<ul style="list-style-type: none"> • Social events with employees, internal announcement and emails; • Regular management meeting with staff; • Regular review with department heads; 	<ul style="list-style-type: none"> • As required • As required • As required
Shareholders	<ul style="list-style-type: none"> • Return on investment; • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • Half yearly and annual financial results announcement; • Sustainability report 	<ul style="list-style-type: none"> • Bi-yearly • Yearly



SUSTAINABILITY REPORT

Stakeholders	Topics concerned	Communication channels	Frequency per year
Investors	<ul style="list-style-type: none"> • Strategic plans; • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • Regular meeting with investors; • Sustainability report 	<ul style="list-style-type: none"> • As required • Yearly
Suppliers	<ul style="list-style-type: none"> • Supplier quality performance; • Supplier sustainability in business; • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • Regular meeting with suppliers; • Key suppliers audit; • Sustainability report 	<ul style="list-style-type: none"> • As required • Yearly • Yearly
Government and regulators	<ul style="list-style-type: none"> • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • Regular compliance update and submission 	<ul style="list-style-type: none"> • Yearly
Communities	<ul style="list-style-type: none"> • Environmental protection; • Community activities involvement; • Support to society organisations; • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • Participation in community activities; • Communication through phones and emails; • Sustainability report 	<ul style="list-style-type: none"> • On-going • As required • Yearly

OUR SUSTAINABILITY PROGRESS AND TARGETS

Product, cost cutting and process innovation

In addition to streamlining its production processes, to improve efficiency and to eliminate unnecessary steps without undermining the quality of the products, the Group has implemented an E-Commerce system, **YONYOU NC System ("NC")** to synchronise its operation process and provide real time information to users.

NC has helped the Group to streamline its operation and substantially improve its turnaround time, thus increasing customer satisfactions as a result. In addition, it also helps to reduce redundant man hours by relying less on workers and thus lead to cost-saving efficiencies.

We expect further efficiencies to be seen as the Group adopts NC for all its modules which include manufacturing, operations, supply chain, finance and E-commerce. By implementing this system, the Group is becoming more digitised and is expected to uncover more opportunities to reach out to more customers for business growth, which may have otherwise been left unknown to the sales teams due to geographical reasons. It presents an economical method of reaching out to a large targeted audience with high degree of efficiencies.



SUSTAINABILITY REPORT

Other benefits, amongst others, include improved real-time interaction with customers, generating accurate and valuable insights, better inventory management, accessing new customer segments, higher productivity, and better resource allocation. It has become easier and more efficient for users to collect data from all departments within the group from all regions, which yields faster and more accurate information. It helps to streamline business operations to deliver competent and relevant solutions to customers' enquiries, which results in higher chances of closing deals. By giving a better macro view of the pending order list, it will enhance effective forecasting and efficient business decisions.

Environmental protection

The Group continued its efforts with **Megapro ECO®**, a system which eliminates the need for salt in exhaust dyeing. This is an environmental revolution and during the year, it continues its marketing efforts with its global strategic brands and business partners with the aim to become the first player in the industry with this innovation.

The Group's official global launch of **Megapro ECO®** was at ITMA 2019 Barcelona and Planet Textiles The Sustainable Textiles Summit, 22nd June 2019 at Fira de Barcelona, a global forum for leading key experts and practitioners in the fields of sustainability for textile and manufacturing across the fashion value chain. Given the usefulness of **Megapro ECO®**, this can potentially impact up to 50% of global demand and more.

Please visit:- <https://www.planet-textiles.com/pod-2019/>

This is a meaningful environmental revolution which the Group is very excited and working closely with its global strategic brands, partners and customers to implement quickly in view of the pressing issues of Climate Change and to target the UN Sustainable Development Goals ("SDG").

GOAL 3: *Ensure healthy lives and promote well-being for all at all ages*

GOAL 6: *Ensure availability and sustainable management of water and sanitation for all*

GOAL 11: *Make cities and human settlements inclusive, safe, resilient and sustainable*

GOAL 12: *Ensure sustainable consumption and production patterns*

The SDGs define global sustainable development priorities and aspirations for **2030** and seek to mobilise global efforts around a common set of goals and targets. The SDGs call for worldwide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet.

On **6th November 2019**, **Megapro ECO®** Matex won the Singapore Apex Corporate Sustainability Awards under **Sustainable Solutions Category**. The Singapore Apex Corporate Sustainability Award recognises companies whose business operations or solutions have demonstrated excellence in embodying the Ten Principles of the United Nations Global Compact, in the areas of environment, human rights, labour and anti-corruption.

Please visit:- <https://sustainabilityawards.sg/winners/>



SUSTAINABILITY REPORT

In addition, the Group's products are approved by **Intertek's Green Leaf Mark Environmental Certification**, which places strong emphasis on the ban of hazardous Azo Dyes and limits on extractable heavy metal content.

The Group is committed to sustainable environmental practices, which plays a critical role in preserving, protecting and improving the environment. It will nevertheless continue to seek for ways to improve its environmental protection capabilities.

Community investment

The Group believes corporate social responsibility should also include giving back to the community. It continues to participate in various projects to support education, employability as well as uplifting social causes.

In our efforts as a responsible global corporate citizen, we had continued to play our part actively to champion a growing diversity of programs and initiatives to give back to society as part of our ongoing Corporate Social Responsibilities ("CSR") initiatives. Some of these highlights include:

- (1) working with various social enterprises like WaterROAM and start-up communities and companies on various projects ranging from developing suitable products to delivering to poverty and disaster struck areas and places, across to innovative solutions to treat and provide clean drinking water.
- (2) releasing its **2019** Communication on Progress Report ("**COP**") on the UN Global Compact Website. We are constantly on the lookout for better ways to reduce our impact on the environment by lowering carbon emissions and improving energy efficiencies in our daily operations.
- (3) continuing to pledge its commitment to Fair Employment Practices under the framework of Tripartite Alliance for Fair & Progressive Employment Practices ("**TAFEP**") organised and endorsed by Ministry of Manpower of Singapore, National Trade Union Congress and Singapore National Employers Federation.
- (4) successfully organising for the **9th year** running the Society of Dyers and Colourists ("**SDC**") Singapore heat. A country winner was chosen amongst local Textile and Fashion Schools to represent the country at the Grand Finals in Fuzhou, China. The SDC is the world's leading independent, educational charity dedicated to advancing the science and technology of colour worldwide.
- (5) working closely with the **Singapore Fashion Runway** to help the special needs community to take part in Next Top Inclusive Model Hunt 2019. The Group had sponsored the event and was an invited judge. Through this event, the participants learned about confidence-building, showcasing their talent(s) and social skills as they get to interact with other participants. The Singapore Fashion Runway is a platform founded to nurture and provide opportunities who are special needs, disabled, have chronic illness, are breast cancer patients and survivors in their journey of fashion, so that they can learn a skill and seek happiness while battling with their illness.

Please visit:- <http://www.singaporefashionrunway.com/>



SUSTAINABILITY REPORT

GOVERNANCE

Corporate governance

To ensure the independence of the Board of Directors (“BOD”), transparency in the BOD operations as well as to safeguard stakeholders’ interest and maximising their long-term values, the Group continuously updates and improves the company’s policies and procedures.

For the financial year ended 31 December 2019, the company has generally adhered to the framework as set out in the Singapore Corporate Governance Code 2018 issued on 6 August 2018.

You may refer to Corporate Governance Report of this Annual Report for more details for our Corporate Governance practices.

We are committed to maintaining the high standards of our corporate governance.



CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**”) and the management (the “**Management**”) of Matex International Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are committed to achieving high standards of corporate governance to ensure investor confidence in the Group as a trusted business enterprise. The Board and the Management of the Company continues to uphold good corporate governance practices to enhance long-term sustainability of the Group’s business, performance, and shareholders’ interest.

This Report describes the Group’s corporate governance structures and practices adopted by the Group for financial year ended 31 December 2019 (“**FY2019**”), with specific reference made to the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”) and accompanying Practice Guidance issued in August 2018, which forms part of the continuing obligations of the SGX-ST Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”).

The Board believes that it has substantially complied with the principles and guidelines as set out in the Code where appropriate. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code.

- A. BOARD MATTERS
- B. REMUNERATION MATTERS
- C. ACCOUNTABILITY AND AUDIT
- D. SHAREHOLDER RIGHTS AND ENGAGEMENT
- E. MANAGING STAKEHOLDERS RELATIONSHIP

A. BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: *The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.*

Provision 1.1. – Principle Duties of the Board

The Board assumes responsibility for stewardship of the Company and the Group, and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It has oversight responsibility over the management of the business and affairs of the Group. The Board also sets the tone for the Group where ethics and values are concerned.

The Company is headed by an effective Board which comprises five (5) Directors (the “**Directors**”) of whom the Chairman is an Independent and Non-Executive Director, two (2) are Executive Directors and the other remaining (2) are Independent Directors. Together, the Directors command a wide range of business, legal and financial experience that collectively contribute to the success of the Group. The Board oversees the business activities, overall management, formulate strategic direction and performance of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for shareholders.

CORPORATE GOVERNANCE REPORT

Besides its statutory responsibilities, the Board also:

1. provides entrepreneurial leadership, and guidance on the overall strategic direction, oversees the proper conduct of the business, performance and affairs of the Group and ensures that the necessary financial, human and operational resources are in place for the Group to meet its objectives;
2. sets objective performance criteria to evaluate the Board, individual Directors and Board Committees' performance and succession planning process;
3. reviews the adequacy and effectiveness of the Group's risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders' interests and the Group's assets;
4. reviews and approves key operational and business initiatives, major funding proposals and other corporate actions, significant investment and divestment proposals, including determining the Group's operating and financial performance, the Group's annual budgets and capital expenditure, release of the Group's half-year and full-year financial results and other strategic initiatives proposed by Management;
5. approves all Board appointments/re-appointments and appointment of Managing Director/Chief Executive Officer ("**CEO&MD**") and other persons having authority and responsibility for planning, directing and controlling the activities of the Company ("**Key Management Personnel**" or "**KMP**"), evaluates their performance and reviews their remuneration packages;
6. establishes goals and priorities for Management and reviews Management's performance by monitoring the achievement of these goals;
7. approves the nominations for the Board by the Nominating Committee;
8. reviews recommendations made by the Audit Committee on the appointment, re-appointment or removal of Group Chief Financial Officer, external and Internal auditors;
9. reviews recommendations made by the Remuneration Committee and approves the remuneration packages for the Board and KMP;
10. identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation;
11. sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and
12. considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.



CORPORATE GOVERNANCE REPORT

Independent Judgement

All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group. The Directors on the Board have the appropriate core competencies and diversity of experience that enable them to contribute effectively. They are able to objectively raise issues and seek clarification as and when necessary from the Board and the Management on matters pertaining to their area of responsibilities and actively help the Management in the development of strategic proposals and oversees the effective implementation by the Management to achieve the objectives set. The Board puts in place a code of conduct and ethics, set appropriate tone-from-the-top and desired organisation culture and ensure proper accountability within the Company.

Conflict of Interest

Every Director of the Company is required to disclose any conflict or potentially conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as practicable after the relevant facts have come to his/her knowledge. On an annual basis, each Director is also required to submit details of his/her associates for the purpose of monitoring interested persons transactions. When there is an actual or potential conflict of interest, the concerned Director shall, abstain from voting, and not involve in discussion or decision making, on the conflict related matters.

Provision 1.2 – Directors' Orientation and Training

All newly-appointed Directors attend an orientation programme to familiarise themselves with the Group's business, operations and governance practices. The Board of Directors have the opportunity to visit the Group's China plants and meet with the Management to gain a better understanding of the Group's business operations. In addition, Directors are provided with the contact numbers and email addresses of key executives, the Company Secretary and Auditors to facilitate efficient and direct access. To keep pace with a fast-changing regulatory environment, the Board is kept informed of any relevant changes to legislation and regulatory requirements. Directors and Management also attend courses to keep abreast of changes in the law and governance matters that may affect the Group. The Board values ongoing professional development and recognises the importance that all Directors receive regular training so as to be able to serve effectively on, and contribute to the Board.

During FY2019, there was no new appointment of director and the Company has no on-going budget for the non-executive and independent directors to attend appropriate courses, conferences and seminars conducted by external professional.

The NC and Board are of the view that training is not required because the Non-Executive and Independent Directors have other relevant experiences and/or currently acting as non-executive director of several Singapore listed companies. The details of the directors' experiences and qualifications are listed on pages 39 to 40 of this Report.

CORPORATE GOVERNANCE REPORT

The Board as a whole is updated regularly on risk management, corporate governance, insider trading (if any) and key changes to the relevant regulatory requirements and financial standards, so as to enable them to properly discharge their duties as Board or Board Committee members. Our Independent Directors are also engaged full time in their respective profession, keeping them updated in their fields of knowledge.

In FY2019, the external auditors, Ernst and Young LLP briefed the AC and Board on the developments in financial reporting and governance standards.

Provision 1.3 – Board Approval

The Group has adopted internal guidelines governing matters that require the Board's approval which has been clearly communicated to the Management.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to Board Committees and specific members of the key management via a structured Delegation of Authority matrix, which is reviewed on a regular basis and accordingly revised when necessary.

The matters require Board's approval include:

- material acquisition and disposal of assets/investments;
- corporate/financial restructurings or corporate exercise;
- incorporation of new entities;
- issuance of shares, declaration of dividend and other returns to shareholders;
- risk appetite and risk tolerance for the different categories of risk;
- nomination of Directors and Key Management Personnel;
- matters as specified under the Singapore Exchange Securities Trading Limited's ('SGX-ST') interested person transaction policy;
- announcement of the Group's half year and full year results and the release of the Annual Reports; and
- any other matters as prescribed under the relevant legislations and regulations, as well as the provisions of the Company's Constitution.



CORPORATE GOVERNANCE REPORT

Provision 1.4 – Delegation by the Board to Board Committees

To assist in the execution of its responsibilities, the Board had established 3 Board Committees. The Committees are the Audit Committee (“**AC**”), Nominating Committee (“**NC**”), and Remuneration Committee (“**RC**”) (Collectively, “**the Board Committees**”) and delegates specific areas of responsibilities to these Committees. Each of these Board Committees functions within clearly written terms of reference (“**TOR**”), which have been approved by the Board. The composition of the Board Committees for FY2019 is tabulated below:

Directors	AC	NC	RC
John Chen Seow Phun	Chairman	Member	Member
Tan Pang Kee (“Dr Alex Tan”)	–	–	–
Tan Guan Liang	–	–	–
Foo Der Rong	Member	Chairman	Member
Wang Dao Fu	Member	Member	Chairman

The Board Committees have the delegated power to deliberate any issue that arises in their specific areas of responsibilities within their respective TOR and report to the Board with their decisions and/or recommendations. The ultimate responsibility and authority for the decisions and actions on all matters rest with the Board. Each Board Committee’s activities and roles are elaborated further in provisions 4.1, 6.1 and 10.1.

Provision 1.5 – Board Meetings and Attendance

Provision 1.6 – Access of Information

The Board and Board Committees meet regularly and whenever necessary to discharge their duties. When required, the Board also sets aside time at the scheduled meetings to meet without the presence of Management. An annual schedule of Board and Board Committee meeting dates is set by the Directors in advance.

Ad-hoc meetings are convened when required to address any significant issues that may arise in-between scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and Board Committees is achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company’s Constitution (“**Constitution**”) provides that the Directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication.

All draft agendas for meetings are reviewed by the Chairman of the Board and the Chairman of the respective Board Committees. Papers and/or other information are forwarded to the Directors before each meeting for their review and perusal. Members of Management are invited to attend the meetings to present information and/or render clarification when required. However, sensitive matters may be tabled or discussed at Board meetings without any board papers distributed. Board and Board Committees papers are provided electronically and can be accessed via tablet devices.

CORPORATE GOVERNANCE REPORT

Presentations are also made by senior executives on performance of the Group's various businesses and business strategies at these meetings. This allows the Board to have a good understanding of the Group's operations and be actively engaged in robust discussions with the Group's senior executives.

Directors are entitled to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. As and when required, Board members meet to exchange views outside the formal environment of Board meetings. The number of meetings held by the Board and Board Committees and attendance records taken during FY2019 are as follows:

Name of Director	Board Meetings		Nominating Committee Meeting		Remuneration Committee Meeting		Audit Committee Meetings	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Dr John Chen Seow Phun	2	2	1	1	1	1	2	2
Dr Alex Tan	2	2	1	1	1	1	2	2
Tan Guan Liang	2	2	1	1	1	1	2	2
Foo Der Rong	2	2	1	1	1	1	2	2
Wang Dao Fu	2	2	1	1	1	1	2	2

Provision 1.7 – Independent Access to Management and Company Secretary

The Board has separate and independent access to Management and the Company Secretary and where required, can obtain additional information to facilitate informed decision-making. Information provided includes background or explanatory materials related to matters to be reviewed and matters under review by the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. Any material variance between the projections and actual results in respect of budgets, is also disclosed and explained.

Minutes of all Board Committee meetings are circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

The Company Secretary attends Board and Board Committees meetings and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also periodically updates the Board on relevant regulatory changes affecting the Company. The appointment and removal of the Company Secretary is a matter for the Board as a whole.



CORPORATE GOVERNANCE REPORT

Access to independent professional advice at the Company's expense

The Company has in place the procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice at the Company's expense as and when necessary in furtherance of their duties. Independent advisors include legal, financial, tax, board compensation and M&A functions. The appointment of such professional advisor is subject to approval by the Board.

Principle 2: *The board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company*

Board Composition and Guidance

Provision 2.1 – Board Independence

Provision 2.2 & 2.3 – Proportion of Non-Executive and Independent Directors

Provision 2.4 – Board Composition & Diversity

Provision 2.5 – Meetings of Non-Executive Directors and Independent Directors

The Board comprises five (5) Directors, three (3) of whom (Including the Chairman) are independent and non-executive Directors (the "**Independent and Non-Executive Directors**") and two (2) are Executive Directors. Majority of the Board is made up of Independent and Non-Executive Directors, which is in compliance with the Code. The composition of the Board is as follows:

Dr John Chen Seow Phun	(Chairman, Independent and Non-Executive Director)
Dr Alex Tan	(Chief Executive Officer and Managing Director)
Mr Foo Der Rong	(Independent and Non-Executive Director)
Mr Wang Dao Fu	(Independent and Non-Executive Director)
Mr Tan Guan Liang	(Executive Director)

The NC reviews annually the independence of each Director taking into account the existence relationships or circumstances, including those provided in the Code. Every Non-Executive Director is required to complete a confirmation of independence form drawn up based on the Principal 2 of the Code for the NC review and recommendation to the Board.

Taking into consideration the foregoing, the NC has determined Mr Foo Der Rong, Dr John Chen Seow Phun and Mr Wang Daofu, (who are the majority of the Board) to be independent. Each of these Directors has also confirmed their independence.

The Board concurred with the views of the NC. Each of the Directors abstained from the deliberation of his own independence.

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The Company recognises that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board.

The dates of initial appointment and last re-election of each Director are set out below:

Name of Director	Position	Date of Initial Appointment	Date of last re-election
Dr John Chen Seow Phun	Chairman and Independent and Non-Executive Director	11 July 2003	29 April 2019
Dr Alex Tan	Chief Executive Officer and Managing Director	23 March 1990	29 April 2019
Mr Foo Der Rong	Independent and Non-Executive Director	10 May 2016	27 April 2018
Mr Wang Daofu	Independent and Non-Executive Director	11 January 2017	27 April 2017
Mr Tan Guan Liang	Executive Director	1 March 2010	27 April 2018

The NC noted that none of the Independent and Non-Executive Directors, save for, Dr John Chen, has served on the Board beyond nine years from the date of his first appointment. The NC noted that Dr John Chen's long and commendable role on the Board as an Independent Director and as Chairman of the AC and Member of the NC and RC in discharging his duties professionally, ethically and with integrity.

The NC also established that Dr John Chen is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and the following factors were evaluated for this purpose:–

- a. he is not an Executive Director of the Company or any related corporation of the Company;
- b. he is not a 5% shareholder of the Company;
- c. he does not has an immediate family member who is or has been in the past three financial years, employed by the Company or an of its related corporations and whose remuneration is determined by the Company's Remuneration Committee;



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- d. he (including his immediate family² member) have not accepted any significant compensation from the Company or any of its related corporations for the provisions of services, for the current or immediate past financial year other than compensation for board services;
- e. he (including his immediate family² member) have not, in the current or immediate past financial year provided or received from the Company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting, and legal services), other than compensation for board service. As a guide, payments aggregated over any financial year in excess of S\$50,000 should be deemed significant;
- f. he (including his immediate family member) in the current or immediate past financial year not a substantial shareholder/partner/executive officer of/director of any organisation which provided to or received from the Company or its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services);
- g. he is not a family member of any Executive Director, officer or 5% shareholder of the Company;
- h. he is not acting as a nominee or representative of any Executive Director or 5% shareholder of the Company;
- i. he provides and enhances the necessary independence and objectivity of the Board;
- j. he helps to ensure effective checks and balances on the Board;
- k. he helps to mitigate any possible conflict of interests between the policy-making process and the day-to-day management of the Company;
- l. he constructively challenges and contributes to the development of business strategy of the Company; and
- m. he helps to ensure that adequate systems and controls are in place to safeguard the interests of the Company.

Having considered the above, the NC had determined that Dr John Chen has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as an Independent Director. His continued presence as an Independent Board member will ensure best practices being followed and provide effective oversight and compliance to good corporate governance.

Accordingly, the NC had recommended to the Board that he continues to be considered independent, notwithstanding he has served on the Board for more than nine years from the date of his first appointment. Dr John Chen, being a NC member, abstained from any discussion and voting on the matter. The Board had concurred with the NC's assessment.

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The Board and Board Committees are made up of a team of high calibre leaders whose diverse expertise and experience in accounting & finance, strategic planning, human resource management, business and management, legal and regulatory, industry knowledge combined provides core competencies necessary to lead and govern the Group effectively. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and this has allowed for the useful exchange of ideas and views.

The NC reviews the size and composition of the Board and Board Committees of the Company to ensure that the size of the Board and Board Committees are conducive for effective discussions and decision-making and that the Board and Board Committees have the appropriate mix of skills, knowledge and experience as well as an appropriate balance of Independent Directors. The NC, with the concurrence of the Board and Board Committees, consider their current board size appropriate for effective decision-making, taking into account the scope and nature of the Group's operations.

Although the Company has not adopted the board diversity policy, the Board recognises the importance and value of gender and age diversity. However, the Board views that this should not be considered the main selection criteria and that factors such as merit of candidates, the right blend of skills, industry knowledge, needs of the Company, shall remain as priority.

The Independent and Non-Executive Directors exercise objective judgment on the Group's affairs independently from Management. The Independent and Non-Executive Directors also contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The Independent and Non-Executive Directors also meet regularly without presence of Management to facilitate more open discussions.

Chairman and Chief Executive Officer & Managing Director ("CEO&MD")

Principle 3: *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

Provision 3.1 – Chairman and CEO&MD should be separate persons

The positions of the Chairman and CEO&MD are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Dr John Chen, an Independent and Non-Executive Director, was appointed as the Chairman of the Board on 11 July 2003 and Dr Alex Tan was appointed as the CEO&MD on 23 March 1990. The Chairman and the CEO&MD are not related.



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Provision 3.2 – Role of Chairman and CEO&MD

The Chairman presides over the business of the Board and monitors the translation of the Board's decisions and directions into executive action. In addition, the Chairman provides close oversight, guidance, advice and leadership to the CEO&MD and senior management. The Chairman also plays a crucial role in fostering constructive dialogue between shareholders, the Board and Management at the Company's General Meeting. The Chairman leads the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the Board, Management and Company Secretary.

The Chairman leads the Board and ensures the effectiveness on all aspects of its role. His responsibilities include, *inter alia*:

1. constructively determining and approving, with the full Board, the Company's strategy;
2. ensuring that the Board is properly organised, functioning effectively and meeting its obligations and responsibilities;
3. setting the agenda and ensuring adequate time is available for discussion of all agenda items, in particular, strategic issues;
4. ensuring that Directors receive complete, adequate and timely information;
5. fostering effective communication and constructive relations amongst the Directors, within Board Committees, between shareholders, between the Directors and Management;
6. encouraging the constructive exchange of views within the Board and between Board members and Management;
7. facilitating the effective contribution of Non-Executive and Independent Directors;
8. promoting a culture of openness and debate at the Board level and promoting high standards of corporate governance; and
9. establishing a relationship of trust with the CEO&MD.

The role of CEO&MD include the execution of strategic business direction and having oversight of the Group's operations and business development.

Provision 3.3 – Lead Independent Director

Given the independence of the Chairman, separation of roles between the Chairman and CEO&MD, and a strong balance of independent directors on the Board (three (3) of the five (5) Directors are independent), the Board is of the view that there are adequate safeguards and checks in place to ensure the objective assessment of the Group's ongoing affairs. The current structure also facilitates a decision-making process by the Board that is based on the

CORPORATE GOVERNANCE REPORT

collective decision of all Directors, without any concentration of power or influence residing in any one individual. In view of this, the appointment of a lead independent director is not considered by the Board to be necessary.

Board Membership

Principle 4: *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

Provisions 4.1 & 4.2 – Nominating Committee (“NC”) Composition and Role

Nominating Committee (“NC”)

The Board established the NC in April 2004 which comprises three (3) non-executive and independent directors, all of whom including the Chairman of the NC are independent. Please refer to Provision 1.4 above on the names of the members and the composition of the NC.

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The NC’s responsibilities include the following:

- (a) make recommendations to the Board on new appointments to the Board;
- (b) make recommendations to the Board on the re-nomination of retiring directors standing for re-election at the Company’s Annual General Meeting, having regard to the directors’ contribution and performance (e.g. attendance, preparedness, participation and candour);
- (c) ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
- (d) review the size and composition of the Board with the objective of achieving a balanced board in terms of the mix of experience and expertise;
- (e) determine annually whether or not a Director is independent;
- (f) ensure complete disclosure of key information of Directors in the Company’s annual reports as required under the Code;
- (g) decide on how the Board’s performance may be evaluated and recommend objective performance criteria to the Board;
- (h) report to the Board on its activities and proposals;
- (i) review training and professional development programs for the Board; and
- (j) carry out such other duties as may be agreed to by the NC and the Board.



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Provision 4.3 – Reviewing and recommending nomination for new appointment and re-appointment of Directors

Under the Catalist Rule 720(4) and the Company's Constitution, require all Directors to submit themselves for re-nomination and re-election at least once every 3 years; and at least one-third of the Directors for the time being to retire from office by rotation. New Directors appointed during the year are subject to retirement and re-election at the following AGM of the Company.

Mr Tan Guan Liang and Mr Wang Daofu are subject to retiring pursuant to Article 89 of the Company's Constitution at the forthcoming AGM of the Company. The retiring Directors, being eligible, had consented to continue in office and would seek re-election at the forthcoming AGM.

Each of these Directors, being interested in the matter, had abstained from all discussions and recommendations in respect of their own re-election. Mr Wang Daofu is considered independent for the purposes of Catalist Rule 704(7) of the SGX-ST.

Having regard to the above and taking into consideration the retiring Directors' attendance, participation and contribution to the business and operations of the Company as well as Board processes, the NC had recommended their nominations for re-election at the forthcoming AGM of the Company. The Board concurred with the NC's recommendation.

Information regarding the Directors nominated for re-election/re-appointment, including the information required under Appendix 7F of the Catalist Rules is given in the "Board of Directors" section, pages 56 to 61 of this Annual Report.

The Company does not formally adopt an evaluation criteria to identify and select potential directors. The Board, through the NC, has used its best effort to ensure that directors appointed to the Board and the Board Committee, whether individually or collectively, possess the background, experience, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective that enable sound, balanced and well-considered decisions to be made.

Provision 4.4 – Continuous review of Director's Independence

The NC is guided by the definition and criteria of independence given in the Code in determining if a director is independent.

NC has annually, and as and when circumstances required, determined if a director is independent bearing in mind the circumstances set forth in Provision 2.1 and any other salient factors of the Code. Any Director who has served on the Board beyond nine years from the date of his first appointment is subject to particularly rigorous review by the NC.

Each Independent Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

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The Board concurred with the NC's view that the three (3) Independent Directors are independent in character and judgement and there were no circumstances which would likely affect or appear to affect their judgement.

During FY2019, there was no appointment of alternate directors on the Board.

Provision 4.5 – Directors' Commitments

Where a Director has multiple Board representations, the NC will determine if the Director has been able to devote sufficient time and attention to the Company's affairs and if he has been adequately carrying out his duties as a Director. The recommendation of the NC for the nomination of a Director for re-election is then made to the Board. The Board will review this recommendation.

The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary. The NC will review the number of listed company board representations which each Director holds on an annual basis or from time to time when the need arises. In this respect, the NC believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold. The Board affirms and supports this view.

During the year, the NC had reviewed the directorships and principal commitments disclosed by each Director and was of the view that the existing directorships and principal commitments of the respective Directors have not impinged on their abilities to discharge their duties. The Board concurred with the NC.



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The table below – Key Information of Directors, also shows the disclosure of directorships and chairmanships held over the preceding three years in other listed companies as well as other principal commitments of each respective Director:

Key Information of Directors

Name of director	Academic & professional qualifications	Board Committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at forthcoming AGM	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments
Dr John Chen Seow Phun	Doctor of Philosophy degree in Electrical Engineering	Chairman: AC Member: NC & RC	11 July 2003/ 29 April 2019	Non-executive/ Independent	N/A	Nil	<ul style="list-style-type: none"> • OKP Holdings Ltd • Hiap Seng Engineering Ltd • Hanwell Holdings Ltd • Tat Seng Packaging Group Ltd • HLH Group Ltd • Fu Yu Corporation Ltd • Pavillon Holdings Ltd • JLM Foundation Ltd • Pavillon Financial Leasing Co. Ltd • Fengchi IOT Management Co., Ltd
Dr Alex Tan	Doctor of Philosophy in Business Administration	N/A	23 March 1990/ 29 April 2019	Executive	N/A	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of director	Academic & professional qualifications	Board Committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at forthcoming AGM	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments
Mr Foo Der Rong	Bachelor of Commerce Degree	Chairman: NC Member: RC & AC	10 May 2016/ 27 April 2018	Non-executive/ Independent	N/A	Nil	<ul style="list-style-type: none"> Southern Lion Sdn Bhd Pavillon Holdings Ltd Noel Gifts International Ltd Tian International Pte Ltd SLB Development Ltd Aedge Group Limited
Mr Wang Dao Fu	Bachelor of Laws	Chairman: RC Member: NC & AC	11 January 2017/ 27 April 2017	Non-executive/ Independent	29 June 2020	<ul style="list-style-type: none"> Dazhou Commercial Bank TH Straits 2015 Pte Ltd 	<ul style="list-style-type: none"> Proceq Trading (Shanghai) Co. Ltd Suzhou Diezhi Network Technology Co.Ltd SGD Investment Pte Ltd MOBO Information Technology Pte Ltd Sunpower Group Ltd
Mr Tan Guan Liang	Master in Architecture & Minor in Technopreneurship	N/A	01 March 2010/ 27 April 2018	Executive	29 June 2020	Nil	Nil



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Board Performance

Principle 5: *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

Provision 5.1 – Performance Criteria and Evaluation

Provision 5.2 – Assessment of the Board, Board Committees and Directors

Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of the individual Director. Such processes are aimed to assess whether each Director continues to contribute effectively and demonstrate commitment to the role.

In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria. The performance criteria for the Board evaluation are in respect of board size and composition, board process, board information and accountability, board performance in relation to discharging its principal functions and responsibilities and financial targets. The individual Directors' performance criteria were in relation to their industry knowledge and/or functional expertise, contribution and workload requirements, sense of independence and attendance at the board and committee meetings.

The NC evaluated the performance of the Board as a whole, including its Board Committees and individual directors, taking into consideration the Board's discharge of its principal responsibilities and Board's deliberation of Company's long-term strategy. The NC considered the Board's performance to be satisfactory. The Board concurred with the NC's recommendation. No external facilitator was used in the evaluation process.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

Provision 6.1 and 6.2 – Remuneration Committee ("RC") Composition and Role

Provision 6.3 – Reviewing of Remuneration Terms

Provision 6.4 – Remuneration Consultants

Remuneration Committee ("RC")

The Board established the RC in April 2004 which comprises three (3) non-executive and independent directors, all of whom including the Chairman of the RC are independent. Please refer to Provision 1.4 above on the names of the members and the composition of the RC.



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The members of the RC carried out their duties in accordance with the term of references, which include the following:

- (a) make recommendations to the Board on the framework of remuneration for the Directors;
- (b) make recommendations to the Board on the specific remuneration packages for each Executive Director and Managing Director (or executive of equivalent rank) of the Company;
- (c) review all benefits (including share schemes) and compensation packages for Directors of the Company;
- (d) report to the Board on its activities and proposals; and
- (e) carry out such other duties as may be agreed to by the RC and the Board.

The Company adopts a formal procedure for the fixing of the remuneration packages of individual directors, CEO&MD and KMPs. No Director is involved in deciding his own remuneration.

The RC may, from time to time and where necessary, seek advice from external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for Directors and KMPs. The Board has not engaged any external remuneration consultant to advise on remuneration matters for FY2019.

The RC reviews the Company's obligations arising in the event of termination of Executive Directors and KMP's contracts of service to ensure such contracts of service contain fair and reasonable termination clauses.

Level and Mix of Remuneration

Principle 7: *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to sustained performance and value creation of the Company, taking into account the strategic objectives of the company.*

Provision 7.1 – Remuneration of Executive Directors and Key Management Personnel

Provision 7.2 – Remuneration of Non-Executive Directors

Provision 7.3 – Appropriateness of Remuneration

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors. The RC also ensures that the remuneration policies support the Company's objectives and strategies.



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As part of its review, the RC ensures that the performance-related elements of remuneration form an appropriate part of the total remuneration package of the KMP and that each package is designed to align their interests with those of shareholders and link rewards to corporate and individual performance. The RC will review the key performance indicators (KPIs) of the KMP and such KPIs will be tied to the profitability of the specific business which the individuals are managing.

Executive directors do not receive directors' fees. The remuneration policy for Executive Directors and KMP consists of two key components, that is, fixed cash and annual variable components. The fixed components include salary and other allowances. The variable component comprises a performance-based bonus which forms a significant proportion of the total remuneration package of Executive Directors and is payable on the achievement of individual and corporate performance targets.

The service contracts for the two Executive Directors have fixed appointment period of three years and clauses relating to early termination. The Executive Directors' contract is renewable and would be subject to RC and Board approval. None of the service contracts has any onerous removal clauses.

Non-executive and Independent directors, including the Chairman, have no service contract with the Company and their terms are specified in the Constitution of the Company. Non-executive and Independent directors are paid a basic fee for serving as director and any of the Board Committees roles. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of directors are taken into account. Such fees are subject to the approval of the shareholders as lump sum payment at the Annual General Meeting of the Company.

The Company currently has no employee share option schemes or other long-term incentive scheme in place.

There are, at present, no contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and executive officers in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.



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Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 – Remuneration of Directors and Top 5 Key Management Personnel

Directors

A breakdown of compensation table of Directors' remuneration from the Company for the FY2019 is set out below:

Name of director	Salary	Bonus/Profit sharing	Other benefits ⁽¹⁾	Fees	Total
	\$	\$	\$	\$	\$
Dr Alex Tan Pang Kee	467,400	–	10,855	–	478,255
Mr Tan Guan Liang	231,300	–	5,970	–	237,270
Dr John Chen Seow Phun	–	–	–	63,000	63,000
Mr Foo Der Rong	–	–	–	42,000	42,000
Mr Wang Dao Fu	–	–	–	42,000	42,000
Total	698,700	–	16,825	147,000	862,525

Note:

(1) Other benefits refer to benefits-in-kind such as car etc made available to directors as appropriate.



CORPORATE GOVERNANCE REPORT

Top 5 Key Management Personnel ("KMP")

A summary compensation table of the KMP receiving remuneration from the Company for FY2019 appended below:

	Salary	Bonus	Other Benefits ⁽²⁾	TOTAL
Remuneration Band⁽¹⁾ & Name of Key Management Personnel	96.63%	0.54%	2.83%	100.00%
Below \$250,000				
Serine Yeo Ngen Huay	96.90%	–	3.10%	100.00%
Lok Fong Meng	94.10%	–	5.90%	100.00%
Tan Pang Sim	94.80%	3.90%	1.30%	100.00%
Chen Qin Lin	100.00%	–	–	100.00%
Liushen	99.90%	0.10%	–	100.00%

Notes:

(1) Remuneration amounts are inclusive of salary, bonus, incentives and Central Provident Fund contributions.

(2) Other benefits refer to allowance.

The disclosure of the KMP's remuneration in bands of S\$250,000 (based on gross remuneration received and inclusive of employer's contributions to the Central Provident Fund) is as set out in the above table. Due to sensitivities and confidentiality reasons, the Company believes that disclosure of their remuneration in bands of S\$250,000 should be sufficient to provide an insight into the link between their compensation and performance. Further details are deemed to be not in the interest of the Company due to the competitiveness of the industry for key talents. The aggregate remuneration paid to the aforesaid KMP (who are not Directors or CEO/MD of the Company) in FY2019 amounted to S\$558,893.

Provision 8.2 – Immediate Family Member of Directors, CEO/MD or Substantial Shareholder whose remuneration amounts exceed S\$100,000 per annum

Besides Mr Tan Guan Liang, who is the son of Dr Tan Pang Kee, the **CEO/MD** of the Company, whose remuneration is disclosed above. Mr Tan Pang Sim and Mr Pang Jang are brother of CEO/MD and Madam Lim Kooi Yee who is daughter-in-law of the CEO/MD and spouse of Mr Tan Guan Liang, each of them, except for Madam Lim, received a remuneration package exceeds \$100,000 whilst Madam Lim's remuneration package did not exceed \$100,000 in FY2019.

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The basis of determining the remuneration of the related employees is the same as the basis of determining the remuneration of other unrelated employees.

Save from the above disclosure, there is no employees who are substantial shareholders of the Company, or are immediate family members of Directors, CEO or substantial shareholder of the Company whose remuneration amounts exceed S\$100,000 per annum.

Provision 8.3 – All forms of remuneration, and other payments and benefits paid by the Company and its subsidiaries to directors and KMP

The Company does not have any share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place. The Board is of the view that such long-term incentive plan is not effective and that is difficult to determine how much such long-term incentive plan contributes to the retention of employees and to motivate their performance.

C. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: *The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

Provision 9.1 – Nature and Extent of Significant Risks

The Board has overall responsibilities for the governance of risk and exercises oversight of the significant risks in the Group's business. The Board ensures that the CEO&MD, KMPs maintains a sound system of internal controls and effective risk management policies to safeguard shareholders' interests and the Group's assets and in this regard, is assisted by the AC which reviews of the adequacy and effectiveness of the Group's internal controls and risk management systems.

The Board did not establish a separate board risk committee to review and assess the internal controls systems and risk management framework. The Board is currently assisted by the AC, internal auditors and external auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

The Company's Internal Auditor ("**IA**"), Nexia TS Risk Advisory Pte. Ltd reports to the AC on the Group's risks profile on a yearly basis, evaluates results and proposes counter measures to mitigate identified potential risks.

The Board has adopted an enterprise risk management framework. This risk framework has five (5) principal risk categories, namely strategic, financial, operational, information technology control and compliance risks.

The risk framework is reviewed regularly taking into account changes in the Group's business and operating environment as well as evolving corporate governance requirements.



CORPORATE GOVERNANCE REPORT

The identification and management of risks are delegated to the CEO&MD and KMPs, who assume ownership and day-to-day management of these risks. CEO&MD and KMPs are responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis. Identified risks that affect the achievement of the Group's business objectives are compiled in the Group Risks Register and are being ranked according to the likelihood and consequential impact to the Group as a whole.

The main risks arising from the Group's financial operations are liquidity risk, foreign currency risk, credit risk, equity price risk and interest rate risk. Details on the foregoing are more particularly set out in the Notes to the Financial Statements. These risks are monitored by AC and the Board on a yearly basis.

The IA has reviewed key internal controls as part of the internal audit plan and have independently reported their assessment to the AC and the Board on the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems.

The IA presents their findings to the AC on a yearly basis. The internal audit report, comprising the details of any non-compliance or internal control weaknesses are noted during the audit, the corresponding recommendations and the CEO and/or KMP's responses were submitted and presented to the AC.

As part of the annual internal audits, the IA also reports any significant deficiencies of such internal controls to the AC, who then reviews the adequacy and effectiveness of the risk management and internal controls system.

Provision 9.2 – Assurance from the CEO&MD, Group Chief Financial Officer and KMPs

For the financial year under review:–

- (a) Written assurance was received from the CEO&MD and the Group Chief Financial Officer that the Group financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) Written assurance was received from the CEO&MD and the KMP's that the Group's risk management and internal controls systems in place were adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

Based on the Group's framework of management controls in place, the internal policies and procedures established and maintained by the Group, as well as the review performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the opinion that risk management and internal controls systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2019 to address the risks that the Group considers relevant and material to its operations, while noting that no system of internal control could provide absolute assurance against the occurrence of errors, fraud, or other irregularities.

CORPORATE GOVERNANCE REPORT

The AC, CEO&MD and KMP will continue to review and strengthen the Group's controls environment and allocate more resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively

Provisions 10.1 & 10.2 – Audit Committee ("AC") Composition and Role

Provision 10.4 – Internal Audit Function

The Board established the AC in April 2004 which comprises three (3) Non-Executive Directors, all of whom including the Chairman of the AC are independent. At least two members, including AC chairman, have related financial expertise and/or experience. Please refer to Provision 1.4 above on the names of the members and the composition of the AC.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any Executive Director or KMP to attend its meetings. The AC has adequate resources, including access to the external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC met two times in FY2019 and all the Executive Directors were invited to attend the meetings. In the review of the financial results, the AC has discussed with Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements and considered the clarity of key disclosures in the financial statements. The AC reviewed, amongst other matters, the key audit matters as reported by external auditors for FY2019 as disclosed on pages 66 to 69.

The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions. The AC which has written terms of reference, performs delegated functions:-

- (a) review half-yearly financial results and annual financial statements and auditors' report of the Group before submitting to the Board;
- (b) review the audit plans of external auditors of the Company and ensure the adequacy of the Group's system of accounting and co-operation given by the Company's Management to the external auditors;
- (c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (d) review all non-audit services provided by the external auditors to the Group to ensure that the nature and extent of such services would not affect the independence of the external auditors;
- (e) review internal controls and risk management systems and internal audit report;
- (f) investigate any matter within its terms of reference;



CORPORATE GOVERNANCE REPORT

- (g) seek information it requires from any employee and all employees are directed to co-operate with any requests made by the AC;
- (h) if it deems appropriate, seek the professional advice of external consultants;
- (i) invite such persons (e.g. director, executive officer) to attend its meeting;
- (j) make recommendation to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor; and
- (k) review interested person transactions in accordance with the requirements of the Catalist Rules.

The AC had reviewed and considered the approach and procedures adopted by the External Auditors during their course of audit and field work, to be sufficient and appropriate. The AC reviewed Management's assumption on recoverability of the receivables, the assessment on inventory obsolescence and the impairment assessment of property, plant & equipment and is in agreement with the External Auditors on the Key Audit Matters as stated on pages 66 to 69 of the Annual Report under the Financial Statements.

External Audit

The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide professional advices and solutions. The AC undertook the review of the independence and objectivity of the external auditors, Ernst and Young LLP ("EY"), through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. Based on the review, the AC is of the opinion that EY is, and is perceived to be, independent for the purpose of the Group's statutory audit. The fees payable to auditors is set out below:

	S\$'000	%
Audit fees	151	93.21
Non-audit fees	11	6.79
Total	162	100.00

The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors is always subject to shareholders' approval at the AGM of the Company.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2020, the AC has considered the adequacy of the resources, experience and competence of EY, and has taken into account the Audit Quality Indicators relating to EY at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. The AC also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

CORPORATE GOVERNANCE REPORT

On the basis of the above, the AC is satisfied with the standard and quality of work performed by EY. It has recommended to the Board the nomination of EY for re-appointment as external auditors at the forthcoming AGM of the Company.

For FY2019, the Company has complied with Catalist Rules 712, 715 and 716 of the SGX-ST in relation to the appointments of its external auditors. The AC and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent auditors, other than those of the Company.

Internal Audit

The primary role of internal audit is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group, reviewing the internal controls of the Group to ensure prompt and accurate recording of transactions and proper safeguarding of assets and reviewing that the Group complies with the relevant laws, regulations and policies established.

The internal audit function plans its internal audit schedule in consultation with, but independent of the Management. The AC examines the internal audit plan, determines the scope of audit examination and approves the internal audit budget.

It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.

The Company engaged Nexia TS Risk Advisory Pte. Ltd. for internal audit function since year 2016. The internal auditors report primarily to the Chairman of the AC and has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

The AC annually reviews the adequacy and effectiveness of the internal audit function to ensure that resources are adequate and that the internal audits are performed effectively. It approves the appointment, termination, evaluation and the remuneration of the internal auditors.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience to perform its function effectively.

Whistle blowing Policy

The AC also reviews arrangements by which staff of the Company and external parties may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Group has in place a whistle-blowing policy to ensure independent investigations of such matters and for appropriate follow up action.



CORPORATE GOVERNANCE REPORT

The policy is aimed at encouraging the reporting of such matters in good faith, with the confidence that staff of the Company and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal. There was no whistle blowing report received for FY2019.

Provision 10.3 – Former Partners or Directors of the Company’s existing Audit Firm in AC

No former partner or director of the Company’s existing auditing firm or auditing corporation is a member of the AC.

Provision 10.5 – Meeting Auditors without the Management

The AC meets with the external auditors and the internal auditors, at least once a year, without the presence of the Management, to review any matter that might be raised. These meetings enable the auditors to raise any issues in the course of their work directly to the AC.

D. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: *The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

Provision 11.1 – Participating and Voting at General Meetings

Provision 11.2 – Tabling of Resolutions

Conduct of General Meetings

Notices for general meetings are announced via SGXNet and advertised in the newspapers within the prescribed timeframe prior to the meetings. In line with changes to the SGX Listing Rules, the Company has implemented electronic transmission of documents to shareholders. The notices, together with relevant documents (such as annual report, letter to shareholders or circular) will be published on the Company’s corporate website at <http://www.matex.com.sg>. All shareholders of the Company will receive the notice of annual general meeting and proxy form.

In order to provide ample time for the shareholders to review, the notice of AGM, together with the Annual Report 2019, is distributed to all shareholders at least 14 days before the scheduled AGM date. Shareholders are invited to attend the general meetings to put forth any questions they may have on the motions to be debated and decided upon.

All shareholders are entitled to vote in accordance with the established voting rules and procedures at the AGM. Each share is entitled to one vote.

CORPORATE GOVERNANCE REPORT

An external firm is appointed as scrutineers for the AGM voting process, which is independent of the firm appointed to undertake the electronic poll voting process.

Through the service provider's poll voting system, the total number of votes cast for and against and the respective percentages on each resolution are tallied and instantaneously displayed on the screen after each poll conducted during the AGM.

The resolutions tabled at the general meetings are on each substantially separate issue, including treating the election or re-election of each director as a separate subject matter.

Detailed information on each item in the AGM agenda is provided in the explanatory notes to the Notice of AGM in the Annual Report.

Provision 11.3 – Interaction with Shareholders

At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the directors and the Management questions regarding matters affecting the Company. The Executive Chairman and the Chairpersons of the AC, NC and RC were present at the last AGM. All directors will endeavour to be present at the Company's forthcoming 2020 AGM to address shareholders' questions relating to the work of these Committees.

The Company's external auditors, EY, are also present at the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

Provision 11.4 – Shareholders' Participation

The Company supports active shareholder participation at general meetings. Annual reports are distributed to all shareholders 14 days before the scheduled general meeting date. All shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and visions.

If shareholders are unable to attend the meetings, the Constitution of the Company allows for shareholders who are not relevant intermediaries to appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries to appoint more than two proxies to attend, speak and vote at general meetings. In order to have a valid registration of proxy, the proxy forms must be sent in advance to the place(s) as specified in the notice of the general meetings at least 72 hours before the time set for the general meetings.

Voting in absentia such as voting via mail, electronic mail or facsimile at the general meetings may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised.



CORPORATE GOVERNANCE REPORT

Provision 11.5 – Minutes of General Meetings

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the resolutions tabled for approval and/or ask the directors or the Management questions regarding the Company and its operations. The Company prepares minutes of general meetings, which are made available to shareholders upon their request.

Provision 11.6 – Dividend Policy

The Company does not have a formal dividend policy. The form, frequency and amount of any proposed dividends will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

The Company did not declare any dividends for FY2019. There were insufficient distributable profits available for the declaration of dividend as the Group and Company have recorded loss for FY2019. The details on the Group's loss are disclosed under Message to Shareholder on pages 6 to 9 of this Report.

Engagement with Shareholders

Principle 12: *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

Provision 12.1 – Communication between the Board and Shareholders

Provision 12.2 & 12.3 – Investor Relations Policy

Disclosure of information on timely basis

The Group is firmly committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

All the information relevant to shareholders will be disclosed in a timely and fair manner via SGXNet, its corporate website at www.matex.com.sg and the media. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as possible.

The Company focuses on facilitating the Communications with all stakeholders, shareholders, analysts and media on a regular basis, attending to their queries and concerns as well as keeping the investors publicly apprised of the Group's corporate developments and financial performance.

CORPORATE GOVERNANCE REPORT

In view of the above, the Company did not implement a formal investor relations policy because there are existing channels to actively engage and promote regular, effective and fair communications with shareholders.

E. MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: *The board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

Provision 13.1 – Arrangements to Identify and Engage with Stakeholders

Provision 13.2 – Management of Stakeholder Relationships

Stakeholders' Engagement

The Group has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly able to impact the Group's business and operations.

Six (6) stakeholders groups have been identified through an assessment of their significance to the business operations. They are namely, suppliers, customers, employees, community, investors and regulators.

The Company has undertaken a process to determine the environmental, social and governance (ESG) issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

Having identified the stakeholders and the material issues, the Company has mapped out the key areas of focus in relation to the management of the respective stakeholder relationships.

Please refer to the Sustainability Report on pages 15 to 24 of this Annual Report for further details.

Provision 13.3 – Corporate Website

All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's website. The Company does not practice selective disclosure of material information. All materials on the half-yearly and full year financial results are available on the Company's website – www.matex.com. The comprehensive website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders.



CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

- Rule 1204(19) of the Catalist Rules

In compliance with Rule 1204(19) of Catalist Rules on best practices in respect of dealing in securities, the Group has in place an internal compliance policy which prohibits the Directors, officers and staff of the Group and their connected persons from dealing in the Company's shares during the "black-out" period – being one month immediately preceding the announcement of the Company's half-yearly and full year results respectively, or if they are in possession of unpublished price-sensitive information of the Group. In addition, Directors, officers and staff and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

They are also refrained from dealing in the Company's shares on short term considerations.

All directors are required to seek Board's approval before trading in the Company's shares and are also required to notify the Company Secretary of any change in his interest in the Company's shares within two business days of the change.

During FY2019, there was no trading of the Company's shares by insiders.

MATERIAL CONTRACTS

- Rule 1204(8) of the Catalist Rules

Save for as disclosed in Note 21 of the notes to the financial statements, there were no material contract involving the interests of any director or controlling shareholder entered into by the Company or any of its subsidiaries, which are either still subsisting at the end of the financial year 2019, or, if not then subsisting, were entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

- Rule 907 of the Catalist Rules

To ensure compliance with Chapter 9 of the Catalist Rules, in FY2019, the AC, as well as the Board, met quarterly to review if the Company will be entering into any interested person transactions. If the Company is intending to enter into an interested person transaction.

The AC and the Board will ensure that the transaction is carried out fairly and at arm's length based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules. Disclosure of interested person transactions is set out on page 128 of this Annual Report. There were no interested person transactions entered into by the Group in excess of \$100,000 during the financial year under review.

CORPORATE GOVERNANCE REPORT

NON-SPONSOR FEES

In compliance with Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, during the financial year under review.

APPENDIX – INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Name of Director	Wang DaoFu	Tan Guan Liang
Date of appointment	11 January 2017	1 March 2010
Date of last election	27 April 2018	27 April 2018
Age	57	38
Country of principal residence	China	Singapore
The Board's comments on the NC's recommendation for re-election	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Wang's performance as a Non-Executive and Independent Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Tan's performance as an Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive.	Executive. He is responsible and overseeing the Group's business, branding; innovation and development of products; the design, expansion of the group's buildings and infrastructures.
Job title	Non-Executive and Independent Director, Chairman of Remuneration Committee, Member of Nominating Committee and Audit Committee.	Executive Director
Professional qualifications	Bachelor of Law of Peking University in Beijing, China	Master of Architecture with Technopreneurship Minor of National University of Singapore



CORPORATE GOVERNANCE REPORT

Name of Director	Wang DaoFu	Tan Guan Liang
Working experience and occupation(s) during past 10 years	<p>January 2004 to Present: Founding Partner, Yuan Tai Law Offices</p> <p>November 2009 to Present: Director, Proceq Trading (Shanghai) Co. Ltd (China)</p> <p>January 2013 to December 2016: Independent Director, Jiangsu Jiangnan Agriculture Commercial Bank</p> <p>October 2014 to Present: Director, MOBO Information Technology Pte Ltd</p> <p>January 2015 to 2019: Director, TH Straits 2015 Pte Ltd</p> <p>April 2015 to Present: Director, SGD Investment Pte Ltd</p> <p>January 2016 to December 2018: Director, Bank of Dazhou</p> <p>January 2017 to Present: Independent Director, Suzhou DieZhi Internet Technology Share Company</p> <p>June 2019 to Present: Non-Executive and Independent Director, Sunpower Group Ltd.</p>	Executive Director of the Company
Shareholdings interest in the listed issuer and its subsidiaries	Nil	Mr Tan owns 590,000 ordinary shares in the paid-up share capital of the Company

CORPORATE GOVERNANCE REPORT

Name of Director	Wang DaoFu	Tan Guan Liang
Any relationship (including immediate family relationships) with any existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	Mr Tan is son of Dr Tan Pang Kee, the Chief Executive Officer and Managing Director and Substantial Shareholder of the Company
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships	<p><u>Past (for the last 5 years)</u></p> <ul style="list-style-type: none"> • Dazhou Commercial Bank • TH Straits 2015 Pte Ltd • Jiangsu Jiangnan Agriculture Commercial Bank <p><u>Present</u></p> <ul style="list-style-type: none"> • Proceq Trading (Shanghai) Co. Ltd • Suzhou Diezhi Network Technology Co.Ltd • SGD Investment Pte Ltd • MOBO Information Technology Pte Ltd • Sunpower Group Ltd 	<p><u>Past (for the last 5 years)</u></p> <p>Nil</p> <p>Present</p> <ul style="list-style-type: none"> • Matex International Limited
The general statutory disclosures of the Directors are as follows:		
<u>Question</u>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was partner or at any time within 2 years from the date, he ceased to be a partner?	No	No



CORPORATE GOVERNANCE REPORT

Name of Director	Wang DaoFu	Tan Guan Liang
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or any equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings of which he is aware) for such purpose	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Wang DaoFu	Tan Guan Liang
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No



CORPORATE GOVERNANCE REPORT

Name of Director	Wang DaoFu	Tan Guan Liang
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he as so concerned with the entity or business trust?</p>	<p>No</p> <p>No</p> <p>No</p> <p>No</p>	<p>No</p> <p>No</p> <p>No</p> <p>No</p>
<p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency whether in Singapore or elsewhere?</p>	<p>No</p>	<p>No</p>

DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Dr John Chen Seow Phun
Dr Tan Pang Kee
Mr Foo Der Rong
Mr Tan Guan Liang (Chen Guanliang)
Mr Wang Dao Fu

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.



DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	<u>Direct interest</u>		<u>Deemed interest</u>	
	<u>At the beginning of the financial year</u>	<u>At the end of the financial year</u>	<u>At the beginning of the financial year</u>	<u>At the end of the financial year</u>
Ordinary shares of the Company				
Dr John Chen Seow Phun	100,000	100,000	–	–
Dr Tan Pang Kee	58,343,000	58,343,000	–	–
Mr Tan Guan Liang (Chen Guanliang)	590,000	590,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Dr Tan Pang Kee is deemed to have an interest in all the subsidiaries to the extent held by the Company.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

OPTIONS

No options were issued by the Company during the financial year. As at 31 December 2019, there were no options on the unissued shares of the Company or any corporation in the Group which were outstanding.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the half yearly financial results and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.



DIRECTORS' STATEMENT

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Dr Tan Pang Kee
Director

Mr Tan Guan Liang
(Chen Guanliang)
Director

Singapore
29 May 2020



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

To the members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) (the "SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the "SSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (the "ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

To the members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

(a) Expected credit losses of trade receivables

The gross balance of the Group's trade receivables as at 31 December 2019 is \$11,952,000, against which an allowance for expected credit loss ("ECL") of \$5,098,000 was made. The collectability of trade receivables and related credit losses are key elements of the Group's working capital management, which is managed on an ongoing basis by local management of the respective subsidiaries.

The Group determines ECL and impairment of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for the remaining trade receivables that is based on its historical credit loss experience, adjusted for current and forward-looking factors specific to the debtors and economic environment. As disclosed in Note 3 to the financial statements, these assessments involved significant management judgement and accordingly, we determined that this is a key audit matter.

As part of our audit, we obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and reviewed ageing of receivables to identify collection and credit risks. We evaluated management's assumptions and inputs used in the computation of historical credit loss rates, and reviewed data and information that management has used to make forward-looking adjustments. We have also assessed management's assumptions used to determine expected impairment loss for long overdue trade receivables, notably through analyses of ageing of receivables and consideration of their specific profiles and risks. The arithmetic accuracy of the ECL allowance computation was checked. We also considered the adequacy of the Group's disclosures of trade receivables, expected credit losses and the related credit risk exposures and management practices in Notes 16 and 33(a) to the financial statements.

(b) Allowance for slow-moving and obsolete inventories

The gross balance of the Group's inventories as at 31 December 2019 is \$14,086,000 against which allowance for inventory obsolescence of \$1,864,000 was made. As disclosed in Note 3 to the financial statements, management has to exercise significant judgement to determine the amount of allowance for slow-moving and obsolete inventories by considering factors such as the condition and age of the inventories, future market demand, environmental regulations requirements and pricing competition. Accordingly, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

To the members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

(b) Allowance for slow-moving and obsolete inventories (Continued)

As part of our audit, we attended and observed management's inventory counts at selected inventory locations, including the identification of damaged, slow-moving, and obsolete inventories by management. We evaluated management's process in determining the allowance for inventory obsolescence, including the analysis of inventories ageing. We considered the adequacy of the Group's allowance for slow-moving and obsolete inventories by taking into account the carrying values of these inventories as compared to their estimated net realisable values, indicated by the actual and or expected selling prices of the inventories in the recent sales transactions or upcoming customer orders. We also considered the adequacy of the disclosures related to inventories in Note 15 to the financial statements.

(c) Impairment of property, plant and equipment and right-of-use assets

The net carrying amount of the Group's property, plant and equipment and right-of-use assets as at 31 December 2019 are \$12,788,000 and \$735,000, respectively. The performance of the Group is dependent on several production facilities in the People's Republic of China ("PRC"). The subsidiaries incurred operating losses during the financial year and accordingly, management identified indicators of impairment for property, plant and equipment and right-of-use assets belonging to certain cash generating units ("CGUs"). Management has assessed the recoverable amount of the property, plant and equipment and right-of-use assets by computing the value in use using a discounted cash flow projection. As disclosed in Note 3 to the financial statements, this assessment required management to exercise significant judgement over various inputs and assumptions such as revenue growth rates, gross margins and discount rate. Accordingly, we determined that this is a key audit matter.

As part of our audit, we reviewed management's assessment of indicators of impairment to the CGUs' assets, and the methodology used by management to estimate the value in use. We evaluated management's forecasted future cash flows of the CGUs that are based on future operating plans and industry information and developments relevant to the CGUs. We compared forecasted future cash flows of the CGUs with historical results and relevant industry information, and performed variance and sensitivity analyses on key assumptions such as revenue growth rates, gross margins and discount rate. We involved our internal valuation specialists to assist us in evaluating the reasonableness of the discount rate. We also considered the adequacy of the disclosures related to property, plant and equipment and right-of-use assets in Note 9 and Note 10 respectively, to the financial statements.



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

To the members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

(d) Impairment of investment in subsidiaries

As at 31 December 2019, the Company has investment in subsidiaries with a carrying value of \$5,559,000. The carrying amount of the investment in subsidiaries are reviewed annually by management to assess whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of the asset concerned. Certain subsidiaries incurred operating losses during the financial year and accordingly, management identified indicators of impairment for the investment in these subsidiaries. Management has assessed the recoverable value of the investment in these subsidiaries by computing the value in use using a discounted cash flow projection. As disclosed in Note 3 to the financial statements, this assessment required management to exercise significant judgement over various inputs and assumptions such as revenue growth rates, gross margins and discount rate. Accordingly, we determined that this is a key audit matter.

As part of our audit, we reviewed management's assessment of indicators of impairment to the investment in subsidiaries, and the methodology used by management to estimate value in use. We evaluated management's forecasted future cash flows of the subsidiaries that are based on future operating plans and industry information and developments relevant to the subsidiaries. We compared forecasted future cash flows of the subsidiaries with historical results and relevant industry information, and performed variance and sensitivity analyses on key assumptions such as revenue growth rates, gross margins and discount rate. We assessed the discount rate by making reference to external observable data. We involved our internal valuation specialists to assist us in evaluating the reasonableness of the discount rate.

We also considered the adequacy of the disclosures related to investment in subsidiaries in Note 14 to the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

To the members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

To the members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

As part of an audit in accordance with the SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

To the members of Matex International Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yong Kok Keong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

29 May 2020



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Revenue	4	38,303	43,346
Cost of sales		(34,711)	(36,965)
Gross profit		3,592	6,381
Other income		519	497
Selling and distribution expenses		(2,612)	(2,611)
Administrative expenses		(11,401)	(7,989)
Other operating expenses		(82)	(62)
Finance income	5	62	102
Finance expenses	5	(573)	(832)
Write-back of impairment/(impairment losses) on trade receivables		784	(761)
Loss before taxation	7	(9,711)	(5,275)
Income tax expense	8	(105)	(246)
Loss for the year		(9,816)	(5,521)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation difference		(694)	(480)
Other comprehensive income for the year, net of tax		(694)	(480)
Total comprehensive income for the year		(10,510)	(6,001)
Loss attributable to:			
Owners of the Company		(6,247)	(3,721)
Non-controlling interests		(3,569)	(1,800)
		(9,816)	(5,521)
Total comprehensive income attributable to:			
Owners of the Company		(6,729)	(3,949)
Non-controlling interests		(3,781)	(2,052)
		(10,510)	(6,001)
Loss per share (cents per share)			
– Basic and diluted	29	2.34	1.39

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	9	12,788	13,809	66	156
Right-of-use assets	10	735	–	17	–
Land use rights	11	–	713	–	–
Intangible assets	12	653	15	645	–
Investment property	13	–	–	–	–
Investment in subsidiaries	14	–	–	5,559	13,055
Long term prepaid and deferred expenses		129	436	25	–
Trade and notes receivables	16	226	751	1,087	751
		14,531	15,724	7,399	13,962
Current assets					
Inventories	15	12,222	12,820	–	29
Trade and notes receivables	16	8,527	11,795	541	1,890
Other receivables and deposits	17	1,501	1,928	940	2,380
Prepayments		403	442	39	23
Fixed deposits	18	1,771	1,536	–	–
Cash and bank balances	18	3,218	6,843	117	134
		27,642	35,364	1,637	4,456
Total assets		42,173	51,088	9,036	18,418
Current liabilities					
Trade payables	19	6,337	5,048	–	–
Bill payables to banks	20	535	127	–	–
Other payables and accruals	21	5,832	5,051	316	515
Contract liabilities	4	368	215	–	–
Finance lease liabilities	22	–	17	–	–
Lease liabilities	10	417	–	7	–
Term loans	23	6,176	8,248	–	–
Tax payables		–	16	–	–
		19,665	18,722	323	515
Net current assets		7,977	16,642	1,314	3,941

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current liabilities					
Deferred tax liabilities	24	45	142	-	-
Other payables	21	178	-	-	-
Finance lease liabilities	22	-	53	-	-
Lease liabilities	10	624	-	9	-
		847	195	9	-
Net assets					
		21,661	32,171	8,704	17,903
Equity					
Share capital	25	23,406	23,406	23,406	23,406
Capital reserve	26	294	294	-	-
Enterprise expansion reserve	27	4,417	4,417	-	-
General reserve	27	4,417	4,417	-	-
Translation reserve	28	(789)	(307)	-	-
Accumulated losses		(14,840)	(8,593)	(14,702)	(5,503)
		16,905	23,634	8,704	17,903
Non-controlling interests					
		4,756	8,537	-	-
Total equity					
		21,661	32,171	8,704	17,903

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Attributable to equity holders of the Company					Equity attributable to owners of the Company, total \$'000			Equity, total \$'000
	Share capital (Note 25) \$'000	Capital reserve (Note 26) \$'000	Enterprise expansion reserve (Note 27) \$'000	General reserve (Note 27) \$'000	Translation reserve (Note 28) \$'000	(Accumulated losses)/ retained earnings \$'000	Non-controlling interests \$'000	Equity, total \$'000	
Opening balance as at 1 January 2019	23,406	294	4,417	4,417	(307)	(8,593)	8,537	32,171	
Loss for the year	-	-	-	-	-	(6,247)	(3,569)	(9,816)	
Other comprehensive income for the year	-	-	-	-	(482)	-	(212)	(694)	
Total comprehensive income for the year	-	-	-	-	(482)	(6,247)	(3,781)	(10,510)	
Closing balance as at 31 December 2019	23,406	294	4,417	4,417	(789)	(14,840)	4,756	21,661	
Opening balance as at 1 January 2018 (FRS framework)	23,406	294	4,369	4,369	(79)	(4,288)	10,589	38,660	
Effects upon adoption of SFRS(l) 9	-	-	-	-	-	(488)	-	(488)	
Opening balance as at 1 January 2018 (SFRS(l) framework)	23,406	294	4,369	4,369	(79)	(4,776)	10,589	38,172	
Loss for the year	-	-	-	-	-	(3,721)	(1,800)	(5,521)	
Other comprehensive income for the year	-	-	-	-	(228)	-	(252)	(480)	
Total comprehensive income for the year	-	-	-	-	(228)	(3,721)	(2,052)	(6,001)	
Transfer of reserve	-	-	48	48	-	(96)	-	-	
Closing balance as at 31 December 2018	23,406	294	4,417	4,417	(307)	(8,593)	8,537	32,171	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Share capital \$'000	Accumulated losses \$'000	Total \$'000
Opening balance as at 1 January 2019	23,406	(5,503)	17,903
Loss for the year	–	(9,199)	(9,199)
Closing balance as at 31 December 2019	23,406	(14,702)	8,704
Opening balance as at 1 January 2018 (FRS framework)	23,406	(4,799)	18,607
Effects upon adoption of SFRS(I) 9	–	(90)	(90)
Opening balance as at 1 January 2018 (SFRS(I) framework)	23,406	(4,889)	18,517
Loss for the year	–	(614)	(614)
Closing balance as at 31 December 2018	23,406	(5,503)	17,903

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Loss before taxation		(9,711)	(5,275)
Adjustments:			
Interest expense	5	573	832
Interest income	5	(62)	(102)
(Write-back of impairment)/impairment losses on trade receivables	16	(784)	676
Loss/(gain) on disposal of property, plant and equipment	7	1	(37)
Depreciation of property, plant and equipment	7,9	1,909	1,736
Depreciation of right-of-use assets	7,10	188	–
Impairment of right-of-use assets	7,10	1,272	–
Amortisation of land use rights	7,11	–	73
Amortisation of intangible assets	7,12	162	2
Allowance for inventory obsolescence	15	472	6
Exchange differences		257	(310)
Operating cash flows before changes in working capital changes		(5,723)	(2,399)
Increase in inventories		(217)	(1,443)
Decrease in trade and other receivables		2,200	1,388
Decrease in note receivables from banks		1,729	2,492
Decrease in prepayments		339	3,748
Increase/(decrease) in trade and other payables		2,316	(3,615)
Increase in contract liabilities		157	122
Decrease in tax payables		–	(66)
Cash flows generated from operations		801	227
Interest paid		(573)	(832)
Interest received		62	102
Income tax (paid)/refunded		(239)	11
Net cash generated from/(used in) operations		51	(492)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(1,407)	(2,021)
Proceeds from disposal of property, plant and equipment		9	53
Additions to right-of-use assets	10	–	–
Purchase of intangible assets	A	–	–
Net cash flows used in investing activities		(1,398)	(1,968)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from financing activities			
Increase in restricted cash		(267)	(1,500)
Payment of principal portion of lease liabilities		(439)	–
Proceeds from finance lease liabilities		–	29
Repayment of loans and borrowings		(1,777)	(452)
Increase/(decrease) in bill payables to banks		397	(48)
Net cash flows used in financing activities		(2,086)	(1,971)
Net decrease in cash and cash equivalents		(3,433)	(4,431)
Effect of exchange rate changes on cash and cash equivalents		(224)	(308)
Cash and cash equivalents at the beginning of the year		6,879	11,618
Cash and cash equivalents at the end of the year	18	3,222	6,879
A. Intangible assets			
	Note	2019 \$'000	2018 \$'000
Current year additions to intangible assets	12	807	–
Decrease in downpayments made for intangible assets		(807)	–
Cash outflow for purchase of intangible assets		–	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

Matex International Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and publicly traded on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 47 Ayer Rajah Crescent #05-10, Singapore 139947.

The principal activities of the Company are the formulation, manufacturing and sale of specialty chemicals focusing on dyestuff and auxiliaries for the textile industry.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (the "SFRS(I)").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and amended standards and interpretations (Continued)

SFRS(I) 16 Leases (Continued)

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application and comparative information presented for 2018 have not been restated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effects of adopting SFRS(I) 16 as at 1 January 2019 were as follows:

	Group Increase/ (decrease) \$'000
Assets	
Right-of-use assets (Note 10)	2,213
Property, plant and equipment (Note 9)	(67)
Land use rights (Note 11)	(713)
<i>Total assets</i>	1,433
Liabilities	
Finance lease liabilities (Note 22)	(70)
Lease liabilities (Note 10)	1,503
<i>Total liabilities</i>	1,433

The Group has lease contracts for various items of leasehold land, office premises, motor vehicles and office equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.21 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.21 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and amended standards and interpretations (Continued)

SFRS(I) 16 Leases (Continued)

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new and amended standards and interpretations (Continued)

SFRS(I) 16 Leases (Continued)

Leases previously accounted for as operating leases (Continued)

Based on the above, as at 1 January 2019:

- Right-of-use assets of \$2,213,000 were recognised and presented separately in the balance sheet. This includes the lease assets recognised previously under finance leases of \$67,000 that were reclassified from property, plant and equipment and \$713,000 that were reclassified from land use rights.
- Additional lease liabilities of \$1,503,000 were recognised. This includes finance lease obligations of \$70,000 that were reclassified from finance lease liabilities.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group \$'000
Operating lease commitments as at 31 December 2018	1,591
Weighted average incremental borrowing rate as at 1 January 2019	4.55%
Discounted operating lease commitments as at 1 January 2019	1,433
Add:	
Commitments relating to leases previously classified as finance lease	70
Lease liabilities as at 1 January 2019	1,503

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but are not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated using the straight-line method against the cost (in the case of People's Republic of China ("PRC") subsidiary companies, less estimated residual value of the fixed asset at 10% of cost), over their estimated useful lives. The estimated useful lives have been taken as follows:

Leasehold properties	5 to 94 years
Plant and equipment	3 to 10 years
Renovation, electrical and fittings	5 to 10 years
Motor vehicles	5 to 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Land use rights

Land use rights relate to properties in the PRC.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 20 to 50 years.

An assessment of the carrying value of land use rights is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exists.

Gains or losses arising from the retirement or disposal of land use rights are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets relate to technical know-how purchased and software. Technical know-how and software are stated in the financial statements of the Group and of the Company at cost less accumulated amortisation and any impairment in value. Technology know-how and software are amortised on a straight-line basis over a period of 10 and 5 years respectively.

2.10 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment properties (Continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to be a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investment in debt instruments at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (Continued)

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets (Continued)

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and fixed deposits. Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- (a) Raw materials: purchase costs on a weighted average basis;
- (b) Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions (Continued)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in provision due to passage of time is recognised as a finance cost.

2.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.19 Borrowing costs

All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. In addition, the subsidiary companies in the PRC pay fixed contributions into the retirement insurance and medical insurance schemes organised by the social security bureau and has no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 January 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

(i) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Office premises	3 to 5 years
Land use rights	20 to 50 years
Motor vehicles	5 years
Office equipment	10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

As lessee (Continued)

(ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.22 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group produces and supplies dyestuffs and auxiliaries to manufacturers mainly in the textile industry, which is the only stream of revenue for the Group.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation is satisfied at a point in time and accordingly, revenue is recognised at a point in time.

Revenue is recognised when the goods or services are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the transaction price which comprises the contractual price. There are no variable considerations that would modify transaction price and accordingly, no significant judgement is involved in estimating the revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred income tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

(b) *Deferred tax* (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.24 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 Contingencies

A contingent liability is:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

Critical judgement is required in the application of accounting policies when preparing the Group's consolidated financial statements. Management is of the opinion that the instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Allowance for expected credit losses of trade receivables

The Group determines ECLs and impairment of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for the remaining trade receivables.

The provision matrix is based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 33(a) to the financial statements.

The carrying amount of the Group and the Company's trade receivables as at 31 December 2019 are \$6,854,000 (2018: \$8,834,000) and \$1,628,000 (2018: \$2,641,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) *Allowance for slow-moving and obsolete inventories*

A review of the realisable value of the inventories is performed periodically for slow-moving, obsolete, and inventories which have a decline in net realisable value below cost. An allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future market demand for the products, pricing competitions, environmental regulations requirements and age of the inventories. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 15 to the financial statements.

The carrying amount of the Group's inventories as at 31 December 2019 is \$12,222,000 (2018: \$12,820,000).

(c) *Impairment of property, plant and equipment, right-of-use assets and investment in subsidiaries*

The recoverable amounts of the cash generating units ("CGU") and investment in subsidiaries are determined based on value in use, which are computed using a discounted cash flow model. This assessment required management to exercise significant judgement over various inputs and assumptions such as revenue growth rates, gross margins and discount rate. The key assumptions applied in the determination of the value in use of property, plant and equipment, right-of use assets and investment in subsidiaries are disclosed in Note 9, 10 and 14 to the financial statements respectively.

The carrying amount of the Group's property, plant and equipment and right-of-use assets as at 31 December 2019 is \$12,788,000 and \$735,000 (2018: \$13,809,000 and \$nil) respectively. The carrying amount of the Company's investment in subsidiaries as at 31 December 2019 is \$5,559,000 (2018: \$13,055,000).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4. REVENUE

(a) Disaggregation of revenue

	Group	
	2019 \$'000	2018 \$'000
Primary geographical markets		
People's Republic of China	31,026	35,987
Malaysia	2,987	3,835
Singapore	4,290	3,524
Sale of goods at a point in time	<u>38,303</u>	<u>43,346</u>

(b) Receivables and contract liabilities

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2019 \$'000	2018 \$'000
Receivables from contract with customers (Note 16)	6,854	8,834
Contract liabilities	<u>368</u>	<u>215</u>

Contract liabilities relate primarily to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers. Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract liabilities are explained as follows:

	Group	
	2019 \$'000	2018 \$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>215</u>	<u>93</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. FINANCE INCOME/(EXPENSES)

	Group	
	2019	2018
	\$'000	\$'000
Finance income		
– Interests from fixed deposits and bank balances	<u>62</u>	<u>102</u>
Finance expenses		
– Interest on term loans	(485)	(806)
– Interest on letters of credit and trust receipts	(13)	(24)
– Interest on finance leases	–	(2)
– Interest on lease liabilities	<u>(75)</u>	<u>–</u>
	<u>(573)</u>	<u>(832)</u>

6. PERSONNEL EXPENSES

The following personnel expenses includes directors' remuneration.

	Group	
	2019	2018
	\$'000	\$'000
Salaries and bonuses	<u>4,766</u>	<u>4,740</u>
Defined contribution plans	538	255
Other personnel expenses	<u>248</u>	<u>59</u>
	<u>5,552</u>	<u>5,054</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. LOSS BEFORE TAXATION

This is determined after crediting/(charging) the following:

	Group	
	2019	2018
	\$'000	\$'000
Amortisation of intangible assets (Note 12)	(162)	(2)
Amortisation of land use rights (Note 11)	–	(73)
Depreciation of property, plant and equipment (Note 9)	(1,909)	(1,736)
Depreciation of right-of-use assets (Note 10)	(188)	–
Impairment of right-of-use assets (Note 10)	(1,272)	–
Inventories recognised as an expense in cost of sales (Note 15)	(26,674)	(33,888)
Audit fees paid to:		
– Auditor of the Company	(82)	(75)
– Other auditors	(196)	(200)
Non-audit fees paid to:		
– Auditor of the Company	(10)	(9)
– Other auditors	(2)	(2)
Personnel expenses	(5,552)	(5,054)
Inventories written down (Note 15)	(472)	(6)
Foreign exchange (loss)/gain	(41)	102
(Loss)/gain on disposal of property, plant and equipment	(1)	37
Lease expenses	(22)	(520)
Transportation expense	(514)	(386)
Waste disposal fees	(1,321)	–
Government grants	436	396



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 December are:

	Group	
	2019	2018
	\$'000	\$'000
Statement of comprehensive income:		
Current income tax:		
– Current income taxation	200	236
– Under-provision in respect of previous years	2	10
Deferred tax		
– Reversal of temporary differences	(97)	–
Income tax expense recognised in the statement of comprehensive income	<u>105</u>	<u>246</u>

Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019	2018
	\$'000	\$'000
Loss before taxation	<u>(9,711)</u>	<u>(5,275)</u>
Tax at domestic tax rate of 17% (2018: 17%)	(1,651)	(897)
Adjustments:		
Non-deductible expenses	238	423
Income not subject to taxation	(42)	(18)
Difference in tax rates applicable to overseas operations	65	(304)
Utilisation of deferred tax assets previously not recognised	(55)	(19)
Deferred tax assets not recognised	1,559	1,056
Under-provision in respect of previous years	2	10
Others	(11)	(5)
Income tax expense recognised in the statement of comprehensive income	<u>105</u>	<u>246</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties \$'000	Plant and equipment \$'000	Renovation, electrical and fittings \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
Cost						
At 1 January 2018	17,483	12,998	777	1,622	1,206	34,086
Additions	720	750	209	110	232	2,021
Disposals	(1)	(29)	(3)	(60)	(509)	(602)
Transfer from investment property (Note 13)	36	–	–	–	–	36
Exchange differences	(486)	(315)	(15)	(31)	(32)	(879)
At 31 December 2018 and 1 January 2019	17,752	13,404	968	1,641	897	34,662
Reclassified to right-of-use assets (Note 10)	–	(20)	–	(99)	–	(119)
At 1 January 2019 (restated)	17,752	13,384	968	1,542	897	34,543
Additions	526	29	26	–	826	1,407
Disposals	–	(117)	–	–	–	(117)
Reclassifications	(131)	(60)	191	–	–	–
Transfer from construction-in- progress	480	390	–	–	(870)	–
Exchange differences	(517)	(369)	(55)	(166)	(30)	(1,137)
At 31 December 2019	18,110	13,257	1,130	1,376	823	34,696
Accumulated depreciation						
At 1 January 2018	7,731	10,086	586	1,348	–	19,751
Charge for the year (Note 7)	807	740	100	89	–	1,736
Disposals	–	(26)	(3)	(52)	–	(81)
Exchange differences	(118)	(202)	(201)	(32)	–	(553)
At 31 December 2018 and 1 January 2019	8,420	10,598	482	1,353	–	20,853
Reclassified to right-of-use assets (Note 10)	–	(6)	–	(46)	–	(52)
At 1 January 2019 (restated)	8,420	10,592	482	1,307	–	20,801
Charge for the year (Note 7)	920	742	179	68	–	1,909
Disposals	–	(107)	–	–	–	(107)
Reclassifications	(131)	(60)	191	–	–	–
Exchange differences	(220)	(298)	(31)	(146)	–	(695)
At 31 December 2019	8,989	10,869	821	1,229	–	21,908
Net carrying amount						
At 31 December 2018	9,332	2,806	486	288	897	13,809
At 31 December 2019	9,121	2,388	309	147	823	12,788

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold properties \$'000	Plant and equipment \$'000	Renovation, electrical and fittings \$'000	Motor vehicles \$'000	Total \$'000
Cost					
At 1 January 2018	162	638	150	351	1,301
Disposals	–	(5)	–	–	(5)
At 31 December 2018 and 1 January 2019	162	633	150	351	1,296
Disposals	–	(14)	–	–	(14)
At 31 December 2019	162	619	150	351	1,282
Accumulated depreciation					
At 1 January 2018	134	571	55	335	1,095
Charge for the year	8	22	15	5	50
Disposals	–	(5)	–	–	(5)
At 31 December 2018 and 1 January 2019	142	588	70	340	1,140
Charge for the year	8	22	55	5	90
Disposals	–	(14)	–	–	(14)
At 31 December 2019	150	596	125	345	1,216
Net carrying amount					
At 31 December 2018	20	45	80	11	156
At 31 December 2019	12	23	25	6	66

Construction-in-progress

The Group's construction-in-progress as at 31 December 2019 relates to the construction of the factory building and facilities for subsidiaries in Taixing, Jiangsu Province, the PRC.

Assets under finance leases

During the previous financial year, the Group acquired motor vehicles with an aggregate cost of \$50,000 by means of finance leases.

At 31 December 2018, the carrying amount of motor vehicles and an equipment held by the Group under finance leases was \$67,000. Leased assets are pledged as security for the related finance lease liabilities.

The cash outflow on the acquisition of property, plant and equipment by the Group during the year amounted to \$1,407,000 (2018: \$2,021,000).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold properties, plant and equipment with a carrying amount of \$8,379,000 (2018: \$5,288,000), are mortgaged to secure the Group's bill payables and bank loans as disclosed in Note 20 and 23 to the financial statements respectively.

Impairment of assets

During the current and previous financial year, a subsidiary of the Group carried out a review of the recoverable amount of its production facility and equipment, which is defined as the cash generating unit ('CGU'), because a loss was incurred in the current financial year. No impairment loss was made for the financial year ended 31 December 2019 as the recoverable amount of the CGU has exceeded the net book value of the assets involved. The recoverable amount was based on its value in use and the pre-tax discount rate used was 14.2% (2018: 7.0%).

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various items of leasehold land, office premises, motor vehicles and office equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Office premises \$'000	Land use rights \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
Cost					
At 1 January 2019	–	–	–	–	–
Effects of adopting SFRS(I) 16	1,433	–	–	–	1,433
Reclassified from property, plant and equipment (Note 9)	–	–	99	20	119
Reclassified from land use rights (Note 11)	–	2,098	–	–	2,098
At 1 January 2019 (restated)	1,433	2,098	99	20	3,650
Additions	–	–	20	–	20
Exchange differences	(42)	(68)	–	–	(110)
At 31 December 2019	1,391	2,030	119	20	3,560



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Group	Office premises \$'000	Land use rights \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
Accumulated depreciation and impairment loss					
At 1 January 2019	-	-	-	-	-
Reclassified from property, plant and equipment (Note 9)	-	-	46	6	52
Reclassified from land use rights (Note 11)	-	1,385	-	-	1,385
At 1 January 2019 (restated)	-	1,385	46	6	1,437
Depreciation charge for the year (Note 7)	99	67	20	2	188
Impairment loss (Note 7)	1,272	-	-	-	1,272
Exchange differences	(26)	(46)	-	-	(72)
At 31 December 2019	1,345	1,406	66	8	2,825
Net carrying amount					
At 31 December 2019	46	624	53	12	735
Company					Motor vehicles \$'000
Cost					
At 1 January 2019					-
Additions					20
At 31 December 2019					20
Accumulated depreciation					
At 1 January 2019					-
Charge for the year					3
At 31 December 2019					3
Net carrying amount					
At 31 December 2019					17



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The additions of right-of-use assets are by means of:

	2019 \$'000
Additions of right-of-use assets	20
Less: Finance lease arrangements	(20)
Cash invested in right-of-use assets	–

Assets pledged as security

At 31 December 2019, the Group's land use rights with a carrying amount of \$434,000 is mortgaged to secure the Group's bank loans as disclosed in Note 23 to the financial statements.

Impairment of assets

During the financial year, a subsidiary of the Group carried out a review of the recoverable amount of its right-of-use assets because a loss was incurred in the current financial year. An impairment loss of \$1,272,000 (2018: \$nil), charged to general and administrative expenses in the consolidated statement of comprehensive income was recognised on the right-of-use assets relating to the leased office premises in PRC for the financial year ended 31 December 2019 as the recoverable amount of the asset was projected to be below its net book value. The recoverable amount was based on its value in use and the pre-tax discount rate used was 14.2% (2018: nil).

The carrying amounts of lease liabilities and the movements during the period are disclosed in Note 23 and the maturity analysis of lease liabilities is disclosed in Note 33(b).

The following are the amounts recognised in profit or loss:

	Group 2019 \$'000	Company 2019 \$'000
Depreciation of right-of-use assets	188	3
Impairment of right-of-use assets	1,272	–
Interest on lease liabilities (Note 5)	75	5
Lease expense not capitalised in lease liabilities	22	–
Total amount recognised in profit or loss	1,557	16

Total cash outflows for leases amounted to \$536,000 in 2019.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

11. LAND USE RIGHTS

The land use rights held by the Group relate to properties at No. 1 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province, the PRC, 8 Biniang South Road, Taixing Economic Development Zone, Jiansu Province, the PRC and Plot 43/1 Hong Si Cun, Tang-Zhen Pudong, Shanghai, the PRC. The land use rights have 20 to 50 years tenure commencing at various dates from 1998 to 2006.

As at 31 December 2018, the remaining amortisation period of the land use rights in 1 Binjiang South Road, Taixing Economic Development Zone, Jiansu Province, 8 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province and Tang-Zhen Pudong are 35 years, 36 years, and 8 years respectively.

	Group \$'000
Cost	
At 1 January 2018	2,155
Exchange differences	(57)
At 31 December 2018 and 1 January 2019	2,098
Reclassified to right-of-use assets (Note 10)	(2,098)
At 1 January 2019 and 31 December 2019	-
Accumulated amortisation	
At 1 January 2018	1,349
Amortisation (Note 7)	73
Exchange differences	(37)
At 31 December 2018 and 1 January 2019	1,385
Reclassified to right-of-use assets (Note 10)	(1,385)
At 1 January 2019 and 31 December 2019	-
Net carrying amount	
At 31 December 2018	713
At 31 December 2019	-

Assets pledged as security

At 31 December 2018, the Group's land use rights with a carrying amount of \$425,000 is mortgaged to secure the Group's bank loans as disclosed in Note 23 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

12. INTANGIBLE ASSETS

	Group			Company		
	Technical Know-how \$'000	Software \$'000	Total \$'000	Technical Know-how \$'000	Software \$'000	Total \$'000
Cost						
At 1 January 2018	267	231	498	267	–	267
Write-off	(267)	–	(267)	(267)	–	(267)
Exchange differences	–	(5)	(5)	–	–	–
At 31 December 2018 and 1 January 2019	–	226	226	–	–	–
Addition	–	807	807	–	807	807
Exchange differences	–	(8)	(8)	–	–	–
At 31 December 2019	–	1,025	1,025	–	807	807
Accumulated amortisation						
At 1 January 2018	267	217	484	267	–	267
Amortisation (Note 7)	–	2	2	–	–	–
Write-off	(267)	–	(267)	(267)	–	(267)
Exchange differences	–	(8)	(8)	–	–	–
At 31 December 2018 and 1 January 2019	–	211	211	–	–	–
Amortisation (Note 7)	–	162	162	–	162	162
Exchange differences	–	(1)	(1)	–	–	–
At 31 December 2019	–	372	372	–	162	162
Net carrying amount						
At 31 December 2018	–	15	15	–	–	–
At 31 December 2019	–	653	653	–	645	645

Amortisation of intangible assets is charged to general and administrative expenses in the consolidated statement of comprehensive income.

Technical know-how was fully amortised and subsequently written off during the previous year. No impairment loss has been recognised as the asset was fully amortised as at 31 December 2018.

Software pertains to an enterprise-wide information system designed to coordinate information on resources, and activities needed to enable the conduct of the business. As at 31 December 2019; the remaining amortisation period of software is 4 years (2018: 1 year).



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT PROPERTY

	Group \$'000
Cost	
At 1 January 2018	36
Transferred to property, plant and equipment (Note 9)	(36)
At 31 December 2018, 1 January 2019 and 31 December 2019	–
Net carrying amount	
At 31 December 2018	–
At 31 December 2019	–

The investment property held by the Group relates to long term leasehold land at Lot 198775 & 198776, R.P.T. Ulu Buntong, Mukim Hulu Kinta, Perak, Malaysia. The investment property has a 99-year tenure ending in 2090. The investment property was measured at cost less accumulated depreciation as the fair value cannot be reliably measured without undue cost or effort and significant uncertain variables would be needed to perform an internal valuation.

During the previous financial year, a piece of land owned by a subsidiary of the Group has been reclassified to leasehold property as disclosed in Note 9 to the financial statements, as the land is now held for future use as owner occupied property.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2019	2018
	\$'000	\$'000
Unquoted equity shares, at cost	13,090	13,090
Less: Impairment losses	(7,531)	(35)
	5,559	13,055



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiaries	Principal activities	Country of incorporation	Proportion (%) of ownership interest	
			2018 %	2017 %
<u>Held by the Company</u>				
Matex Holdings Pte Ltd ("MHPL") ⁽⁴⁾	General wholesale trading & dyestuffs manufacturing	Singapore	100	100
Shanghai Matex Chemicals Co., Ltd ("SMC") ⁽²⁾	Sale of dyestuffs	PRC	60	60
Unimatex Sdn Bhd ("USB") ⁽¹⁾	Formulating, manufacturing and sale of dyestuffs, auxiliaries and optical brighteners	Malaysia	100	100
Amly Chemicals Co., Ltd ("ACL") ⁽²⁾	Manufacturing and sale of dyestuffs, auxiliaries and textile chemicals	PRC	100	100
Matex Chemicals (Taixing) Co., Ltd ("MCT") ⁽¹⁾	Manufacturing and sale of dyestuffs	PRC	60	60
Dedot Sdn Bhd ("DSB") ⁽³⁾	Manufacturing and wholesale of all kinds of garments, textile products and chemical products (currently dormant)	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion (%) of ownership interest	
			2018 %	2017 %
Dedot Pte Ltd ("DPL") ⁽⁴⁾	General wholesale trading	Singapore	100	100
Matex Chemicals Technologies (Shanghai) Co., Ltd ("MTL") ⁽²⁾	General wholesale trading	PRC	100	100
<u>Held through a subsidiary</u>				
Dedot Trading (Shanghai) Co., Ltd ("DTS") ⁽²⁾	Import, export and wholesale of all kinds of garments, textile products and chemical products	PRC	100	100

(1) Audited by member firms of Ernst & Young Global;

(2) Audited by Shanghai ZhongHui, Certified Public Accountants in the PRC;

(3) Audited by Ling Kam Hoong & Co., Certified Public Accountants in Malaysia;

(4) Audited by AccAssurance LLP, Chartered Accountants in Singapore.

Impairment on investment in subsidiaries

Management has performed an impairment assessment for subsidiaries with indicators of impairment based on their estimation of recoverable amount. Due to stringent environmental and safety compliance measures implemented by the government of the PRC in recent years, the production facilities located in China had to undergo retrofitting work by phases. These have disrupted production due to restricted capacity and resulted in low sales and losses recorded by these subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Impairment on investment in subsidiaries (Continued)

During the financial year, an impairment loss of \$7,496,000 (2018: \$nil) was made on the investment in subsidiaries. Recoverable amount of the equity investments, based on a value in use calculation, was projected to be below each Company's cost of investment. Cash flows in the value in use calculation were discounted between 11.1% to 14.2% per annum (2018: 7.0% to 10.0%).

Dedot Sdn Bhd ("DSB") is currently dormant and is in a net tangible liabilities position. The cost of investment of \$35,000 in DSB is fully impaired.

(b) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group.

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Proportion of ownership interest held by non-controlling interest</u>	<u>(Loss)/profit allocated to NCI during the reporting period</u>	<u>Accumulated NCI at the end of reporting period</u>
31 December 2019:				
Matex Chemicals (Taixing) Co., Ltd	PRC	40%	(2,156)	(578)
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(1,413)	(4,347)
31 December 2018:				
Matex Chemicals (Taixing) Co., Ltd	PRC	40%	(473)	1,578
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(1,327)	(2,934)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Shanghai Matex Chemicals Co., Ltd ("SMC")		Matex Chemicals (Taixing) Co., Ltd. ("MCT")	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current				
Assets	12,763	14,276	11,914	17,603
Liabilities	(5,242)	(3,949)	(18,564)	(19,488)
Net current assets	7,521	10,327	(6,650)	(1,885)
Non-current				
Assets	669	1,138	11,375	12,016
Liabilities	(579)	–	(201)	–
Net non-current assets	90	1,138	11,174	12,016
Net assets	7,611	11,465	4,524	10,131

Summarised statement of comprehensive income

	SMC		MCT	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	7,167	10,436	23,840	27,590
Loss before taxation	(3,532)	(3,317)	(5,390)	(1,186)
Income tax expense	–	–	–	–
Loss after tax	(3,532)	(3,317)	(5,390)	(1,186)
Other comprehensive income	27	(101)	306	219
Total comprehensive income	(3,505)	(3,418)	(5,084)	(967)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

15. INVENTORIES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance sheet:				
Raw materials	2,635	5,095	–	–
Work-in-progress	928	982	–	–
Finished goods	8,659	6,743	–	29
Total inventories at lower of cost and net realisable value	12,222	12,820	–	29
Statement of comprehensive income:				
Inventories recognised as an expense in cost of sales	26,674	33,888	–	4
Inventories written-down charged to the income statement	472	6	29	–

16. TRADE AND NOTES RECEIVABLES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables				
– Third parties	6,854	8,834	690	1,174
– Amount due from a subsidiary	–	–	938	1,467
	6,854	8,834	1,628	2,641
Notes receivables	1,899	3,712	–	–
Total trade and notes receivables	8,753	12,546	1,628	2,641
Add:				
Other receivables (Note 17)	1,371	1,107	7	–
Deposits (Note 17)	109	821	1	807
Amount due from subsidiaries (Note 17)	–	–	932	1,573
Cash and bank balances (Note 18)	3,218	6,843	117	134
Fixed deposits (Note 18)	1,771	1,536	–	–
Total financial assets carried at amortised cost	15,222	22,853	2,685	5,155

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

16. TRADE AND NOTES RECEIVABLES (CONTINUED)

Trade and notes receivables are presented as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets	226	751	1,087	751
Current assets	8,527	11,795	541	1,890
	8,753	12,546	1,628	2,641

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Company has granted extended credit terms to a key customer and to a subsidiary and the balances are reflected under non-current trade receivables, in accordance with repayment terms agreed upon.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollar	1,392	2,071	1,628	2,641

The notes receivables are with financial institutions in the PRC which are non-interest bearing and have repayment terms ranging from 1 to 12 months (2018: 1 to 12 months). All note receivables are trade-related.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Movement in allowance accounts:				
At 1 January	6,065	5,623	1,274	1,162
Charge for the year	33	761	442	174
Written-back	(817)	(85)	(55)	(4)
Written off against allowance	–	(139)	–	(109)
Exchange differences	(183)	(95)	–	51
At 31 December	5,098	6,065	1,661	1,274



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

17. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Other receivables	1,371	1,107	7	–
Deposits	109	821	1	807
Tax recoverable	21	–	–	–
Amounts due from subsidiaries	–	–	932	1,573
	1,501	1,928	940	2,380

Other receivables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollar	–	–	–	1,573

The amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand and are to be settled in cash.

Other receivables comprise mainly advances granted to third party and sales offices located at the PRC for operational purposes. The amount is non-interest bearing and repayable on demand.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash at banks and on hand	3,218	6,843	117	134
Fixed deposits	1,771	1,536	–	–
	4,989	8,379	117	134
Less: Restricted cash	(1,767)	(1,500)	–	–
	3,222	6,879	117	134

Restricted cash are cash that are placed as collateral with banks for the term loans taken up by subsidiaries.

Cash at bank earned interest at rates based on daily bank deposit rates ranging from 0.05% to 0.25% (2018: 0.05% to 0.25%) per annum.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

18. CASH AND CASH EQUIVALENTS (CONTINUED)

Fixed deposits are placed with financial institutions for varying periods of between 7 days to 6 months depending on the immediate cash requirements of the Group. The fixed deposits earned interest at fixed deposit rates ranging from 0.15% to 0.30% (2018: 0.20% to 0.25%) per annum.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollar	322	283	32	32

19. TRADE PAYABLES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables	6,337	5,048	-	-
Add:				
Bill payables to banks (Note 20)	535	127	-	-
Other payables and accruals (Note 21)	6,010	5,051	316	515
Finance lease liabilities (Note 22)	-	70	-	-
Lease liabilities (Note 10)	1,041	-	16	-
Term loans (Note 23)	6,176	8,248	-	-
Less:				
Provision for unutilised leave	(72)	(83)	(58)	(58)
Deferred capital grant (Note 21)	(201)	-	-	-
Total financial liabilities at amortised cost	19,826	18,461	274	457

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollar	33	165	-	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. BILL PAYABLES TO BANKS

	Interest rates (per annum)		Group	
	2019	2018	2019	2018
	%	%	\$'000	\$'000
Interest bearing	4.36 – 6.45	4.04 – 4.35	535	127

The bill payables to banks are secured with \$267,000 (2018: \$1,500,000) in fixed deposits and have repayment terms of less than 12 months, and property, plant and equipment as disclosed in Note 9 to the financial statements.

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Other payables	4,484	3,585	38	238
Accrued operating expenses	337	867	168	152
Accrued payroll related expenses	688	599	111	125
Amount due to a director	300	–	–	–
Deferred capital grant	201	–	–	–
	6,010	5,051	317	515

Other payables and accruals are presented as follows:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current liabilities	5,832	5,051	317	515
Non-current liabilities	178	–	–	–
	6,010	5,051	317	515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

21. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Other payables are non-interest bearing and are generally settled on 30 to 90 days' terms.

Amount due to a director is non-interest bearing, repayable on demand and to be settled in cash.

Deferred capital grant relates to a government grant received from a local authority in the PRC for compliance of sustainability initiatives implemented through upgrading of a subsidiary's production facilities. The deferred capital grant is amortised over an estimated useful life of the assets of 10 years.

22. FINANCE LEASE LIABILITIES

At 31 December 2018, the Group has finance leases for certain items of plant and equipment and motor vehicles as disclosed in Note 9 to the financial statements, which range from 1 to 6 years. These leases have terms of renewal but no purchase options and escalation clauses.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	Minimum payments 2018 \$'000	Present value of payments 2018 \$'000
	<u>20</u>	<u>17</u>
Not later than one year	20	17
Later than one year but not later than five years	<u>60</u>	<u>53</u>
Total minimum lease payments	80	70
Less: amounts representing finance charges	<u>(10)</u>	-
Present value of minimum lease payments	<u><u>70</u></u>	<u><u>70</u></u>

These obligations are secured by a charge over the leased assets as disclosed in Note 9 to the financial statements. The discount rate implicit in the leases ranges from 2.41% to 3.8%.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

23. TERM LOANS

	Weighted average effective interest rate (per annum) \$'000	Group		Company	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
SGD loan	3.83%	87	256	-	-
Chinese Renminbi ("RMB") loans	6.09%	6,089	7,992	-	-
		6,176	8,248	-	-

SGD loan: This bank loan is drawn down by a subsidiary and is secured with \$1,500,000 in fixed deposits, and is repayable within 36 months from the date of draw down. Repayment of the loan is due on May 2020 and the loan was fully repaid in January 2020. Interest of is charged at the prevailing 1-month SIBOR rate plus 2% and average interest charged during the year is at 3.83% (2018: 3.37%).

RMB loans: These loans are drawn down by subsidiaries in the PRC. They are repayable within 1 to 12 months from the date of draw down but can be rolled over at the bank's discretion. These loans are due between February 2020 to November 2020. The term loan due in February 2020 amounting to \$918,000 was repaid on maturity. Interest is charged at fixed rate of 6.09% (2018: 5.66%) per annum. The loans are secured over certain assets as disclosed in Notes 9, 10, 11 and 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

23. TERM LOANS (CONTINUED)

A reconciliation of liabilities arising from financing activities is as follows:

	Group								
	31 December 2018	Adoption of SFRS(I) 16* (Note 2.2)	1 January 2019	Cash flows	New leases	Accretion of interest for lease liabilities	Foreign exchange movement	Others	31 December 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Term loans (current)	8,248	-	8,248	(1,777)	-	-	(295)	-	6,176
Bill payables to bank (current) (Note 20)	127	-	127	397	-	-	11	-	535
Lease liabilities (Note 10)	17	428	445	(514)	7	75	(43)	447	417
- current	53	1,005	1,058	-	13	-	-	(447)	624
- non-current	8,445	1,433	9,878	(1,894)	20	75	(327)	-	7,752
Total									

* Adoption of SFRS(I) 16 is a non-cash change.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

23. TERM LOANS (CONTINUED)

	1 January 2018 \$'000	Cash flows \$'000	Group Non-cash changes		31 December 2018 \$'000
			Foreign exchange movement \$'000	Others \$'000	
Term loans (current)	8,930	(452)	(230)	–	8,248
Bill payables to bank (current) (Note 20)	175	(48)	–	–	127
Finance lease liabilities (Note 22):					
– current	15	29	–	(27)	17
– non-current	26	–	–	27	53
Total	9,146	(471)	(230)	–	8,445

The 'other' column relates to reclassification of non-current portion of loans and borrowings including finance lease liabilities due to passage of time.

24. DEFERRED TAX

Deferred tax liabilities as at 31 December relate to the following:

	Group	
	2019 \$'000	2018 \$'000
Undistributed earnings of subsidiaries	45	142

An analysis of the deferred tax liabilities is as follows:

	Group	
	2019 \$'000	2018 \$'000
At 1 January	142	208
Movement in deferred taxes:		
– current financial year	(97)	(66)
At 31 December	45	142

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

24. DEFERRED TAX (CONTINUED)

Unrecognised tax losses and deductible temporary differences

The Group has unutilised tax losses and deductible temporary differences of approximately \$42,460,000 (2018: \$33,870,000) and \$4,898,000 (2018: \$5,187,000) and the Company has unutilised tax losses of \$22,687,000 (2018: \$21,673,000) respectively, that are available for offset against future taxable incomes of the entities in which the tax losses arose, for which no deferred tax asset was recognised due to uncertainty of its recoverability. The use of these tax losses and deductible temporary differences are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the entities operate. The tax losses have no expiry date except for the tax losses from the PRC as shown below.

Year incurred	Expiry date	Unrecognised tax losses \$'000
2015	31 December 2020	1,198
2016	31 December 2021	389
2017	31 December 2022	4,334
2018	31 December 2023	4,758
2019	31 December 2024	7,461

There unabsorbed tax losses from the PRC which expired in the current year was \$nil (2018: \$1,249,000).

Temporary differences relating to investments in subsidiaries

At the end of the reporting period, \$45,000 (2018: \$142,000) of deferred tax liabilities have been recognised for taxes that would be payable on the undistributed earnings of the Group's subsidiaries.

25. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Issued and fully paid ordinary shares:				
At beginning and end of year	267,392	23,406	267,392	23,406

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

26. CAPITAL RESERVE

This pertains to a non-distributable capital income arising from the restructuring of subsidiary companies in prior years.

27. ENTERPRISE EXPANSION AND GENERAL RESERVE

This pertains to a general reserve fund and an enterprise expansion reserve fund set up by the Group's subsidiaries in the PRC, in accordance with local laws and regulations, by way of appropriation from their net profit at a rate determined by the companies. The respective board of directors of the subsidiaries have decided that 20% of the profit after taxation be appropriated each year, of which 10% be appropriated to the general reserve fund and 10% be appropriated to the enterprise expansion reserve fund.

The general reserve and the enterprise expansion reserve may be used to offset accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the authorities of the PRC. The reserves are not available for dividend distribution to the shareholders.

28. TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

29. LOSS PER SHARE

Loss per share is calculated by dividing the net loss attributable to owners of the Company of \$6,247,000 (2018: loss of \$3,721,000) by the weighted average number of ordinary shares outstanding during the year of 267,392,320 (2018: 267,392,320) shares.

Based on fully diluted basis, the loss per share is 2.34 cents (2018: loss per share is 1.39 cents).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

30. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year by the Group other than the loan from a director as disclosed in Note 21 to the financial statements and compensation of key management personnel below.

Compensation of key management personnel

	Group	
	2019	2018
	\$'000	\$'000
Short-term employee benefits	1,354	1,391
Defined contribution plans	50	54
Other short-term benefits	19	91
	<u>1,423</u>	<u>1,536</u>
Comprise amounts paid to:		
– Directors of the Company	863	919
– Other key management personnel	560	617
	<u>1,423</u>	<u>1,536</u>

31. COMMITMENTS

Operating lease commitments

The Group has various operating lease agreements for office premises. These leases have an average term of between 3 and 5 years with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Minimum lease payments recognised in the consolidated statement of comprehensive income during the year 2018 amounted to \$520,000.

Future minimum lease payments under non-cancellable leases as at 31 December 2018 are as follows:

	Group
	2018
	\$'000
Not later than one year	522
Later than one year but not later than five years	1,069
	<u>1,591</u>

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 31 December 2019.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's geographical segments only as it is not meaningful to present segmental reporting by business segments since revenue of the Group is primarily derived from the manufacture and sale of dyestuffs and auxiliaries.

Inter-segment pricing is determined on an arm's length basis. The Group's operating businesses are organised and managed separately by geographical segments based on location of assets. Revenue, assets and additions to property, plant and equipment are based on the location of those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one year.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. SEGMENT INFORMATION (CONTINUED)

	PRC		Other Asia Pacific Countries		Elimination		Note	Group	
	2019	2018	2019	2018	2019	2018		2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
Revenue									
External customers	31,026	35,987	7,277	7,359	-	-		38,303	43,346
Inter-segment	22,257	21,384	1,971	2,641	(24,228)	(24,025)	A	-	-
Total revenue	53,283	57,371	9,248	10,000				38,303	43,346
Results									
Interest income	59	88	3	14	-	-		62	102
Depreciation and amortisation	(1,919)	(1,698)	(340)	(113)	-	-		(2,259)	(1,811)
Impairment losses on non-financial assets	(1,272)	-	(7,496)	-	7,496	-	B	(1,272)	-
Interest expense	(541)	(794)	(32)	(38)	-	-		(573)	(832)
Other non-cash income/(expenses)	72	(751)	(155)	(63)	353	198	C	270	(616)
Segment loss	(8,343)	(4,002)	(9,702)	(1,682)	8,334	409	D	(9,711)	(5,275)
Income tax expense	(149)	(145)	(53)	(101)	97	-		(105)	(246)
Assets									
Additions to non-current assets	1,403	1,962	831	59	-	-	E	2,234	2,021
Segment assets	48,778	59,122	14,968	24,899	(21,573)	(32,933)	F	42,173	51,088
Segment liabilities	30,376	31,498	5,643	5,818	(15,507)	(18,399)	G	20,512	18,917



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. SEGMENT INFORMATION (CONTINUED)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

- A Inter-segment revenues are eliminated on consolidation.
- B Impairment losses on non-financial assets consist of impairment charges to right-of-use assets and investment in subsidiaries. Impairment of investment in subsidiaries is eliminated on consolidation.
- C Other non-cash income/(expenses) consist of gain/(loss) on disposal of plant and equipment, impairment of trade receivables, and inventories written down as presented in the respective notes to the financial statements.
- D The following items are added to/(deducted from) segment loss to arrive at "loss before taxation" presented in the consolidated statement of comprehensive income:

	2019 \$'000	2018 \$'000
Loss from inter-segment sales	(42)	(3)
Selling and distribution expenses	381	–
General and administrative expenses	8,380	659
Other operating income	(385)	(247)
	8,334	409

- E Additions to non-current assets consist of additions to property, plant and equipment, right-of-use assets and intangible assets.
- F The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2019 \$'000	2018 \$'000
Inter-segment assets	(6,669)	(14,592)
Intercompany balances	(14,904)	(18,341)
	(21,573)	(32,933)

- G The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2019 \$'000	2018 \$'000
Inter-segment liabilities	45	142
Intercompany balances	(15,552)	(18,541)
	(15,507)	(18,399)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised below. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risks arises primarily from trade and notes receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

It is the Group's and the Company's policy to provide credit terms to creditworthy customers where credit terms granted are usually due within 60 to 90 days from the date of billing. Receivable balances are monitored on an ongoing basis. The Group has strict credit policy for new customers by requesting for 20% to 30% of the contractual sum as advance payment for PRC customers. The Group and the Company does not expect to incur material credit losses except as provided for in the financial statements.

The Group and the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, after a year they fall due for customers located in the PRC and after 180 days for customers located in Asia Pacific, which are derived based on the Group's and the Company's historical information.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

The Group and the Company considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and the Company and changes in the operating results of the borrower.

Regardless of the analysis above, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial re-organisation
- There is a disappearance of an active market for that financial asset because of financial difficulty.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

The Group and the Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than a year past due. It is a common practice in the Group's industry for payments to be made 3 to 12 months after the offered credit term, particularly for PRC, where it is common for debtors to make payment after the due date. Financial assets are potentially written off after 5 years when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group and the Company continues to engage enforcement activity such as sending demand or lawyer letters to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group and the Company provides for lifetime expected credit losses for its trade receivables using a provision matrix. The provision rates are determined based on Group's historical credit loss experience, that is taking 10 years average of impairment made during the year over the net trade receivables as at each year end. Information regarding loss allowance movement of trade receivables are disclosed in Note 16 to the financial statements. The expected credit losses also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

PRC:

At 31 December 2019	Current \$'000	Less than	3 months to	6 to	More than	Total \$'000
		3 months due \$'000	6 months due \$'000	12 months due \$'000	12 months due \$'000	
Gross carrying amount	2,876	1,737	145	136	3,677	8,571
Loss allowance provision	(96)	(93)	(6)	(5)	(3,518)	(3,718)
Net carrying amount	<u>2,780</u>	<u>1,644</u>	<u>139</u>	<u>131</u>	<u>159</u>	<u>4,853</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

Other Asia Pacific:

At 31 December 2019	Current \$'000	Less than 3 months due \$'000	3 months to 6 months due \$'000	6 to 12 months due \$'000	More than 12 months due \$'000	Total \$'000
Gross carrying amount	1,085	281	-	-	2,015	3,381
Loss allowance provision	(39)	(17)	-	-	(1,324)	(1,380)
Net carrying amount	<u>1,046</u>	<u>264</u>	<u>-</u>	<u>-</u>	<u>691</u>	<u>2,001</u>

PRC:

At 31 December 2018	Current \$'000	Less than 3 months due \$'000	3 months to 6 months due \$'000	6 to 12 months due \$'000	More than 12 months due \$'000	Total \$'000
Gross carrying amount	3,162	2,432	201	231	4,342	10,368
Loss allowance provision	(153)	(118)	(10)	(11)	(4,302)	(4,594)
Net carrying amount	<u>3,009</u>	<u>2,314</u>	<u>191</u>	<u>220</u>	<u>40</u>	<u>5,774</u>

Other Asia Pacific:

At 31 December 2018	Current \$'000	Less than 3 months due \$'000	3 months to 6 months due \$'000	6 to 12 months due \$'000	More than 12 months due \$'000	Total \$'000
Gross carrying amount	1,048	155	804	-	2,525	4,532
Loss allowance provision	(69)	(9)	(17)	-	(1,377)	(1,472)
Net carrying amount	<u>979</u>	<u>146</u>	<u>787</u>	<u>-</u>	<u>1,148</u>	<u>3,060</u>

During the previous financial year, the Group and the Company wrote-off \$139,000 and \$109,000 respectively of trade receivables which are more than 5 years past due as the Group and the Company do not expect the balances to be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. One way is to increase its market shares outside PRC.

There is no credit risk concentration other than those described below.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

Group

The Group determines concentrations of credit risk by monitoring the geographical profile of its trade receivables on an on-going basis. The Group provides expected credit loss for its trade receivables. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2019		2018	
	\$'000	% of total	\$'000	% of total
By geographical region:				
PRC	4,853	71	5,774	65
Other Asia Pacific countries	2,001	29	3,060	35
	6,854	100	8,834	100



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Credit risk concentration profile (Continued)

Company

At the end of the reporting period, approximately 73% (2018: 61%) of the Company's trade and other receivables were balances with subsidiaries.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 to the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance lease and stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with few different banks.

The Group monitors its liquidity risk and maintains adequate level of cash and cash equivalents to finance the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group 2019	One year or less \$'000	One to five years \$'000	Total \$'000
Financial assets:			
Trade, notes and other receivables	10,007	226	10,233
Cash and bank balances	3,218	–	3,218
Fixed deposits	1,771	–	1,771
Total undiscounted financial assets	<u>14,996</u>	<u>226</u>	<u>15,222</u>
Financial liabilities:			
Trade, bill and other payables	12,623	–	12,623
Lease liabilities	468	656	1,124
Term loans	6,445	–	6,445
Total undiscounted financial liabilities	<u>19,536</u>	<u>656</u>	<u>20,192</u>
Total net undiscounted financial liabilities	<u>(4,540)</u>	<u>(430)</u>	<u>(4,970)</u>
Group 2018	One year or less \$'000	One to five years \$'000	Total \$'000
Financial assets:			
Trade, notes and other receivables	13,723	751	14,474
Cash and bank balances	6,843	–	6,843
Fixed deposits	1,536	–	1,536
Total undiscounted financial assets	<u>22,102</u>	<u>751</u>	<u>22,853</u>
Financial liabilities:			
Trade, bill and other payables	10,143	–	10,143
Finance lease liabilities	20	60	80
Term loans	8,616	–	8,616
Total undiscounted financial liabilities	<u>18,779</u>	<u>60</u>	<u>18,839</u>
Total net undiscounted financial assets	<u>3,323</u>	<u>691</u>	<u>4,014</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Company 2019	One year or less \$'000	One to five years \$'000	Total \$'000
Financial assets:			
Trade and other receivables	2,342	226	2,568
Cash and bank balances	117	–	117
Total undiscounted financial assets	<u>2,459</u>	<u>226</u>	<u>2,685</u>
Financial liabilities:			
Trade and other payables	258	–	258
Lease liabilities	8	10	18
Total undiscounted financial liabilities	<u>266</u>	<u>10</u>	<u>276</u>
Total net undiscounted financial assets	<u>2,193</u>	<u>216</u>	<u>2,409</u>
Company 2018	One year or less \$'000	One to five years \$'000	Total \$'000
Financial assets:			
Trade and other receivables	4,270	751	5,021
Cash and bank balances	134	–	134
Total undiscounted financial assets	<u>4,404</u>	<u>751</u>	<u>5,155</u>
Financial liabilities:			
Trade and other payables	457	–	457
Total undiscounted financial liabilities	<u>457</u>	<u>–</u>	<u>457</u>
Total net undiscounted financial assets	<u>3,947</u>	<u>751</u>	<u>4,698</u>

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD. These give rise to foreign currency risk. However, the Group tries to match the timing of its receipts and payments in the same foreign currency in an effort to reduce foreign currency risk.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before taxation with a reasonably possible change in the USD against the respective functional currencies of the Group's entities, with all other variables held constant.

		Group	
		2019	2018
		Loss	Loss
		before tax	before tax
		\$'000	\$'000
USD/SGD	- strengthened 3% (2018: 3%)	+37	+48
	- weakened 3% (2018: 3%)	-37	-48

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of current trade and notes receivables, other receivables and deposits, cash and cash equivalents, trade and other payables, bill payables to banks, and term loans, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

The carrying amount of non-current trade receivables approximates fair value, which was determined using significant unobservable inputs and estimated by discounting future cash flows at market incremental interest rate.

The carrying amounts of finance lease liabilities approximates the fair value as the interest rates are subject to fluctuations in the market interest rates.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

35. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

As disclosed in Note 26 to the financial statements, subsidiaries in the PRC are required to contribute and maintain non-distributable general and enterprise expansion reserve fund, whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 70%. The Group includes within net debts, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the abovementioned statutory reserve fund.

	Group	
	2019	2018
	\$'000	\$'000
Term loans (Note 23)	6,176	8,248
Trade payables (Note 19)	6,337	5,048
Bill payables to banks (Note 20)	535	127
Other payables and accruals (Note 21)	6,010	5,051
Finance lease liabilities (Note 22)	–	70
Lease liabilities (Note 10)	1,041	–
Less: Cash and cash equivalents (Note 18)	<u>(3,222)</u>	<u>(6,879)</u>
Net debt	16,877	11,665
Equity attributable to the owners of the parent	16,905	23,634
Less: General reserve (Note 27)	(4,417)	(4,417)
Less: Enterprise expansion reserve (Note 27)	<u>(4,417)</u>	<u>(4,417)</u>
Total capital	8,071	14,800
Capital and net debt	<u>24,948</u>	<u>26,465</u>
Gearing ratio	<u>68%</u>	<u>44%</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

36. EVENTS AFTER THE REPORTING PERIOD

In late December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) commenced and continued to spread rapidly in the PRC and globally and was declared a global pandemic by the World Health Organisation in March 2020.

The restrictions or safety measures imposed globally to curb the spread of COVID-19 have impacted the Group’s supply chains and demand in a number of ways, including cessation and delays of supplier production cycles and deliveries, halting or deferring customers’ projects, and limiting the number of companies deemed as essential service providers.

Since January 2020, the central government of PRC imposed lockdown in several provinces in an effort to combat the COVID-19 outbreak. This halted the Group’s manufacturing operations in PRC for about a month. The Group’s operations in PRC resumed in full operating capacity on 9 March 2020.

In the ASEAN region, in particular Malaysia and Singapore where several of the Group’s subsidiaries are located, the respective local government authorities have also implemented tighter measures to contain the spread of the COVID-19 outbreak. These include the Movement Control Order (“MCO”) and Conditional MCO (“CMCO”) implemented in Malaysia and Circuit Breaker (“CB”) in Singapore.

In Singapore, while the Group obtained the approval for exemption and allowed to support essential services, the Group is not operating at full capacity where operations have been impeded due to the tighter measures put in place by the Singapore government.

On 18 March 2020, the Malaysia government implemented MCO and the Group’s operations in Malaysia have been temporarily suspended. On 17 April 2020, with the approval obtained from Malaysia authorities, the operations of the Group’s subsidiary in Malaysia have resumed and recovery of the operations is ongoing at this date.

The Group has fully complied with the respective governmental regulations that the Group and its subsidiaries operate in. The Group has implemented several measures to mitigate any disruption to operations in a safe and responsible manner. These include, but not limited to, implementation of safe-distancing practices on-site, provision of adequate protective wear to employees, as well as work-from-home arrangements.

In addition, travel restrictions were also implemented by most of the countries. Consequently, the Group could not have physical meetings with or arrange for site visits with those foreign customers.

The Group has adequate liquid assets and reserves to meet its near-term obligations, underpinned by net current assets amounting to \$7,977,000 as at 31 December 2019. The Group continues to tap on various government support measures to alleviate the financial impact to the Group. The Group also works closely with its customers, suppliers and principal lenders in managing its working capital. Subsequent to year-end, the Group has obtained additional loans of approximately \$3,800,000. As at 27 May 2020, the Group has also obtained further credit facilities of \$2,000,000 from a bank in Singapore.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

36. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

In addition, the Group is currently awaiting further approvals for additional loan facilities of \$1,933,000 from a bank in the PRC. The Group will continue to prudently explore available loan options when necessary, in light of the current uncertain business climate conditions, to further shore up its financial position.

The Group considers COVID-19 outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the Group does not consider that it is practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. However, the Group does not expect that this will have significant impact on the 2019 judgements and estimates, although the uncertainties surrounding the impact of the COVID-19 pandemic on the global economy and financial markets may affect the actual outcome of the estimates and assumptions adopted.

37. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors dated 29 May 2020.



STATISTICS OF SHAREHOLDINGS

AS AT 8 MAY 2020

SHARE CAPITAL

Class of Shares	:	Ordinary Shares
Number of shares (excluding treasury shares)	:	23,406,449.99
Voting Rights	:	On a poll: one vote per share
No of treasury shares and percentage	:	Nil
No. of subsidiary holdings held and percentage	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	36	3.88	287	0.00
100 – 1,000	102	10.99	97,010	0.04
1,001 – 10,000	267	28.77	1,608,000	0.60
10,001 – 1,000,000	493	53.13	67,421,662	25.21
1,000,001 AND ABOVE	30	3.23	198,265,361	74.15
Total	928	100.00	267,392,320	100.00

SUBSTANTIAL SHAREHOLDINGS AS AT 8 MAY 2020

(as recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest		Deem Interest	
	No. of Shares	%	No. of Shares	%
TAN PANG KEE	58,343,000	21.82%	–	–
KHUA KIAN KEONG	40,000,000 ^{Note 1}	14.96%	–	–

Note:

1 40,000,000 ordinary shares of Mr Khua Kian Keong are held under DBS nominee (Private) Limited.



STATISTICS OF SHAREHOLDINGS

AS AT 8 MAY 2020

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	TAN PANG KEE	58,343,000	21.82
2	DBS NOMINEES (PRIVATE) LIMITED	41,757,000	15.62
3	UOB KAY HIAN PRIVATE LIMITED	9,775,000	3.66
4	PAUL GO KIAN LEE	9,263,000	3.46
5	CHUA GEOK KOON	9,170,000	3.43
6	TAN EE SOON	8,337,582	3.12
7	PHILLIP SECURITIES PTE LTD	7,042,700	2.63
8	RAFFLES NOMINEES (PTE.) LIMITED	4,510,000	1.69
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,914,000	1.46
10	TAN HOCK SOON	3,386,332	1.27
11	TAN SOON HENG	3,386,332	1.27
12	TAN SOON LAI	3,386,332	1.27
13	TAN YAM SOON	3,386,332	1.27
14	TAN CHAI CHIN	3,370,688	1.26
15	LOW KOK SOON	3,259,000	1.22
16	LEE KANG HUAT	3,000,000	1.12
17	OCBC SECURITIES PRIVATE LIMITED	2,359,063	0.88
18	CHUA WEE SIM	2,060,000	0.77
19	ONG GIM LOO	2,051,000	0.77
20	SIM TECK HUAT	2,040,000	0.76
	TOTAL	183,797,361	68.75

PERCENTAGE OF SHAREHOLDINGS HELD IN PUBLIC'S HANDS

As at 8 May 2020, 62.96% of the Company's shares are held in the hand of public. Accordingly, the Company complied with Rule 723 of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hand of the public.

NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

MATEX INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198904222M

Notice of Thirtieth Annual General Meeting

This Notice has been made available on the home page of the Company's corporate website (www.matex.com.sg), SGXNET and the following URL: sg.conveneagm.com/matex_agm2020. A printed copy of this Notice will not be despatched to members of the Company.

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of the Company ("**AGM**" or **Meeting**) will be held by way of electronic means on Monday, 29 June 2020 at 10.00 a.m. (Singapore Time) for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions as set out below:

Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 and the Auditors' Report thereon.

[Resolution 1]

2. To re-elect Mr. Wang Daofu who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company.

Note: Mr. Wang Dao Fu, if re-elected, will remain as Chairman of Remuneration Committee and member of the Audit committee and Nominating committee and will be considered as an independent director.

[Resolution 2]

3. To re-elect Mr. Tan Guan Liang who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company.

Note: Mr. Tan Guan Liang is an Executive Director of the Company he will, upon re-election as a Director of the Company, remain as the Executive Director.

[Resolution 3]

4. To approve a sum of up to S\$117,600 as directors' fees for the year ending 31 December 2020, to be paid quarterly in arrears. (2019: S\$147,000)

[Resolution 4]

5. To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration.

[Resolution 5]



NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

Special Business

6. To consider and if thought fit, to pass the following resolution as ordinary resolution, with or without modification:-

Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap 50 and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

provided that:

- (1) the aggregate number of Shares (including Shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);



NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and that may be issued under sub-paragraph (1) above, the total number of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution provided the options or awards were granted in compliance with the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares.

Adjustments in accordance with 6(2)(a) or 6(2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of the Share Issue Mandate;

- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law and the Catalist Rules to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note]

[Resolution 6]

7. To transact any other business that may be properly transacted at an AGM.

By Order of the Board

Dr Tan Pang Kee
Chief Executive Officer/Managing Director

Singapore
7 June 2020



NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

Explanatory Notes:

The **Ordinary Resolution 6**, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

General

1. In view of the circuit breaker measures applicable and pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM will be held by electronic means and members of the Company will NOT be allowed to attend the AGM in person.
2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:
 - a. watching and/or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Note 3 below;
 - b. submitting questions ahead of the AGM. Please refer to Notes 7 to 9 below for further details; and
 - c. voting by proxy at the AGM. Please refer to Notes 10 to 17 below for further details.

Participation in AGM proceedings via "live webcast"

3. A member of the Company or their corporate representative(s) (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast, either, via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, member must pre-register with the Company by **10.00 a.m. on 27 June 2020 ("Registration Deadline")**, at the URL: sg.conveneagm.com/matex_agm2020 (the "**Matex AGM Website**"), to create an account.
4. Following the authentication of his/her/its status as a member of the Company, such member will receive an email on their authentication status and will be able to access the Live Webcast using the account created.
5. Members who have pre-registered by the Registration Deadline but do not receive the aforementioned email by **12.00 p.m. on 28 June 2020** should contact the Company at the following email address: eagm@matex.com.sg, with the following details included:
 - (a) the member's full name; and
 - (b) his/her/its identification/registration number.
6. Non-CPF/SRS holders whose shares are registered under Depository Agents ("**DAs**") **must** also contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements for them to participate in the Live Webcast.



NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

Submission of questions prior to the AGM

7. A member of the Company may also submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations. The Company will endeavour to address questions which are substantial and relevant.
8. To do so, all questions must be submitted no later than **10.00 a.m. 22 June 2020** through any one of the following means: (a) via the **Matex AGM Website**; or (b) in physical copy by depositing the same at the registered office of the Company at **47 Ayer Rajah Crescent, #05-10, Singapore 139947**; or (c) by email to eagm@matex.com.sg.
9. If the questions are deposited in physical copy at the Company's registered office or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions: (i) the member's full name; and (ii) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

Voting by proxy

10. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) is/are advised to specify his/her/its votes for the respective resolutions in the instrument appointing the Chairman of the Meeting as proxy ("**Proxy Form**"), failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
11. The Chairman of the Meeting, as proxy, need not be a member of the Company.
12. The Proxy Form must be submitted through any one of the following means: (a) via the **Matex AGM Website** in the electronic format accessible on the Matex AGM Website; (b) by depositing a physical copy at the registered office of the Company at **47 Ayer Rajah Crescent, #05-10, Singapore 139947**; or (c) by sending a scanned PDF copy via email to eagm@matex.com.sg, in either case, **no later than 10.00 a.m. on 27 June 2020**, and failing which, the Proxy Form will not be treated as valid.

In the case of submission of the Proxy Form other than via the Matex AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically.

13. In the case of submission of the Proxy Form other than via the Matex AGM Website, the Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
14. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act (Chapter 50 of Singapore) and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
15. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form.
16. In the case of a member of the Company whose shares are entered against his/her name in the Depository Register, the Company may reject any Proxy Form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

17. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Operators) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

*A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company consents to the collection, use and disclosure of such member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration, analysis and facilitation by the Company (or its agents or service providers) of his/her/its participation in the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

This document has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this document.

This document has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor are Mr. Jason Chian, Managing Director, Investment Banking, CIMB Bank Berhad, Singapore Branch. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

MATEX INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198904222M

PROXY FORM

(Please read notes overleaf before completing this Form)

IMPORTANT:

1. Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and voting by proxy at the AGM are set out in the Company's announcement dated 5 June 2020 which, together with the Notice of Annual General Meeting dated 7 June 2020, have been uploaded on SGXNET. The announcement and the Notice of Annual General Meeting can also be accessed at the home page of the Company's corporate website (www.matex.com.sg).
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or Supplementary Retirement Scheme ("SRS Investor") may inform their respective CPF Agent Banks or SRS Operators to appoint the Chairman of the Meeting to act as their proxy at least 7 working days before the Meeting.
3. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

This Proxy Form has been made available on the home page of the Company's corporate website (www.matex.com.sg), SGXNET and the following URL: sg.conveneagm.com/matex_agm2020 A printed copy of this Proxy Form will not be despatched to members of the Company

I/We _____ (Name), _____ (NRIC/Passport/Co. reg. No)

of _____ (Address)

being a member/members of Matex International Limited (the "**Company**") hereby appoint the **Chairman of the Meeting** as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held by way of electronic means on Monday, 29 June 2020 at 10.00 a.m. ("**AGM**" or the "**Meeting**"), and at any adjournment thereof.

I/We direct the Chairman of the Meeting to vote for, against and/or abstain from voting at the resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

* Voting will be conducted by poll. If you wish the Chairman of the Meeting, as your proxy, to exercise all your votes "For" or "Against" or to "Abstain" from voting on the relevant resolution, please indicate with an "X" within the relevant box provided below. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing the Chairman of the Meeting not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll. In the absence of specific directions for that resolution, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*	No. of Votes Abstain*
Ordinary Business:				
1.	Directors' Statement and Audited Financial Statements for financial year ended 31 December 2019			
2.	Re-election of Mr Wang Daofu as a Director			
3.	Re-election of Mr. Tan Guan Liang as a Director			
4.	Approval of Directors' fee up to S\$117,600 for financial year ending 2020, to be paid quarterly in arrears			
5.	Re-appointment of Ernst & Young LLP as auditors and authority to fix their remuneration.			
Special Business:				
6.	Authority to issue shares			

Dated this _____ day of _____ 2020.

Total Number of Ordinary Shares Held (Note 1):

--

Signature(s) of Member(s) or Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF



MATEX INTERNATIONAL LIMITED

NOTES TO PROXY FORM

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. In view of the circuit breaker measures applicable and pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person.
3. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) is/are advised to specify his/her/its votes for the respective resolutions in this Proxy Form.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. This Proxy Form must be submitted through any one of the following means: (a) via the following URL: sg.conveneagm.com/matex_agm2020 (the "**Matex AGM Website**") in the electronic format accessible on the Matex AGM Website; or (b) by depositing a physical copy at the registered office of the Company at 47 Ayer Rajah Crescent, #05-10, Singapore 139947; or (c) by sending a scanned PDF copy via email to eagm@matex.com.sg, in either case, no later than 10.00 a.m. on 27 June 2020, and failing which, this Proxy Form will not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. In the case of submission of this Proxy Form other than via the Matex AGM Website, this Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where this Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where this Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
8. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Operators) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

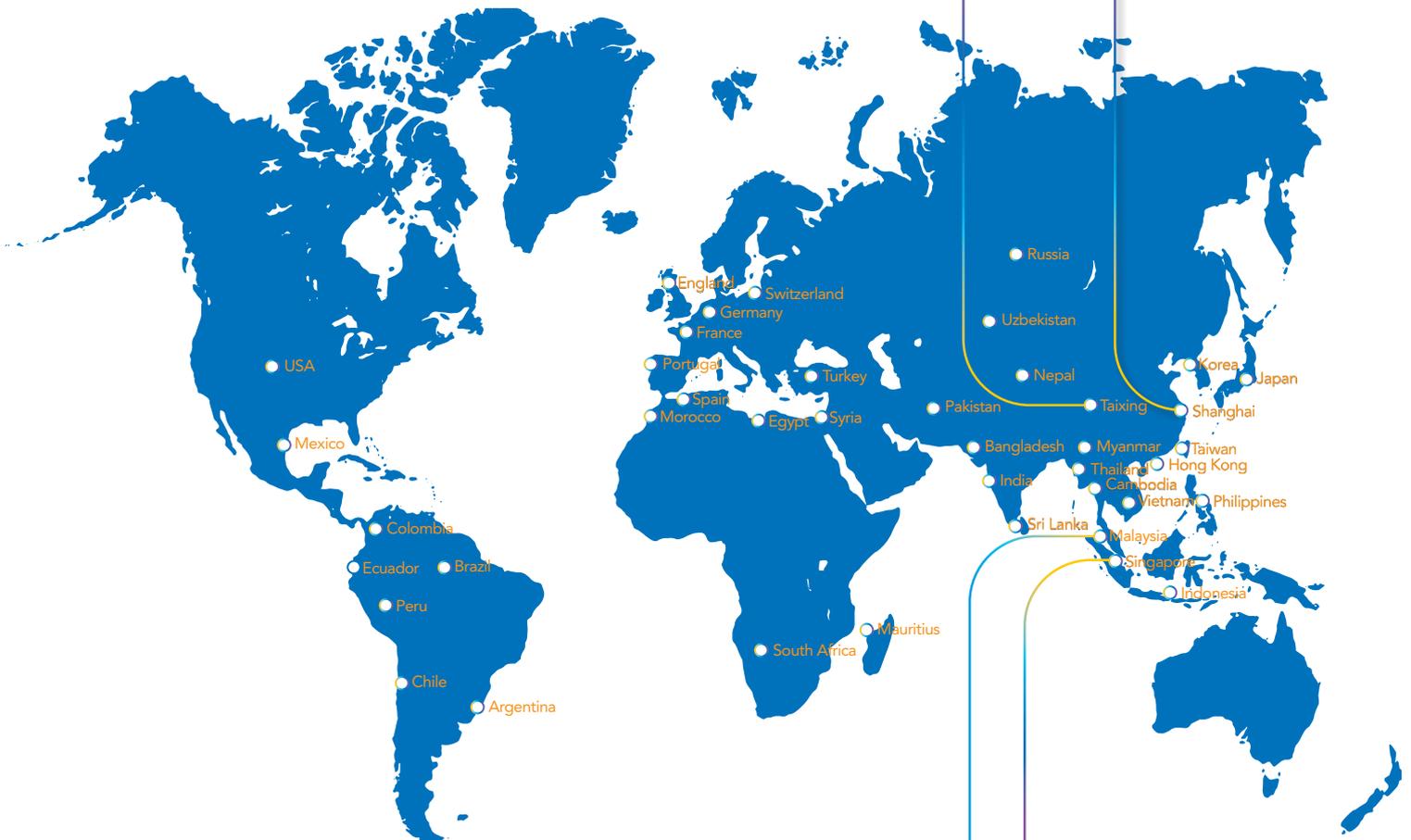
Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated **7 June 2020**.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as a proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

OUR GLOBAL PRESENCE





Matex International Limited
Company Registration No. 198904222M
万得国际有限公司

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