



MegaChem

# BUILDING STRENGTH IN ADVERSITY

ANNUAL REPORT 2023



EMBRACING THE ESSENCE OF RESILIENCE,  
HARNESSING INNER COURAGE AND  
MAINTAINING A POSITIVE OUTLOOK TO  
EMPOWER US TO FACE CHALLENGES AND  
TO BUILD STRENGTH IN ADVERSITIES –  
**IN ADVERSITY WE FIND STRENGTH.**



## OUR 35 YEARS JOURNEY

**1988**

Megachem's Journey began on 12 September 1988 in Singapore as a distributor of chemicals.

**1989**

Within a year of operation we expanded into the Malaysian market.

**1992**

We acquired 49% of Megachem Thailand Co., Ltd.

**1993**

Success in Singapore, Malaysia and Thailand led us to expand further into Indonesia.

**1994**

We moved to our own 46,000 sf office/warehouse in Tuas.

**2010**

Megachem achieved record sales and profit for FY 2010.

Our representative office in Vietnam was converted to a wholly-owned subsidiary to strengthen our footprint there.

**2009**

Megachem emerged from the US financial crisis with record level sales in FY 2009.

We converted our liaison office in India to a subsidiary as we positioned ourselves for further growth.

**2008**

The establishment of our subsidiary in Dubai, UAE demonstrated our commitment towards building a global network.

Megachem celebrated its 20 years in business with a record year of sales revenue.

**2005**

India liaison office was set up as part of strategy to establish a global market.

With a plan to penetrate the China market further, a branch office was set up in Beijing.

**2011**

We purchased another industrial building in Singapore to develop its manufacturing activities as an engine of growth.

Establishment of a subsidiary in Australia further expanded Megachem's geographic footprint.

Megachem delivered yet another year of record sales and profit for FY 2011. Sales surpassed S\$100 million mark for the first time.

**2012**

Completion of the expansion of its production facility in Singapore, laid the platform for accelerating growth in our manufacturing activities.

Megachem welcomed Chori, a leading Japanese trading group, as Shareholder and Partner. Both Chori and MegaChem are expected to benefit from each other's synergistic capabilities in chemicals.

**2014**

As part of our effort to strengthen our logistical infrastructure, Megachem purchased a piece of industrial land in Malaysia which will lead to greater cost efficiency and enable us to serve our customers better.

**2023**

35th Anniversary – Celebrating past Successes. Shaping a Better Future.



**2022**

Megachem secured its first Sustainability-linked financing. This sustainability-linked financing from UOB is a key step in our sustainability journey and a clear demonstration of our commitment to be a responsible member of the community, together with our customers, suppliers, as well as our other stakeholders.

Doing our part towards a greener future, we installed solar panels at our Singapore facility which will enable us to reduce our energy cost and more importantly to reduce global warming. The solar panel facility was funded by OCBC.

Megachem is proud to be a Gold recipient of the EcoVadis Sustainability Ratings. In its Sustainability Assessment Report 2022, EcoVadis placed Megachem among the Top 3% of companies of the same category that were assessed by them. This accolade is a testimony of the importance we place Sustainability in our overall strategy and a recognition of our Sustainability achievements.

As part of our plan to strengthen our supply chain infrastructure, we completed the construction of our warehouse in Malaysia.

## OUR 35 YEARS JOURNEY

**1999**

We expanded our geographical footprint further with a presence in Philippines.

We establish our own quality control and applications laboratory to provide quality control and technical support to our customers.

**2000**

To tap onto the rapidly growing China market, we set up a subsidiary in Shanghai.

In the same year, we ventured into the European market with a presence in the UK.

**2001**

At the turn of the new millennium, we made our foray into manufacturing with an objective of transforming Megachem into an integrated specialty chemical business.

**2004**

In 2004, a representative office was set up in Vietnam to tap on the potential in the Vietnam market.



**2003**

In October Megachem moved itself to the bigger stage with the listing of its shares in the Singapore Stock Exchange-SESDAQ, now known as the Catalist. The public share issue received overwhelming response with oversubscription of 472 times. Its shares commenced trading on 17 October 2003.

**2015**

Megachem won 4 awards at the prestigious Singapore Corporate Awards, including the Best Managed Board (Gold) in the “<\$300 million market capitalisation” category.

**2016**

Megachem won 2 awards at the prestigious Singapore Corporate Awards.



**2017**

Megachem (Thailand) Public Company Limited made a successful IPO debut on the Stock Exchange of Thailand-Market for Alternative Investment. The listing marks a key milestone for the Group, and is aligned with our plans to expand our presence in Asia.

Megachem won the Best Annual Report Award (Gold) in the “less than \$300 million market capitalisation” category.

**2021**

Through our Thailand associated company, we acquired 55% of Green Leaf Chemical Co., Ltd which is a distributor of chemicals for use in the manufacturing of personal care products. The acquisition seeks to enhance the Group’s product portfolio and deepen our coverage of the personal care industry.



**2018**

Through our Thailand associated company, we acquired a chemical distributor in Thailand whose key product of ethanol is widely used in sanitisers and cosmetics. The acquisition enhances the Group’s product portfolio and widen our industry coverage thereby strengthening our market position in Thailand.

Megachem was accorded the Best Managed Board Award (Bronze), in the “less than \$300 million market capitalisation” category at the 2018 Singapore Corporate Awards. The award attests to our commitment towards upholding good corporate governance and board performance.

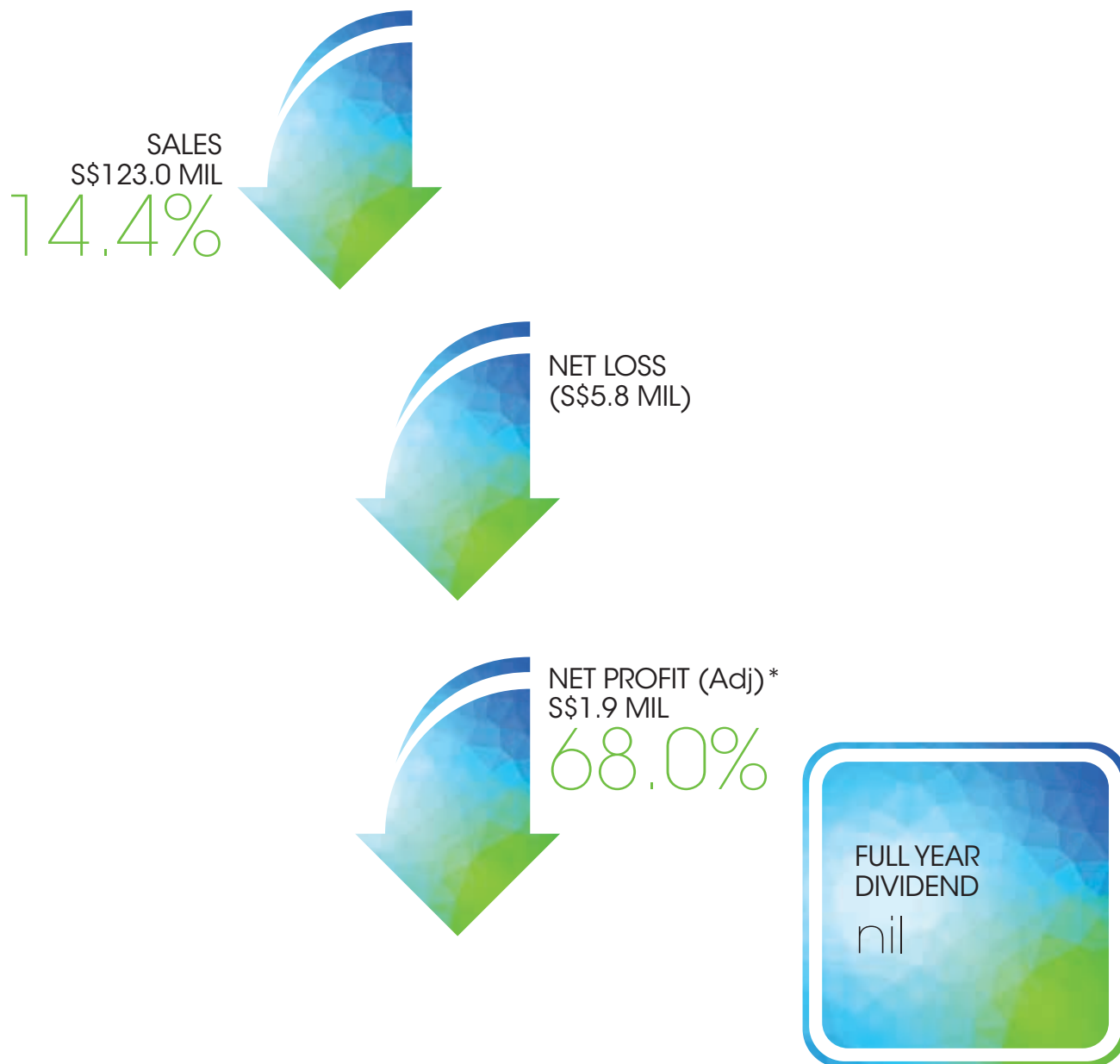
# TABLE OF CONTENTS

PAGE 06..... CHAIRMAN'S MESSAGE	PAGE 25..... OUR HUMAN CAPITAL	PAGE 46..... INVESTOR RELATIONS
PAGE 08..... OUR WORLD OF CHEMISTRY	PAGE 26..... OUR ACHIEVEMENT	PAGE 48..... RISK MANAGEMENT
PAGE 10..... OUR PROSPECTS & STRATEGY	PAGE 27..... CORPORATE INFORMATION	PAGE 52..... CORPORATE GOVERNANCE REPORT
PAGE 11..... OUR CORPORATE PROFILE	PAGE 28..... GLOBAL OFFICE CONTACT	PAGE 75..... SUSTAINABILITY REPORT
PAGE 13..... OUR BUSINESS MODEL	PAGE 29..... FINANCIAL HIGHLIGHTS	PAGE 103..... TCFD DISCLOSURE
PAGE 14..... OUR GLOBAL FOOTPRINT	PAGE 32..... OPERATING AND FINANCIAL REVIEW	PAGE 106..... GRI CONTENT INDEX
PAGE 16..... WHY MEGACHEM	PAGE 42..... SHARE INFORMATION	PAGE 110..... FINANCIAL STATEMENTS
PAGE 18..... DEFINING MEGACHEM	PAGE 43..... DIVIDEND	PAGE 178..... STATISTICS OF SHAREHOLDING
PAGE 19..... BOARD OF DIRECTORS	PAGE 44..... YEAR IN REVIEW	PAGE 180..... NOTICE OF ANNUAL GENERAL MEETING
PAGE 24..... SENIOR MANAGEMENT	PAGE 45..... FINANCIAL CALENDAR	PROXY FORM

This annual report has been reviewed by the Company's sponsor, SAC Capital Private Limited ("Sponsor"). This annual report has not been examined or approved by the Singapore Exchange Securities Trading Limited ("Exchange") and the Exchange assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made, or reports contained in this annual report.

The contact person for the Sponsor is Mr Bernard Lim (Tel: (65) 6232 3210) at 1 Robinson Road #21-00 AIA Tower Singapore 048542.

# RESULTS AT A GLANCE



\* Adjusted for a one-off impact from a fire incident

## CHAIRMAN'S MESSAGE



“ We will continue to strengthen and solidify our foundation of a diverse geographic and product base to remain competitive and provide value-added solutions to a pool of global customers. ”

**LEE BON LEONG**

Independent & Non-Executive Chairman

### DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you Megachem's annual report for the financial year ended 31 December 2023 ("FY 2023").

#### CHALLENGING YEAR IN FY 2023

FY 2023 proved to be a difficult year for Megachem as both external and internal events had resulted in a certain degree of impact to our business operation.

Economic uncertainty and ongoing geopolitical events have led to a weak demand and inventory overhang in the chemical industry. Apart from that, the fire incident at Megachem's warehouse facility in the morning of 5 July 2023 resulted in the Group's first ever loss in its history.

Despite these challenges and setbacks, Megachem's diversified business model, across a wide spectrum of products and customer base, provides resilience. Our diversity in terms of markets, global customers and suppliers, has proven to be the key competitive differentiation that sets us apart. Furthermore, with our agility, Megachem continues to seize growth opportunities time and time again and stay resilient notwithstanding several major economic recessions throughout the years.

#### RESILIENT PERFORMANCE DESPITE ONE-OFF IMPACT

For FY 2023, Megachem's revenue stood at S\$123.0 million, a decline of 14.4% as compared to the S\$143.7 million in the previous financial year ended

31 December 2022 ("FY 2022"). The fall in revenue was broad-based across its various market segments and in both distribution and manufacturing activities.

In line with the lower sales, gross profit decreased by 34.6% to S\$22.5 million and gross profit margin declined to 18.3%, compared to 23.9% in FY 2022. Adjusting for the impact of the fire incident, gross profit margin and gross profit would be 23.1% and S\$28.5 million respectively.

Total operating expenses (excluding finance cost) increased by 12.3% year-on-year, mainly due to the fire incident. Expenses such as customer compensation claims, demolition and



decontamination costs and higher waste disposal costs were incurred. Excluding the one-off fire incident, total operating expenses would be lower by 6.1% year-on-year.

As a whole, Megachem recorded a net loss of S\$5.8 million in FY 2023 as compared to a net profit after tax of S\$6.1 million in FY 2022. Excluding the one-off net impact of the fire incident, Megachem would have remained in the black, with a net profit after tax of S\$1.9 million.

Loss per share for FY 2023 came in at 4.43 cents as compared to earnings per share of 4.41 cents in FY 2022. Net asset value per share decreased to 37.48 cents as at 31 December 2023, from 43.96 cents as at 31 December 2022. The Group's financial position remained sound and healthy, with cash and bank balances of S\$13.6 million as at 31 December 2023, as compared to S\$11.9 million as at 31 December 2022. Net gearing ratio stayed at a healthy level of 0.30 times as at 31 December 2023.

Overall, our prudent financial discipline has allowed us to maintain a healthy financial position, giving us financial flexibility to tide through this difficult moment for future business growth and expansion.

### TACKLING UNCERTAINTIES AHEAD

We can expect that 2024 will continue to be a year of uncertainties, given the on-going Russia-Ukraine war and the Israel-Hamas conflict which had caused disruptions to supply chain and hence posed a risk to the overall economic growth.

Even though global inflationary pressure recently eased, leading to a pause in interest rate hikes, factors such as high costs and tepid demand may continue to be a drag on the economy and business activities.

Given these uncertainties ahead, we will need to remain focused and nimble so that we can better handle these uncertainties in the near term.

### TAPPING LONG-TERM OPPORTUNITIES

In the longer term, given the large population size and developing middle class, the Asian region will remain the key area that contributes towards our main growth engine. Chemicals have been said to be the "industry of industries". We anticipate that as Asia's production capacity expands, driven by flourishing market potential and investments, the demand for chemicals will likewise increase.

To capture the various opportunities upon the improvement in business conditions, we will continue to strengthen and solidify our foundation of a diverse geographic and product base to remain competitive and provide value-added solutions to a pool of global customers.

We will continue to work closely with our customers through the enhancement of our product offerings and provide effective one-stop solutions to them as well. Apart from prioritising our customers' need, we will also leverage on our track record of operational excellence, prudent financial management and diversified business model to create long-term value for our stakeholders.

### SUSTAINABLE CHEMISTRY

Megachem has always deemed sustainability to be one of our top priorities in creating long-term value for our stakeholders. We will continue to prioritise sustainability in our operations and to collaborate with our stakeholders in building a better world for everyone.

### WORDS OF APPRECIATION

I would like to express my heartfelt appreciation to the management team, staff, bankers and business associates for their commitment and support in allowing us to get this far. I want to convey my deepest appreciation as well to my fellow independent directors, who together with me will be stepping down to make way for board renewal, for their contributions. Finally, I would like to express my gratitude to our shareholders for their continuous unwavering support.

I believe that Megachem is well-positioned to take on new opportunities as they present themselves by capitalising on our strengths and diversified product offering to provide clients with one-stop solutions. We will work towards building a more sustainable speciality chemicals business for our clients while focusing on executing our Asia-centric strategy.

### LEE BON LEONG

Independent and  
Non-Executive Chairman  
Megachem Limited

# OUR WORLD OF CHEMISTRY

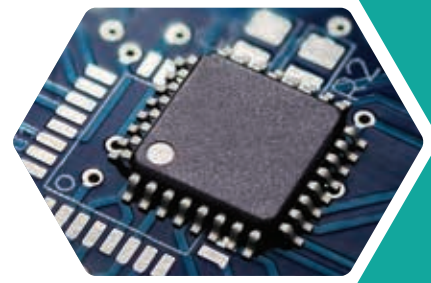
## MAKING THE WORLD A BRIGHTER PLACE PERFORMANCE COATINGS AND POLYMERS

• Paints and Inks • Polymerisation • Adhesives • Construction • Textile



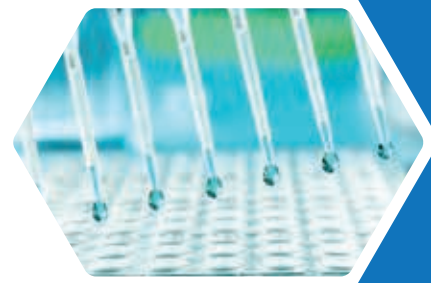
## ENABLING TECHNOLOGIES SURFACE TECHNOLOGY

• Electronics • Metal Finishings • Industrial Cleaning • Water Treatment • Pulp & Paper



## NOURISHING OUR WELL-BEING BIOTECH

• Food and Beverages • Pharmaceuticals • Nutraceuticals • Cosmeceuticals • Homecare  
• Flavours/Fragrances • Agriculture • Feeds





**DRIVING PERFORMANCE**  
**ADVANCED POLYMER COMPOSITES**

• Rubber • Plastics • Polyurethane • Polyesters



**ENERGISING**  
**OUR WORLD**  
**OIL & GAS/RESOURCES**

• Petrochemicals • Lubricants & Grease • Oil Fields • Refinery • Oleochemicals • Mining

# OUR PROSPECTS

## OUR STRATEGY

### (CH<sub>e</sub>mical)+Re(Action)2: for- Gr{OW}<sup>th</sup>

The Megachem formula for growth is a reaction of 3 key strategies creating a chemistry that will elevate us to a different level of growth. We develop our strategies around the key pillars of geographic network, product offerings and industry coverage. Combine these with our supply chain infrastructure and close relationships with customers and suppliers, Megachem will be well positioned to grow its business, thereby enhancing value for our shareholders.

### ECONOMY

2024 will continue to be a year of uncertainties, marked by the on-going Russia-Ukraine war and the Israel-Hamas conflict. Even though global inflationary pressure has eased recently, leading to a pause in interest rate hikes, high costs and tepid demand may continue to be a drag on the economy and business activities.

### CHEMICAL INDUSTRY

Although the excess inventory situation has somewhat improved, following a period of destocking, recovery in demand for chemicals

may remain sluggish in line with benign economic conditions. Supply chain disruption arising from Middle East conflict also poses a risk to recovery.

### MEGACHEM

Given that the global business environment is expected to remain challenging for 2024, Megachem will continue to adopt a cautious stance as the uncertainties ahead weighing on the global economy may pose downside risks to our business.

### FIRE INCIDENT

On 5 July 2023, Megachem informed shareholders via an SGX announcement that a fire broke out on the same day at 132 Pioneer Road where our warehouse is located. Our immediate priority then was to minimise the disruption of product supply to our customers. About 60-70% of the Company's inventory is stored in third party warehouses which enables us to continue a major part of our business. As for the products which were destroyed during the fire, we took immediate steps to replenish them in accordance with customers' requirements so that our inventory level can return to optimal level.

The fire incident had a total negative impact of approximately S\$7.7 million on our profitability for FY 2023, resulting in our first ever loss after tax of S\$5.8 million. Excluding the one-off impact of the fire, there would have been a net profit after tax of S\$1.9 million in FY 2023.

### REBUILDING OUR WAREHOUSE

The groundwork for the rebuilding of our warehouse has commenced. Various professionals required for the rebuilding have been appointed.

The commencement of the rebuilding is pending regulatory clearance. We expect the construction, which will take approximately 1 year, to commence sometime in the middle of 2024.

While the reconstruction of the warehouse will increase our cost in the short term, the new warehouse, which is also safer and environmentally friendly, will lead to lower warehousing cost in the longer term. This will enhance our competitiveness.

## OUR CORPORATE PROFILE



### YOUR TOTAL CHEMICAL SOLUTIONS PARTNER

Established in 1988, Megachem has since emerged as a leading chemical player in Singapore and the region. Listed on the Singapore Stock Exchange in 2003, we are today a global one-stop specialty chemical solutions provider, offering integrated value-added services including contract manufacturing tailored to customers' needs as well as distribution of specialty chemicals. We have a global presence and diverse customer base from a wide spectrum of industries. Our technical capabilities, supply chain infrastructure and professional team serve to ensure total customer satisfaction.

## OUR CORPORATE PROFILE



SERVING YOU GLOBALLY  
WITH ONE-STOP SUPPLY OF  
SPECIALTY CHEMICALS

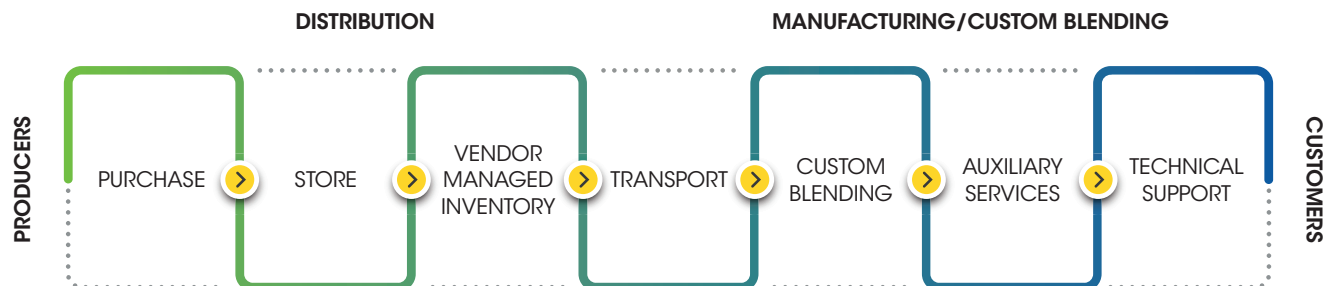


PROVIDING INTEGRATED  
VALUE-ADDED SOLUTIONS



A PREMIUM PROVIDER  
OF CHEMICAL CONTRACT  
MANUFACTURING SERVICES

# OUR BUSINESS MODEL



## VALUE-ADDING IN THE CHEMICAL SUPPLY CHAIN



- Wide product portfolio >1,000 types and grades of chemicals
- Global Sourcing Network -China, Europe, Japan, US, India
- Global Distribution Network -presence in 12 countries
- Strong customer base >2,000 customers
- Providing Just-in-Time delivery and Vendor-Managed Inventory Service



- Mixing and Blending according to customers' formulations
- Repackaging from bulk to smaller packaging
- Filling, packaging and labeling
- Technical support from dedicated application laboratories

## OUR GLOBAL FOOTPRINT



### CONNECTING TO THE WORLD OF OPPORTUNITIES

With an extensive global network and strategic locations in Asia, we are well-positioned to develop strategic relationships and forging winning formula in a challenging business landscape.





## WHY MEGACHEM?

### OUR COMPETITIVE STRENGTHS, YOUR COMPETITIVE ADVANTAGES

Every single element has to be exactly in place to create the desired formula for success and Megachem has been building this winning formula over the decades. Several vital ingredients make up this potent formula:

Our integrated solutions, superior manufacturing capability, extensive global network, our strong customer base, outstanding product portfolio, efficient supply chain solutions and sophisticated IT support services. Together, these elements give our customers the competitive edge they seek, making us their indispensable partner on their journey to growth.

### OUR COMPETITIVE STRENGTHS Integrated specialty chemical Solutions provider

Megachem's capabilities in proprietary chemical products manufacturing, contract manufacturing and global distribution provide customers with integrated solutions, thus adding higher value to them.

These make us a one-stop shop where customers can find total solutions.

### Superior manufacturing capability

In contract manufacturing, we add value by blending materials according to our customers' formulation and specific requirements. With our proven track record with several multinationals, customers can confidently outsource to us their non-core production activities so that they can focus on what they do best - making their business grow.

### Extensive global network

Our extensive network in Singapore, Malaysia, Indonesia, Thailand, Philippines, Vietnam, Myanmar, China, India, Middle East, Australia and the UK enables us to serve our customers globally.

Our direct presence in these markets offers a premium service level and minimized operating cost for our customers. Our integrated network also allows for cross-border exchange of market information and enables us to connect our suppliers to their desired markets

### Strong customer base

Over the years we have developed a strong and diversified customer base comprising largely multinationals companies spreading across a wide range of industries. This is a testimony of their confidence in us and of our ability to deliver long-term value to them.

### Outstanding product portfolio

We carry a wide range of products which provides a one-stop shop and enables us to be a key supplier to our customers.

### Quality supply source

Our suppliers have proven track records in quality, consistency, competitive pricing and supply reliability.

A strong presence in Asia has helped several of our principal suppliers to penetrate key markets, which led to our appointment as their sole distributor and business partner.



### Efficient supply chain solutions

Our warehousing facilities stock different classes and grades of specialty chemicals. Coupled with an efficient logistics support and just-in-time inventory controls, we are able to help customers improve their inventory planning and reduction of inventory costs.

### Sophisticated IT infrastructure

Megachem invests heavily in a worldclass IT infrastructure including mySAP Business Suite software. This enhances our service efficiency as well as provides seamless information exchange which gives us a competitive advantage over our competitors.

### YOUR COMPETITIVE ADVANTAGES

#### As our customers

#### Competitive Product Pricing

Megachem can act as a single source supplier of a full suite of



products, offering you increased product cost effectiveness. Through product bundling, overall product cost and freight cost can be reduced for our customers.

### **Process and Operational Cost Efficiency**

Instead of having a big procurement team inquiring with several suppliers, negotiating prices, terms and conditions with each of them, you can rely on us as one single point of contact. By consolidating your chemical materials requirements and outsourcing to us, it enables you to focus your time and effort on your core activities. We can source and order your products for you, store them in close proximity to your production locations and deliver them not before or after they are needed; instead, they arrive “just-in-time” as they are needed, effectively

reducing operational costs such as warehousing and inventory obsolescence.

### **Product Options**

Megachem has global sourcing network around the world with the ability to source for quality products at economical cost. We are able to offer various alternatives for your chemical raw material requirements by offering wider choices in terms of product quality and pricing.

### **Optimum Service Level**

Megachem partners many multi-nationals companies, serving them as a global supplier. For these companies our Key Accounts Managers provide impeccable level of personalised services and offer customised solutions.

### **Adding Value Through Contract Manufacturing**

Megachem adds further value to your business by providing contract manufacturing services. We can source the raw materials for you, store them in our warehouses, produce the finished products according to your formulations, pack them according to your requirements and deliver them directly to you or your customers. By engaging us as your contract manufacturer, your non-core production is outsourced to us and in so doing reduces your capital expenditure, production and other related costs.

Outsourcing your non-core productions to us also enables you to penetrate key markets in Asia without investing heavily in capital expenditure.

### **As our suppliers**

#### **Your Partner in Growing your Markets**

As a supplier to us, we add value to you by bringing your products to your desired markets. We do so by leveraging on our extensive network around the world, especially in Asia where there is a tremendous potential for growth. Supported by an efficient logistical infrastructure and our in-depth market knowledge, we can assist you in developing your markets bigger and faster.

#### **Streamlining your Distribution Channels**

Acting as your distributor, you can outsource smaller customer accounts to us, enabling you to channel your resources towards the bigger customers thus streamlining your distributions channels, operations and reducing your operational cost.

#### **Reducing your Inventory Cost**

By appointing us as your distributor, you will be able to reduce your inventory holding cost. Our robust inventory management system and strong supply chain infrastructure will ensure sufficient level of stocks to meet customers’ demand within shortest possible delivery time.

#### **Market Information Sharing**

We view our suppliers as important business partners. As such, we have open channels of sharing and communication of market knowledge and information to keep our suppliers abreast of market developments.

## DEFINING MEGACHEM

SUPPORTING MEGACHEM'S KEY SUCCESS FACTORS IS THE INVIGORATING DEEP CULTURE - ONE THAT BONDS THE SPIRIT OF OUR PEOPLE TOGETHER WITH COMMON VALUES, EASILY RECOGNIZABLE IN THE CONDUCT OF OUR BUSINESS

We constantly **DIFFERENTIATE** ourselves to stay ahead of competition

We are **ENERGIZED** towards realizing our vision in everything that we do

We constantly pursue better ways to **ENGAGE** with our business partners to achieve mutually beneficial relationship

Our people are committed to **EXECUTE** and deliver quality results

Because we truly believe in our **PASSION** to better serve and deliver our best

We are a **PERFORMANCE-DRIVEN** organization

We embrace **CHANGE** to stay relevant.

# BOARD OF DIRECTORS



## MR LEE BON LEONG, JPPBM, BBM, AGE 77

Independent and Non-Executive Chairman

**Date of first appointment as a Director:** 5 September 2003

**Date of last re-election as a Director:** 16 April 2021

**Length of service as a Director:** 20 years and 6 months

**Country of principal residence:** Singapore

### Board's comments on the appointment

Not applicable, Mr Lee Bon Leong will retire at the Company's forthcoming annual general meeting.

### Board committee memberships

Chairman of Nominating Committee

Member of Audit Committee

Member of Remuneration Committee

### Academic and professional qualifications

Masters of Law from the National University of Singapore

Bachelor of Law (Hons) from the National University of Singapore

### Working experience and occupations for the past 10 years and principal commitments

#### *Working experience and occupation during the last 10 years*

Practising lawyer, senior partner of Lee Bon Leong & Co.

#### *Principal Commitments (other than directorships)*

##### *Present*

Chairman of the Home Detention Advisory Committee

Chairman of the Board of Visitors for SCDF & SPF Detention Barracks (DB)

##### *Past*

Practising lawyer and consultant to Lee Bon Leong & Co

Member of the Panel for the Disciplinary Committee of Enquiry Public Service Commission

Vice-Chairman and Trustee of the Inmates' Families Support Fund  
Member of the Singapore Board of Visiting Justices  
Member of the Institutional Discipline Advisory/Review Committee (IDAC/IDRC)

### Directorships (Present and Past 5 years)

#### *Present other than Megachem Limited*

Listed  
Asia Enterprises Holding Ltd

#### Non-listed

D S Lee Foundation  
Kien Lee Investment Pte Ltd  
King Tower Investment Pte Ltd  
Li Lee Investment Pte Ltd  
Rectron Investments Pte Ltd  
Sing Hup Leong Investment Pte Ltd  
Solid Gold Pte Ltd

#### *Past 5 years, listed and non-listed*

##### Listed

AnnAik Limited

### Shareholdings (direct and deemed) in the Company (as at 21 January 2024)

100,000

### Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries

Nil

### Conflict of interest (including any competing business)

Nil

## BOARD OF DIRECTORS



### MR SIDNEY CHEW CHOON TEE, AGE 63

Managing Director

**Date of first appointment as a Director:** 28 April 1989

**Date of last re-election as a Director:** 18 April 2022

**Length of service as a Director:** 34 years and 10 months

**Country of principal residence:** Singapore

#### Board's comments on the appointment

Not applicable, Mr Sidney Chew Choon Tee is not subject to re-election.

#### Board committee memberships

Chairman of Executive Committee

Member of Nominating Committee

#### Academic and professional qualifications

Bachelor of Science in Chemistry (Hons)

Bachelor of Arts, majoring in Business Administration

#### Working experience and occupations for the past 10 years and principal commitments

##### *Working experience and occupation during last 10 years*

Executive Director of Megachem Limited

##### *Principal Commitments (other than directorships)*

##### *Present and Past*

Nil

#### Directorships (Present and Past 5 years)

##### *Present other than Megachem Limited*

##### Listed

Megachem (Thailand) Public Company Limited

##### Non-listed

Megachem Manufacturing Pte Ltd

Megachem Raya Pte Ltd

Megachem (Shanghai) Pte Ltd

C.N. Chemicals Sdn. Bhd.

P.T. Mega Kemiraya

Megachem Plus Limited

Megachem Phils., Inc

Megachem International Trading

(Shanghai) Co., Ltd

Megachem (UK) Ltd

Megachem Middle East FZE

Megachem Vietnam Company Limited

Megachem Specialty Chemicals (I)

Private Limited

Megachem Australia Pty Ltd

##### *Past 5 years, listed and non-listed*

Nil

#### Shareholdings (direct and deemed) in the Company (as at 8 March 2024)

47,894,012

#### Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries

Ms Liau Bin Bin who is the spouse of Mr Sidney Chew Choon Tee is an Executive Director of C.N Chemicals Sdn Bhd, a wholly-owned subsidiary of Megachem Limited

#### Conflict of interest (including any competing business)

Nil

By virtue of section 7 of the Companies Act, 1967, Mr Sidney Chew Choon Tee, who by virtue of his interest of not less than 20% shareholding interest in the Company, is deemed to have an interest in the shares held by the Company in all the related corporations of the Company.



**MR CHAN KAM LOON, AGE 63**

Independent Director

**Date of first appointment as a Director:** 28 September 2007

**Date of last re-election as a Director:** 18 April 2022

**Length of service as a Director:** 16 years and 5 months

**Country of principal residence:** Singapore

**Board's comments on the appointment**

Not applicable, Mr Chan Kam Loon will retire at the Company's forthcoming annual general meeting.

**Board committee memberships**

Chairman of Audit Committee

Member of Nominating Committee

Member of Remuneration Committee

**Academic and professional qualifications**

Bachelor of Accountancy (Hons) from the London School of Economics

Member of the Institute of Chartered Accountants in England and Wales

**Working experience and occupations for the past 10 years and principal commitments**

*Working experience and occupation during the last 10 years*

Nil

*Principal Commitments (other than directorships)*

*Present and Past*

Nil

**Directorships (Present and Past 5 years)**

*Present other than Megachem Limited*

Listed

Jiutian Chemical Group Limited

Uni-Asia Group Limited

Alpha DX Group Limited

Southern Packaging Group Limited

Non-listed

Nil

*Past 5 years*

Listed

OIO Holdings Limited

Hupsteel Limited

Sarine Technologies Limited

Tee International Limited

Non-listed

3 Peaks Capital Private Limited

**Shareholdings (direct and deemed) in the Company (as at 21 January 2024)**

Nil

**Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries**

Nil

**Conflict of interest (including any competing business)**

Nil

## BOARD OF DIRECTORS



### DR TAY KIN BEE, AGE 69

Independent Director

**Date of first appointment as a Director:** 1 July 2013

**Date of last re-election as a Director:** 16 April 2021

**Length of service as a Director:** 10 years and 7 months

**Country of principal residence:** Singapore

#### Board's comments on the appointment

Not applicable, Dr Tay Kin Bee will retire at the Company's forthcoming annual general meeting.

#### Board committee memberships

Chairman of Remuneration Committee

Member of Audit Committee

#### Academic and professional qualifications

Doctor of Business Administration degree

Master's Degree in Accounting and Finance

Bachelor's Degree in Mechanical Engineering (1st Class Hons)

SMU-SID Executive Diploma in Directorship

#### Working experience and occupations for the past 10 years and principal commitments

##### *Working experience and occupation during the last 10 years*

Managing Director and CEO of a specialty chemical distribution company

##### *Principal Commitments (other than directorships)*

###### *Present*

Executive Director of a private equity asset management company

###### *Past*

Managing Director and CEO of a specialty chemical distribution company

Chairman of the Singapore Chemical Industry Council

Deputy Chairman of the Chemical Standards Committee (Singapore Standards Council)

Governing Board Member of the Workplace, Safety and Health Institute  
Taskforce Chairman for Globally Harmonized System of Classification and Labelling of Chemicals (Ministry of Manpower)

#### Directorships (Present and Past 5 years)

##### *Present other than Megachem Limited*

###### Listed

Nil

###### Non-listed

Riverside Asia Partners Pte Ltd

Riverside Asia Pacific Fund II Pte Ltd

##### *Past 5 years, listed and non-listed*

###### Listed

Chemical Industries (Far East) Limited

###### Non-listed

SPCI Pte Ltd

DCM Asia Pte Ltd

#### Shareholdings (direct and deemed) in the Company (as at 21 January 2024)

Nil

#### Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries

Nil

#### Conflict of interest (including any competing business)

Nil





**MR YASUTAKA KAWAMURA, AGE 53**

Non-Executive and Non-Independent Director

**Date of first appointment as a Director:** 1 July 2020

**Date of last re-election as a Director:** 19 April 2023

**Length of service as a Director:** 3 year 9 months

**Country of principal residence:** Japan

**Board's comments on the appointment**

Not applicable, Mr Yasutaka Kawamura is not subject to re-election.

**Board committee memberships**

Nil

**Academic and professional qualifications**

Master of Business Administration

Bachelor of Economics

**Working experience and occupations for the past 10 years and principal commitments**

*Working experience and occupation during the last 10 years*

Vice President of Chori (China) Co., Ltd  
Department Manager of Corporate Planning division in Chori Co., Ltd.

*Principal Commitments (other than directorships)*

*Present*

Department Manager of Corporate Planning division in Chori Co., Ltd with experiences in corporate actions, accounting, financing, credit and legal matters.

*Past*

Key positions in finance, accounting and corporate planning within Chori Co., Ltd

**Directorships (Present and Past 5 years)**

*Present other than Megachem Limited*

Listed

Nil

Non-listed

Chori Europe GmbH

*Past 5 years, listed and non-listed*

Listed

Nil

Non-listed

Chori Co., (Hong Kong) Ltd  
Chori (Tianjin) Co., Ltd  
Chori (Dalian) Trading Co., Ltd  
Chori (Dalian) Commercial Import Export Co., Ltd

**Shareholdings (direct and deemed) in the Company (as at 21 January 2024)**

Nil

**Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries**

An employee and nominee of Chori Co., Ltd, a 29.99% shareholder of Megachem Limited

**Conflict of interest (including any competing business)**

Nil

## SENIOR MANAGEMENT



### MR FRANCIS YAU THIAM HWA

Chief Financial Officer

Mr Francis Yau joined Megachem in 2000 as the General Manager of Megachem (Shanghai) Pte Ltd and Megachem International Trading (Shanghai) Co. Ltd prior to his appointment as the Group's Financial Controller in 2001. He was promoted to the position of Chief Financial Officer on 1 January 2007. Mr Yau takes responsibility for all financial matters including financial and treasury planning, financial risk management and investor relations. He had several years of corporate banking experience prior to joining Megachem. He holds a bachelor degree in Business Administration from the National University of Singapore, majoring in finance and is also a member of the Institute of Singapore Chartered Accountants. He currently serves as an independent director in one company listed on SGX.



### MS KWOK HWEE PENG

Group Finance Manager

Ms Kwok Hwee Peng joined Megachem as Group Accountant in 2002 and was promoted to the position of Group Finance Manager in 2008. She is responsible for the Group's financial reporting and is also the Company Secretary. She has several years of experience in accounting and audit with PricewaterhouseCoopers prior to joining Megachem. She holds a Bachelor of Accountancy degree from the Nanyang Technological University and is also a member of the Institute of Singapore Chartered Accountants.

# OUR HUMAN CAPITAL

At Megachem, our people are our greatest assets hence is at the heart of everything we do. We believe in the continuous investment and development of our people to realize their full potential to help the organization achieve excellence in our business results. The People Developer accolade awarded in past years is testimony to this longstanding commitment and belief that investment in people will thrust the organization towards the pinnacle of excellence in our relationship with our partners, customers and suppliers.

In pursuit of People Excellence, we adopt a holistic approach to human capital development.

## REWARDS & BENEFITS

Megachem considers the competitive market place, relative value of each position to the Company as well as among similar jobs, performance of individual employees, qualifications and relevant work experience in deciding how much an individual is paid. The Company reviews its compensation and benefits program regularly to ensure it is on par with the market. The Company believes in providing targeted incentives and rewards to employees, consistent with their performance.

## WELFARE AND WELL-BEING

We are committed to creating and sustaining a working environment supportive of work life balance for all employees as they are respected partners of the business. The Company conducts various programs to foster welfare and well-being among colleagues, to improve overall health of employees and to achieve work-life harmony. In so doing, a visible team of committed, productive and motivated employees is highly energized to realize the corporate vision, mission, values and culture.

## LEARNING AND DEVELOPMENT

We place people at the core of our human resource ("HR") strategy and hold strong belief in nurturing of our employees to achieve excellent business results and attain high level of competency. The Company's HR policy is one that promotes the availability of opportunities for people to be trained on a continuing basis.

Although "People Developer", a certification awarded by Enterprise Singapore to companies which have achieved excellence in human capital development had ceased in 2020, we continued to adopt its principle and guidelines for a total approach to attracting, managing and engaging employees for high performance and aims to bring the best out of our people.

## CAREER & LEADERSHIP DEVELOPMENT

Our performance appraisal process has a development component that encourages employees to plan development that will help increase their performance and growth in their personal and professional development. In addition, to ensure a rewarding and fulfilling career at Megachem, the Company has in place a Mentorship Program where mentees are guided and coached by mentors in professional developmental and personal growth.

## HIGHER LEARNING EDUCATION SUPPORT

The Higher Learning Education ("HLE") program provides financial assistance and professional education and training ("PET") to eligible employees who choose to further their professional education to enhance their knowledge and skills. This program provides reimbursement of eligible expenses for approved Diploma/Degree/Master/PhD certification programs related to employee's current or future job responsibilities.

## STUDENTS AND GRADUATES

Megachem welcomes Interns/ Attachment students to embark on an exciting learning journey with challenging assignments and projects.

Fresh graduates are strongly encouraged to apply and join the Company as Management Trainees in their first step towards building a promising career.

# OUR ACHIEVEMENT

AT MEGACHEM, WE ARE CONSTANTLY PURSUING HIGHER STANDARDS OF BUSINESS EXCELLENCE. OUR STRING OF ACHIEVEMENTS AND AWARDS GARNERED OVER THE YEARS ATTEST TO OUR CUSTOMER-FOCUSED CORPORATE VALUES AND QUALITY STANDARDS.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Lee Bon Leong (Independent and Non-Executive Chairman)  
Sidney Chew Choon Tee (Managing Director)  
Chan Kam Loon (Independent Director)  
Tay Kin Bee (Independent Director)  
Yasutaka Kawamura (Non-Executive and Non-Independent Director)

## AUDIT COMMITTEE

Chan Kam Loon (Chairman)  
Lee Bon Leong  
Tay Kin Bee

## REMUNERATION COMMITTEE

Tay Kin Bee (Chairman)  
Lee Bon Leong  
Chan Kam Loon

## NOMINATING COMMITTEE

Lee Bon Leong (Chairman)  
Chan Kam Loon  
Sidney Chew Choon Tee

## EXECUTIVE COMMITTEE

Sidney Chew Choon Tee (Chairman)  
Francis Yau Thiam Hwa  
Kwok Hwee Peng

## COMPANY SECRETARIES

Kwok Hwee Peng  
Hon Wei Ling

## REGISTERED OFFICE

11 Tuas Link 1 Singapore 638588  
Tel: (65) 6933 9999  
Fax: (65) 6863 2818  
Website: [www.megachem.com](http://www.megachem.com)

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration  
Services  
(a division of Tricor Singapore Pte Ltd)  
9 Raffles Place, Republic Plaza,  
#26-01, Singapore 048619  
Tel: (65) 6236 3333

## EXTERNAL AUDITOR

RSM SG Assurance LLP  
8 Wilkie Road #03-08  
Wilkie Edge  
Singapore 228095  
Partner-in-charge: Tan Beng Teck  
(with effect from financial year ended  
31 December 2022)

## INTERNAL AUDITOR

Baker Tilly Consultancy (Singapore) Pte  
Ltd  
600 North Bridge Road  
#05-01 Parkview Square  
Singapore 188778

## PRINCIPAL BANKERS

Citibank, N.A.  
HSBC  
Oversea-Chinese Banking Corporation  
Limited  
Standard Chartered Bank  
United Overseas Bank Limited

## CONTINUING SPONSOR

SAC Capital Private Limited  
1 Robinson Road  
#21-00 AIA Tower  
Singapore 048542  
Tel: (65) 6232 3210

## INVESTOR RELATIONS ADVISOR

Citigate Dewe Rogerson Singapore Pte  
Ltd  
158 Cecil Street #05-01  
Singapore 069545  
Tel: (65) 6534 5122  
Email: [Megachem@  
citigatedewerogerson.com](mailto:Megachem@citigatedewerogerson.com)

## INVESTOR RELATIONS CONTACT

Citigate Dewe Rogerson Singapore Pte  
Ltd  
Dolores Phua/Teo Zheng Long  
Email: [Megachem@  
citigatedewerogerson.com](mailto:Megachem@citigatedewerogerson.com)

Megachem Limited  
Francis Yau  
Email: [fsyau@sg.megachem.com](mailto:fsyau@sg.megachem.com)

## INVESTOR RELATIONS WEBSITE

[www.megachem.com](http://www.megachem.com)  
[www.shareinvestor.com](http://www.shareinvestor.com)

## PERSONAL DATA PROTECTION OFFICER CONTACT

Megachem Limited  
Woo Tze Yung  
Email: [tywoo@sg.megachem.com](mailto:tywoo@sg.megachem.com)

## WHISTLE BLOWING CONTACT

Tel: (65) 6863 9285  
Email: [auditcom@sg.megachem.com](mailto:auditcom@sg.megachem.com)

# GLOBAL OFFICE CONTACT

**MEGACHEM LIMITED**  
**MEGACHEM MANUFACTURING PTE LTD**  
**MEGACHEM RAYA PTE LTD**  
**MEGACHEM (SHANGHAI) PTE LTD**  
 11 Tuas Link 1,  
 Singapore 638588  
 Tel: +65 6933 9999  
 Fax: +65 6863 2818  
 E-mail: enquiry@sg.megachem.com  
 Website: www.megachem.com

**C.N. CHEMICALS SDN BHD**  
 No. 9, (LOT 72791) Jalan SKI 1/KU7  
 Kawasan Industri Hi-Tech  
 Sungai Kapar Indah, Mukim Kapar  
 42200 Klang, Selangor, Malaysia  
 Tel: +60 33081 2399  
 Fax: +60 33081 2599  
 E-mail: enquiry@my.megachem.com

**P.T. MEGA KEMIRAYA**  
 Wisma 77. 6<sup>th</sup> Floor  
 Jl S. Parman Kav. 77 Slipi  
 Jakarta Barati, 11410 Indonesia  
 Tel: +62 21 536 3189  
 Fax: +62 21 535 8987  
 E-mail: enquiry@id.megachem.com

**MEGACHEM (THAILAND) PUBLIC  
COMPANY LIMITED**  
 25 Soi Chalongsongkrung 31,  
 Ladkrabang Industrial Estate Soi G1/9,  
 Lamplathew, Ladkrabang,  
 Bangkok 10520 Thailand  
 Tel: +66 2 739 6333  
 Fax: +66 2 739 6332  
 E-mail: enquiry@megachem.com.th

**MEGACHEM PLUS LIMITED**  
 278/40 Moo.10 Bang Pla,  
 Bangplee, Samutprakarn  
 10540, Thailand  
 Tel: +66 2 752 5145-7  
 Fax: +66 2 752 5148  
 E-mail: enquiry@megachem.co.th

**MEGACHEM PHILS INC**  
 Greenlee Compound  
 143 M.L Quezon Extension Street  
 Brgy Manggahan, Pasig City  
 Philippines, 1611  
 Tel: +632 7914-0837  
 E-mail: enquiry@ph.megachem.com

**MEGACHEM INTERNATIONAL TRADING  
(SHANGHAI) CO., LTD**  
 988 Dingxi Road,  
 Unit 1502, Yintong Building,  
 Shanghai, China 200050  
 Tel: +86 21 5237 5028  
 Fax: +86 21 5237 5025  
 E-mail: enquirysh@cn.megachem.com

**MEGACHEM INTERNATIONAL TRADING  
(BEIJING) CO., LTD**  
 Room 2212, Building 7,  
 First City Mingdundao  
 External Guangqumenwai Street,  
 Dongcheng District Beijing,  
 China 100022  
 Tel: +86 10 8751 2969  
 Fax: +86 10 8751 3382  
 E-mail: enquirybj@cn.megachem.com

**MEGACHEM (UK) LTD**  
 Castlegate Business Park,  
 Caldicot, Monmouthshire,  
 NP26 5AD, United Kingdom  
 Tel: +44 0 1291 422 747  
 Fax: +44 0 1291 422 479  
 E-mail: enquiry@uk.megachem.com

**MEGACHEM MIDDLE EAST FZE**  
 LIU 10 Unit AB03 South Zone,  
 Jebel Ali Free Zone,  
 Dubai, United Arab Emirates  
 Tel: +971 4 866 5458, 286 6143  
 Fax: + 971 4 285 1615  
 E-mail: enquiry@uae.megachem.com

**MEGACHEM VIETNAM COMPANY  
LIMITED**  
 Unit 703, 7<sup>th</sup> Floor  
 45 Dinh Tien Hoang Street,  
 Ben Nghe Ward District 1,  
 Ho Chi Minh City, Vietnam  
 Tel: +84 28 3910 6638  
 Fax: +84 28 3910 6636  
 E-mail: enquiry@vn.megachem.com

**MEGACHEM SPECIALTY CHEMICALS (I)  
PRIVATE LIMITED**  
 Fairmount, 702 & 703, Plot no 4 and 6,  
 Sanpada, Palm Beach Road, Sector 17,  
 Navi Mumbai, Maharashtra 400705,  
 India  
 Tel: +91 22 4026 0957, 4026 0958  
 Fax: +91 22 4026 0907  
 E-mail: info@in.megachem.com

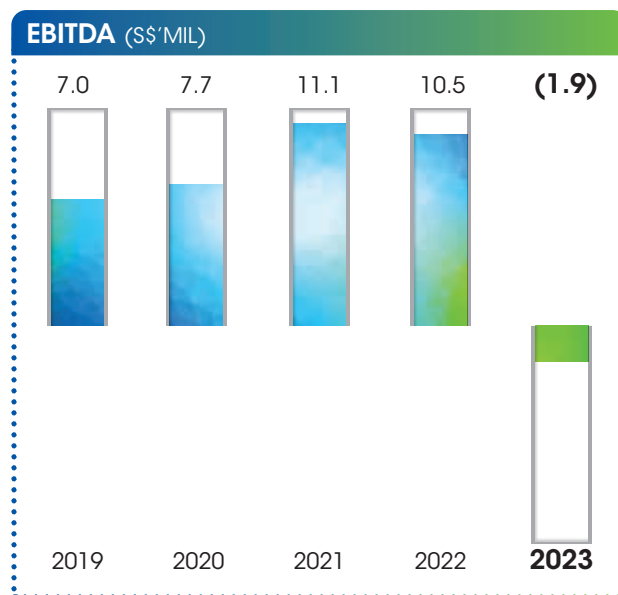
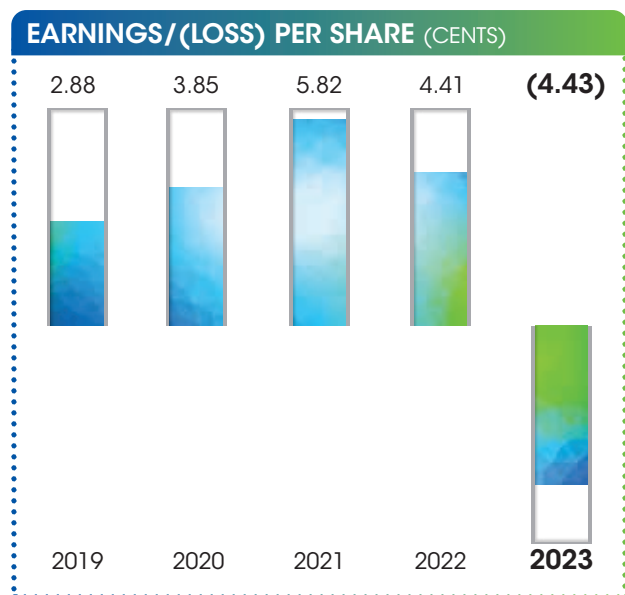
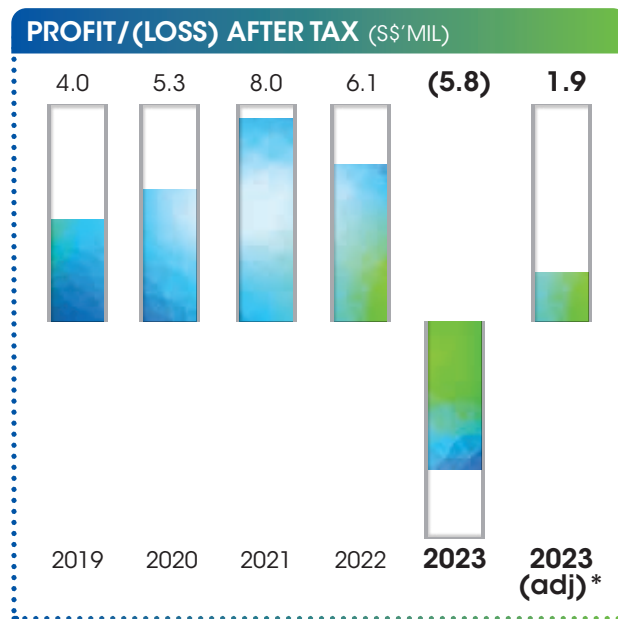
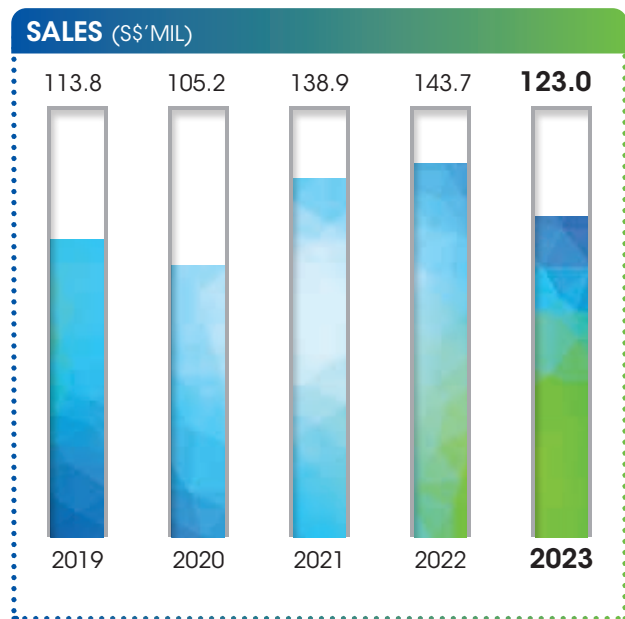
**MG CHEMICALS (AUSTRALIA) PTY LTD**  
 Suite 2, 34 Edgewater Boulevard  
 Marybmond  
 Victoria Australia 3032  
 Tel: +61 03 9326 2882  
 Fax: +61 03 9375 7886  
 E-mail: enquiry@au.megachem.com

**MEGACHEM (MYANMAR) LIMITED**  
 No.42./302(B), Set Hmu 1<sup>st</sup> Road,  
 Set Hmu Zone 1,  
 Shwe Pyi Thar Township, Yangon,  
 Myanmar 11411  
 Tel: + 951 860 4030  
 E-mail: teresa@megachemyanmar.  
com

**MEGA FUJI GRAPHITE LIMITED**  
 25 Soi Chalongsongkrung 31,  
 Ladkrabang Industrial Estate Soi G1/9,  
 Lamplathew, Ladkrabang,  
 Bangkok 10520, Thailand  
 Tel: +66 2 739 6333  
 Fax: +66 2 739 6332  
 Email: enquiry@megafujigraphite.co.th

**GREEN LEAF CHEMICAL CO., LIMITED**  
 15/8 – 15/9 Pattana Chonnabot 3  
 Road, Khlongsongtonnun, Lat Krabang,  
 Bangkok 10520, Thailand  
 Tel: +66 2 045 2935, 045 2940-2, 138,  
 9642  
 Fax: +66 2 138 9624  
 E-mail: info@greenleafchemical.net

# FINANCIAL HIGHLIGHTS



\*Adjusted for a one-off impact from a fire incident

# FINANCIAL HIGHLIGHTS

INCOME STATEMENT	2019	2020	2021	2022	2023
Sales (\$S'mil)	113.8	105.2	138.9	143.7	123.0
Sales Growth (%)	(3.5%)	(7.5%)	32.0%	3.5%	(14.4%)
Profit/(loss) After Tax (\$S'mil)	4.0	5.3	8.0	6.1	(5.8)
Profit/(loss) After Tax (adj) (\$S'mil) <sup>(1)</sup>					1.9
Profit/(loss) After Tax Growth (%)	(6.8%)	32.0%	52.0%	(24.1%)	NM
Profit/(loss) After Tax Margin (%)	3.5%	5.0%	5.8%	4.2%	(4.7%)
EBITDA (\$S'mil)	7.0	7.7	11.1	10.5	(1.9)
Earnings/(loss) per share (cents)	2.88	3.85	5.82	4.41	(4.43)
Weighted Average Number of Ordinary Shares (mil)	133.3	133.3	133.3	133.3	133.3
ROE (%)	7.7%	9.8%	13.6%	10.0%	(11.8%)
HALF-YEAR BREAKDOWN	2019	2020	2021	2022	2023
Sales for first half (\$S'mil)	55.8	52.0	65.9	75.2	60.7
% Growth 1H vs 1H	(5.5%)	(6.7%)	26.7%	14.1%	(19.3%)
Sales for second half (\$S'mil)	58.0	53.2	73.0	68.5	62.3
% Growth 2H vs 2H	(1.4%)	(8.3%)	37.1%	(6.1%)	(9.1%)
Profit After Tax for first half (\$S'mil)	2.0	2.8	3.8	4.5	0.9
% Growth 1H vs 1H	(16.0%)	39.9%	34.0%	18.0%	(79.1%)
Profit/(loss) After Tax for second half (\$S'mil)	2.0	2.4	4.2	1.6	(6.7)
% Growth 2H vs 2H	4.9%	24.0%	72.7%	(61.8%)	NM
FINANCIAL POSITION	2019	2020	2021	2022	2023
Total Assets (\$S'mil)	86.2	91.3	110.9	117.1	100.2
Shareholders Equity (\$S'mil)	49.6	52.4	57.3	58.6	50.0
Net Asset/Share (cents)	37.24	39.33	42.95	43.96	37.48
Borrowings (\$S'mil)	18.4	19.3	28.9	36.4	28.5
Gearing ratio (times)	0.37	0.37	0.51	0.62	0.57
Net gearing ratio (times)	0.07	0.06	0.30	0.42	0.3
Cash (\$S'mil)	14.9	16.2	11.5	11.9	13.6
Current ratio (times)	2.2	2.2	1.8	1.8	1.7
DIVIDEND	2019	2020	2021	2022	2023
Net Dividend/Share (cents)	1.5	1.5	2.0	2.0	0.0
Net Dividend Payout (%)	51.9%	39.0%	34.4%	45.4%	0.0
Net Dividend Yield (%) <sup>(2)</sup>	5.0%	4.5%	4.8%	3.9%	0.0

Notes:

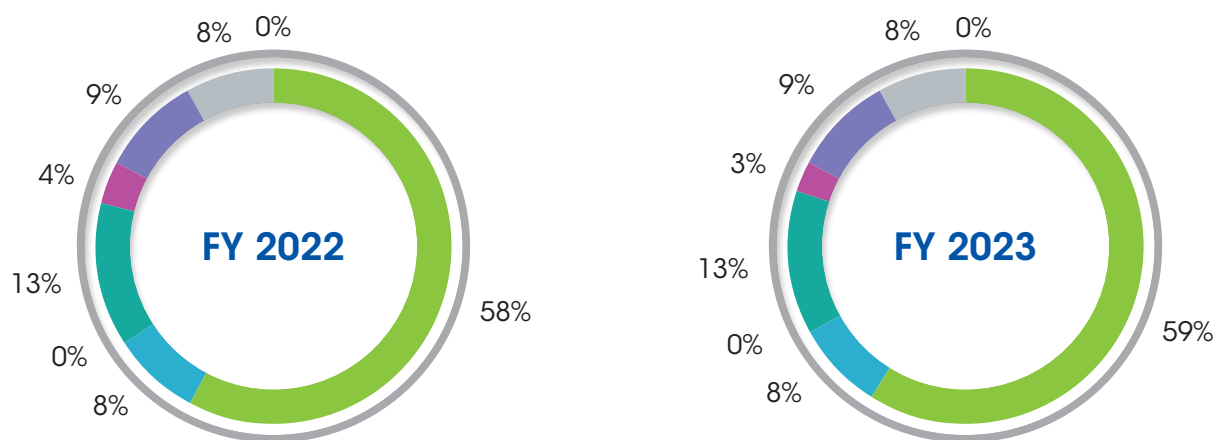
(1) Adjusted for a one-off impact from a fire incident

(2) Dividend yield based on closing price as at 31 Dec

NM: not meaningful

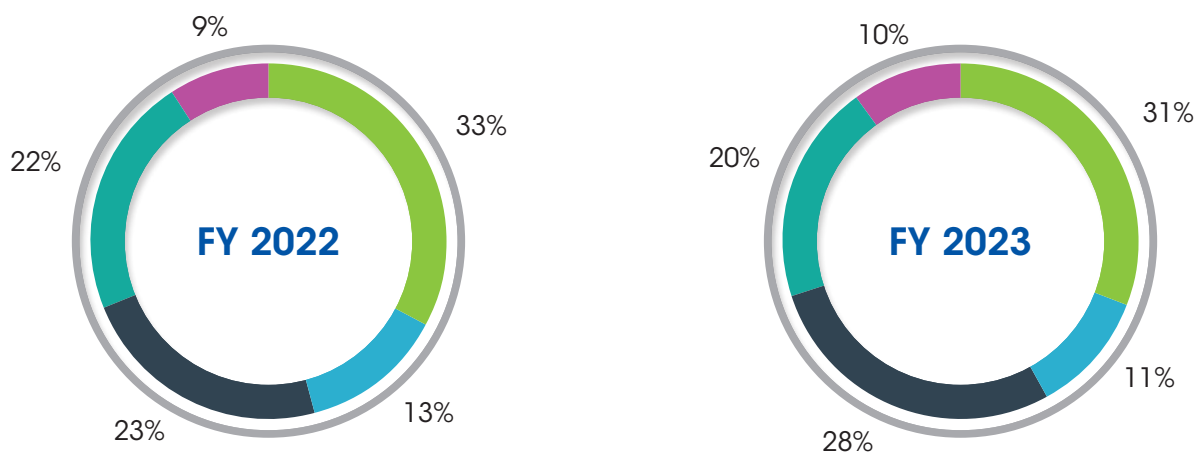


GLOBAL MARKETS



ASEAN   N Asia   America   Europe   S Asia   Middle east   Australia   Africa

INDUSTRY COVERAGE



Performance Coatings & Polymers   Advanced Polymer Composites   Surface Technology   Biotech   Resource, Oil & Gas

# OPERATING AND FINANCIAL REVIEW

## PROFITABILITY REVIEW

### Sales

	H2 2023 S\$'000	H1 2023 S\$'000	Variance Fav/(Unfav) H2 2023 vs H1 2023		H2 2022 S\$'000	Variance Fav/(Unfav) H2 2023 vs H2 2022	
			S\$'000	%		S\$'000	%
ASEAN	36,611	35,615	996	2.8	37,388	(777)	(2.1)
Europe	7,396	8,308	(912)	(11.0)	8,953	(1,557)	(17.4)
North Asia	5,423	4,892	531	10.9	5,974	(551)	(9.2)
Australia	5,393	4,299	1,094	25.4	7,835	(2,442)	(31.2)
Middle East	5,133	5,426	(293)	(5.4)	5,749	(616)	(10.7)
South Asia	1,987	1,833	154	8.4	1,989	(2)	(0.1)
America	117	95	22	23.2	104	13	12.5
Africa	264	217	47	21.7	555	(291)	(52.4)
Total	62,324	60,685	1,639	2.7	68,547	(6,223)	(9.1)

	FY 2023		FY 2022		Variance Fav/(Unfav)	
	S\$'000	%	S\$'000	%	S\$'000	%
ASEAN	72,226	58.7	83,080	57.8	(10,854)	(13.1)
Europe	15,704	12.7	18,348	12.8	(2,644)	(14.4)
Middle East	10,559	8.6	12,227	8.5	(1,668)	(13.6)
North Asia	10,316	8.4	11,426	7.9	(1,110)	(9.7)
Australia	9,692	7.9	12,019	8.4	(2,327)	(19.4)
South Asia	3,820	3.1	5,680	3.9	(1,860)	(32.7)
America	212	0.2	231	0.2	(19)	(8.2)
Africa	480	0.4	710	0.5	(230)	(32.4)
Total	123,009	100.0	143,721	100.0	(20,712)	(14.4)

## GEOGRAPHIC SEGMENT SALES ANALYSIS

### H2 2023 vs H1 2023

Demand for chemicals picked up slightly in the second half of 2023 ("H2 2023"). Except for Europe and Middle East markets, most of our markets recorded higher sales in H2 2023 over first half of 2023 ("H1 2023"). The biggest increase came from Australia market which recorded growth in sales of S\$1.1 million or 25.4% as compared to H1 2023. This was followed by ASEAN market which recorded an increase in sales of S\$1.0 million or 2.8%. Other markets such as North Asia and South Asia recorded higher sales of S\$0.5 million or 10.9% and S\$0.2 million or 8.4% respectively.

Sales to Europe market decreased by S\$0.9 million or 11.0% in H2 2023 while sales to Middle East fell by S\$0.3 million or 5.4%.

This resulted in an increase in total sales of S\$1.6 million or 2.7% to S\$62.3 million in H2 2023 vis-à-vis sales of S\$60.7 million in H1 2023.

### H2 2023 vs H2 2022

As compared to second half of 2022 ("H2 2022"), total sales decreased by S\$6.2 million or 9.1%. Other than the America market, the decrease was across the board.

Sales to Australia market recorded a decrease of S\$2.4 million or 31.2% while sales to Europe and ASEAN markets declined by S\$1.6 million or 17.4% and S\$0.8 million or 2.1% respectively. Sales to North Asia, Middle East and Africa markets fell by a smaller magnitude of about S\$0.3 million to S\$0.6 million.

### FY 2023 vs FY 2022

Due to dampened demand, inventory overhang and falling chemical prices in the industry, there was a dip in sales of S\$20.7 million or 14.4% for the full year of 2023 ("FY 2023") as compared to the full year of 2022 ("FY 2022").

ASEAN market recorded the biggest decline in sales of S\$10.9 million or 13.1%. This was followed by Europe and Australia which contracted by S\$2.6 million or 14.4% and S\$2.3 million or 19.4% respectively. Other markets such as Middle East, North Asia and South Asia recorded lower sales of between S\$1.1 million to S\$1.9 million.

## BUSINESS ACTIVITY SEGMENT SALES BREAKDOWN

	H2 2023		Variance Fav / (Unfav)		H2 2022		Variance Fav / (Unfav)	
	S\$'000	H1 2023 S\$'000	H2 2023 vs H1 2023 S\$'000	%	S\$'000	H2 2023 vs H2 2022 S\$'000	%	
Distribution activity	60,756	58,542	2,214	3.8	66,587	(5,831)	(8.8)	
Manufacturing activity	1,568	2,143	(575)	(26.8)	1,960	(392)	(20.0)	
Total Sales	62,324	60,685	1,639	2.7	68,547	(6,223)	(9.1)	

	FY 2023		Variance Fav / (Unfav)	
	S\$'000	FY 2022 S\$'000	S\$'000	%
Distribution activity	119,298	139,761	(20,463)	(14.6)
Manufacturing activity	3,711	3,960	(249)	(6.3)
Total Sales	123,009	143,721	(20,712)	(14.4)

# OPERATING AND FINANCIAL REVIEW

## H2 2023 vs H1 2023

### H2 2023 vs H2 2022

Sales from distribution segments increased by S\$2.2 million or 3.8% over H1 2023 but decreased by S\$5.8 million or 8.8% as compared to H2 2022.

Sales from the contract manufacturing segment contracted by S\$0.6 million or 26.8% and S\$0.4 million or 20.0% in H2 2023 over H1 2023 and H2 2022 respectively.

## FY 2023 vs FY 2022

Year-on-year, sales from distribution segment decreased by S\$20.5 million or 14.6% while sales from manufacturing segment decreased by S\$0.2 million or 6.3%.

## GROSS PROFIT

### H2 2023 vs H1 2023

#### H2 2023 vs H2 2022

Gross profit margin dipped in H2 2023 (14.7%) as compared to H1 2023 (22.0%) and H2 2022 (23.0%) as inventory destroyed in the fire were written off and higher allowance for impairment was recorded.

As a result, gross profit decreased by S\$4.2 million or 31.7% over H1 2023 and S\$6.7 million or 42.2% as compared to H2 2022.

After adjusting for the impact of fire, gross profit margin and gross profit for H2 2023 would be 24.2% and S\$15.1 million.

### FY 2023 vs FY 2022

Gross profit margin for FY 2023 declined to 18.3% as compared to 23.9% in FY 2022 mainly due to the same reasons noted above. Coupled with lower sales, gross profit decreased year-on-year by S\$11.9 million or 34.6% to S\$22.5 million.

After adjusting for the impact of fire, gross profit margin and gross profit would be 23.1% and S\$28.5 million respectively and the decrease in gross profit would be S\$5.9 million or 17.3%.

## OTHER INCOME

	H2 2023 S\$'000	H1 2023 S\$'000	Variance Fav/(Unfav)		H2 2022 S\$'000	Variance Fav/(Unfav)	
			H2 2023 vs H1 2023 S\$'000	%		H2 2023 vs H2 2022 S\$'000	%
Change in fair value of financial assets at fair value through profit or loss							
- forward foreign exchange contracts	-	-	-	-	35	(35)	(100.0)
Gain on disposal of plant and equipment	3	7	(4)	(60.5)	32	(29)	(91.1)
Grant income	2	43	(41)	(96.6)	6	(4)	(76.9)
Insurance claims	3,156	-	3,156	NM	17	3,139	>100.0
Interest income	43	42	1	1.8	22	21	93.4
Net foreign exchange gain	-	101	(101)	(100.0)	-	-	-
Trade receivables recovered	137	230	(93)	(40.4)	400	(263)	(65.7)

	FY 2023	FY 2022	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss				
- forward foreign exchange contracts	-	35	(35)	(100.0)
Gain on disposal of quoted equity shares	-	147	(147)	(100.0)
Gain on disposal of plant and equipment	10	81	(71)	(87.4)
Grant income	45	55	(10)	(19.8)
Insurance claims	3,156	34	3,122	>100.0
Interest income	85	46	39	87.1
Trade receivables recovered	368	549	(181)	(33.0)

NM: not meaningful

H2 2023 vs H1 2023

H2 2023 vs H2 2022

The increase in other income was mainly due to insurance compensation claims of S\$3.2 million recorded in H2 2023. As compared to H1 2023, the increase was partially offset by the absence of net foreign exchange gain of S\$0.1 million and lower trade receivables recovered of S\$0.1 million.

Similarly, the increase in other income over H2 2022 was partially offset by lower trade receivables recovered of S\$0.3 million.

FY 2023 vs FY 2022

The increase in other income of S\$2.7 million was mainly due to the same reason as noted above. The increase was partly offset by the absence of gain on disposal of quoted equity shares and lower gain on disposal of property, plant and equipment of S\$0.1 million each and lower trade receivables recovered of S\$0.2 million.

# OPERATING AND FINANCIAL REVIEW

## OPERATING EXPENSES

	H2 2023 S\$'000	H1 2023 S\$'000	Variance Fav/(Unfav) H2 2023 vs H1 2023		H2 2022 S\$'000	Variance Fav/(Unfav) H2 2023 vs H2 2022	
			S\$'000	%		S\$'000	%
Compensation claims	809	-	(809)	NM	-	(809)	NM
Demolition and decontamination costs	2,320	-	(2,320)	NM	-	(2,320)	NM
Depreciation of property, plant and equipment	431	522	91	17.3	482	51	10.6
Depreciation of right-of-use assets	229	202	(27)	(13.5)	175	(54)	(31.1)
Employee compensation	7,975	7,515	(460)	(6.1)	7,798	(177)	(2.2)
Impairment of doubtful trade receivables	50	13	(37)	(>100.0)	116	66	57.0
Loss on property, plant and equipment written down	811	-	(811)	NM	-	(811)	NM
Net foreign exchange loss	142	-	(142)	NM	560	418	74.7
Professional fees	642	328	(314)	(96.1)	443	(199)	(44.9)
Waste disposal costs	910	12	(898)	(>100.0)	-	(910)	NM
Warehouse storage charges	1,394	1,321	(73)	(5.5)	1,387	(7)	(0.5)

	FY 2023 S\$'000	FY 2022 S\$'000	Variance Fav/(Unfav)	
			S\$'000	%
Compensation claims	809	-	(809)	NM
Demolition and decontamination costs	2,320	-	(2,320)	NM
Depreciation of property, plant and equipment	952	892	(60)	(6.7)
Depreciation of right-of-use assets	431	415	(16)	(4.0)
Employee compensation	15,490	16,391	901	5.5
Impairment of doubtful trade receivables	63	175	112	64.3
Loss on property, plant and equipment written down	811	-	(811)	NM
Net foreign exchange loss	88	872	784	89.9
Professional fees	970	824	(146)	(17.8)
Waste disposal costs	922	-	(922)	NM
Warehouse storage charges	2,715	2,875	160	5.6

### H2 2023 vs H1 2023

Operating expenses for H2 2023 increased by S\$6.4 million or 52.7% as compared to H1 2023. The increase was mainly related to the fire incident. Expenses such as customer compensation claims, demolition and decontamination costs, higher waste disposal costs and warehouse storage charges were incurred as a result of the fire incident. Approximately S\$0.6 million and S\$0.2 million of the compensation claims are in relation to loss or damages of customers' inventories stored at the warehouse and customers' consequential losses respectively. Property, plant and equipment destroyed in the fire amounted to S\$0.8 million were written down.

After adjusting for the impact of fire, H2 2023 operating expenses would have increased by S\$1.4 million or 11.4%.

Higher employee remuneration and higher professional fees (incurred mainly for SAP system upgrade) of S\$0.5 million and S\$0.3 million were recorded in H2 2023 respectively. Net foreign exchange loss of S\$0.1 million was incurred in H2 2023 as compared to net foreign exchange gain in H1 2023.

### H2 2023 vs H2 2022

As compared to H2 2022, total operating expenses increased by S\$5.0 million or 37.2%. Similarly, the increase was mainly due to the same reason above. The increase was offset by lower net foreign exchange loss of S\$0.4 million. Adjusting for the impact of fire, H2 2023 operating expenses would be relatively unchanged as compared to H2 2022.

### FY 2023 vs FY 2022

Year-on-year, total operating expenses for FY 2023 increased by S\$3.4 million or 12.3% due to the same reasons above. The increase was offset by lower employee remuneration of S\$0.9 million, lower net foreign exchange loss of S\$0.8 million, lower warehouse storage of S\$0.2 million and lower impairment of trade receivables of S\$0.1 million.

After adjusting for the impact of fire, total operating expenses for FY 2023 would be lower by S\$1.7 million or 6.1% year-on-year.

## FINANCE COSTS

Finance costs comprised the following:-

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H2 2023	H1 2023	H2 2023 vs H1 2023		H2 2022	H2 2023 vs H2 2022	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Bills payables	489	473	(16)	(3.5)	535	46	8.6
Bank loans	442	397	(45)	(11.1)	221	(221)	(99.8)
Bank overdraft	28	54	26	48.0	60	32	53.6
Hire purchase	9	4	(5)	(125.9)	-	(9)	NM
Leases for right-of-use assets	73	68	(5)	(7.3)	69	(4)	(7.3)
Total finance costs	1,041	996	(45)	(4.5)	885	(156)	(17.6)

## OPERATING AND FINANCIAL REVIEW

	FY 2023	FY 2022	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bills payables	962	758	(204)	(26.9)
Bank loans	839	375	(464)	(>100.0)
Bank overdraft	82	106	24	23.1
Hire purchase	12	-	(12)	NM
Leases for right-of-use assets	142	138	(4)	(2.7)
Total finance costs	2,037	1,377	(660)	(47.9)

### H2 2023 vs H1 2023

### H2 2023 vs H2 2022

Finance costs for H2 2023 increased by S\$45,000 or 4.5% and S\$156,000 or 17.6% over H1 2023 and H2 2022 respectively mainly due to higher interest rates.

### FY 2023 vs FY 2022

For the same reasons noted above, finance costs increased by S\$660,000 or 47.9% over FY 2022.

## SHARE OF PROFIT OF ASSOCIATED COMPANIES

### H2 2023 vs H1 2023

### H2 2023 vs H2 2022

Our share of profit of associated companies decreased by S\$61,000 or 10.0% as compared to H1 2023.

Vis-à-vis H2 2022, our share of profit of associated companies increased by S\$159,000 or 40.2%.

### FY 2023 vs FY 2022

Our share of profit of associated companies for FY 2023 increased by S\$52,000 or 4.6%.

## (LOSS)/PROFIT BEFORE INCOME TAX AND NET (LOSS)/PROFIT AFTER TAX

### H2 2023 vs H1 2023

### H2 2023 vs H2 2022

H2 2023 recorded loss before tax of S\$6.6 million as compared to profit before tax of S\$1.3 million and S\$2.3 million in H1 2023 and H2 2022 respectively. Similarly, EBITDA in H2 2023 was a net loss of S\$4.9 million as compared to S\$3.0 million and S\$3.8 million in H1 2023 and H2 2022 respectively. This was mainly due to expenses/losses incurred as a result of the fire incident and lower sales (as compared to H2 2022).

Correspondingly, income tax expenses in H2 2023 were lower as compared to H1 2023 and H2 2022.

As a result, net loss after tax was a loss S\$6.7 million in H2 2023 as compared to net profit after tax of S\$0.9 million in H1 2023 and S\$1.6 million in H2 2022.

After adjusting for the impact of fire, H2 2023 would have recorded a net profit after tax of S\$1.0 million, which represent an increase of S\$0.1 million or 8.9% over H1 2023 and a decrease of S\$0.6 million or 37.0% as compared to H2 2022.



### FY 2023 vs FY 2022

FY 2023 recorded a net loss before tax of S\$5.3 million as compared to profit before tax of S\$7.8 million in FY 2022. Similarly, EBITDA and net loss after tax was a loss of S\$1.9 million and S\$5.8 million respectively as compared to S\$10.5 million and net profit after tax of S\$6.1 million in FY 2022.

Income tax expense was lower in FY 2023 by S\$1.3 million or 74.2% as a result of lower profitability.

After adjusting for the impact of fire, there would be a net profit after tax of S\$1.9 million in FY 2023, which represents a decrease of S\$4.2 million or 68.0% year-on-year.

### TOTAL COMPREHENSIVE (LOSS)/INCOME

These translation gains or losses arise from translation of foreign currency denominated asset and liabilities of subsidiaries and associated companies. Translation losses of S\$0.5 million and S\$1.2 million in H2 2023 and FY 2023 respectively were largely due to the depreciation of Malaysian Ringgit and Thai Baht against Singapore Dollar.

### H2 2023 vs H1 2023

### H2 2023 vs H2 2022

Translation losses in H2 2023 of S\$0.5 million were S\$0.2 million and S\$0.9 million lower than translation losses in H1 2023 and H2 2022 respectively. Comprehensive loss for H2 2023 was S\$7.2 million as compared to comprehensive income of S\$3.8 million and S\$0.3 million in H1 2023 and H2 2022 respectively.

### FY 2023 vs FY 2022

Year-on-year, translation losses were S\$0.8 million lower than FY 2022. Comprehensive loss for FY 2023 was S\$7.0 million as compared to comprehensive income of S\$4.1 million in FY 2022.

### FINANCIAL POSITION REVIEW

Balance Sheet Highlights	As at		Variance 31 December 2023 vs 31 December 2022 Fav/(Unfav)
	31 December 2023	31 December 2022	
Cash (S\$'mil)	13.6	11.9	1.7
Borrowings (S\$'mil)	28.5	36.4	7.9
Current ratio (times)	1.7	1.8	(0.1)
Gearing ratio (times)	0.57	0.62	0.05
Net gearing ratio (times)	0.3	0.42	0.12
Net assets per share attributable to equity holders of the Company (cents)	37.48	43.96	(6.48)
Inventory turnover (days)	170	158	(12)
Trade receivables turnover (days)	76	75	(1)
Trade payable turnover (days)	35	23	12

# OPERATING AND FINANCIAL REVIEW

## Property, plant and equipment

The carrying value of property, plant and equipment decreased by S\$0.8 million from S\$15.4 million as at 31 December 2022 to S\$14.6 million as at 31 December 2023.

The decrease was mainly due to depreciation charge of S\$1.0 million, property, plant and equipment disposed and written down of S\$0.8 million (consist mainly of machinery and equipment of S\$0.5 million, building on leasehold land of S\$0.2 million and motor vehicle of S\$0.1 million) and translation loss of S\$0.6 million in the current year.

The increase was offset by capital expenditure of S\$1.6 million (mainly in motor vehicle), out of which S\$0.4 million was acquired under hire purchase.

## Right-of-use assets

The carrying value of right-of-use assets decreased by S\$0.3 million from S\$2.6 million as at 31 December 2022 to S\$2.3 million as at 31 December 2023 mainly due to new lease assets recognized of S\$0.1 million offset by depreciation charge of S\$0.4 million in the current year.

## Investment in associated companies

The increase in carrying value of our associated companies by S\$0.5 million was mainly due to positive contribution from operation in the current year of S\$1.2 million offset by dividend return of S\$0.6 million and translation loss of S\$0.1 million.

## Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income related to investment in unquoted equity shares acquired in FY 2023.

## Trade and other receivables

Net trade receivables decreased by S\$4.0 million or 15.0% from S\$27.0 million as at 31 December 2022 to S\$23.0 million as at 31 December 2023. The decrease was because of lower sales in H2 2023 as compared to H2 2022. Turnover days increased by 1 day from 75 days for FY 2022 to 76 days for FY 2023.

## Inventories

Inventories decreased by S\$15.7 million or 32.0% from S\$49.3 million as at 31 December 2022 to S\$33.6 million as at 31 December 2023. The decrease in inventory was mainly due to lower chemical prices and lower level of purchases during the year and write off of inventory destroyed in the fire. Inventory turnover days increased by 12 days from 158 days for FY 2022 to 170 days for FY 2023 as sales decreased in H2 2023.

## Other current assets

Other current assets decreased by S\$0.1 million or 6.9% to S\$1.8 million as at 31 December 2023 primarily due to lower advance payments to suppliers of S\$0.1 million in tandem with lower purchases in H2 2023.

## Financial assets and financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss decreased by approximately S\$33,000 due to realisation of forward exchange contracts.

Financial liabilities at fair value through profit or loss decreased by approximately S\$57,000 to approximately S\$51,000 as at 31 December 2023 as compared to 31 December 2022.

### Trade and other payables

Total trade payables increased by S\$0.3 million or 3.4% from S\$6.8 million as at 31 December 2022 to S\$7.1 million as at 31 December 2023. Turnover days increased to 35 days in FY 2023 as compared to 23 days in FY 2022.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables decreased by S\$0.4 million from S\$8.5 million as at 31 December 2022 to S\$8.1 million as at 31 December 2023. The decrease was mainly due to lower sundry creditors of S\$0.4 million and lower advance payment received from customer of S\$0.2 million offset by higher accrued operating expenses of S\$0.2 million.

### Financial liabilities – lease liabilities

The carrying value of lease liabilities increased from S\$2.7 million as at 31 December 2022 to S\$2.9 million as at 31 December 2023. Additional lease liabilities recognized of S\$0.6 million and accretion of interest of S\$0.2 million were offset by repayment of lease liabilities of S\$0.6 million in FY 2023.

### Borrowings

Total borrowings decreased by S\$7.9 million or 21.6% from S\$36.4 million as at 31 December 2022 to S\$28.5 million as at 31 December 2023. This decrease was mainly due to repayment of trade borrowings corresponding to lower inventory purchases.

In line with lower total borrowings, our gearing ratio and net gearing ratio decreased from 0.62 times and 0.42 times as at 31 December 2022 to 0.57 times and 0.30 times as at 31 December 2023 respectively.

### Net asset per share attributable to equity holders of the Company

Net asset value per share decreased from 43.96 cents as at 31 December 2022 to 37.48 cents as at 31 December 2023 primarily due to comprehensive loss recorded for equity holders of S\$7.0 million and dividend payment of S\$1.6 million in FY 2023.

## CASHFLOW REVIEW

Positive cash flow from operating activities of S\$15.8 million was generated in FY 2023 despite recording net loss after tax of S\$5.8 million in FY 2023. This was due to a reduction in working capital requirements (ie mainly lower purchases of inventory and lower trade receivables). Other major cash inflow was dividend received from associated company of S\$0.6 million.

Positive cashflow generated was utilised to reduce borrowings of S\$7.5 million and to meet other major cash outflows in FY 2023 such as payments for property, plant and equipment of S\$1.2 million, investment in equity shares of S\$1.4 million, payment of dividends of S\$1.6 million and payments of bank interest of S\$1.9 million.

As such, overall cash and cash equivalents increased by S\$2.1 million from S\$10.9 million as at 31 December 2022 to S\$13.0 million as at 31 December 2023.

# SHARE INFORMATION

## SHARE INFORMATION (AS AT 20 FEBRUARY 2024)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	55 cents
52 weeks Low	36 cents
Price (as at 20 February 2024)	48.5 cents
No of Shares	133,300,000
Loss per share for FY 2023	(4.43) cents
Historical P/E (a)	not meaningful
Market Capitalisation (as at 20 February 2024)	S\$64.6 mil
Net asset value per share (as at 31 December 2023)	37.48 cents
Price/Book Ratio (b)	1.29

## SHARE PRICE PERFORMANCE (1 YEAR TO 20 FEBRUARY 2024)



## MEGACHEM VS ST ALL SHARES & ST CATALIST



Note:

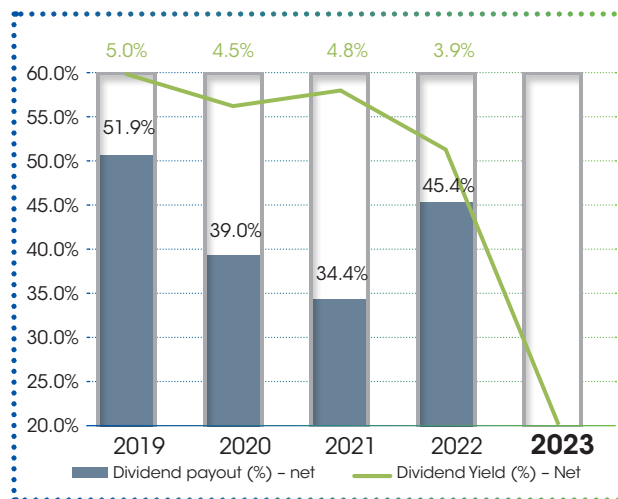
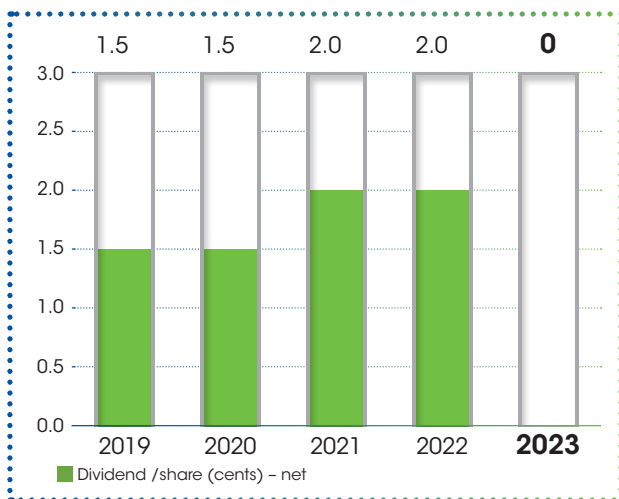
(a) P/E = price as at 20 February 2024 / Loss per share FY 2023 = 48.5/(4.43) = not meaningful

(b) Price/Book ratio = price as at 20 February 2024/net asset value per share as at 31 December 2023 = 48.5/37.48 = 1.29.

# DIVIDEND

## FY 2023 DIVIDEND

	FY 2023
Interim Dividend (cents/share)	Nil
Final Dividend (cents/share)	Nil



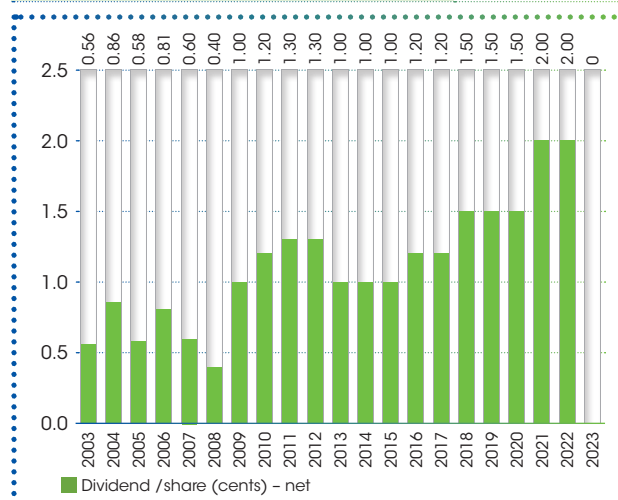
## SHARE PRICE (SINCE IPO)

	Price
PO Issue Price (cents/share)	28
Price as at 20 February 2024 (cents/share)	48.5
Price Change (since IPO)	73.2%



## DIVIDEND (SINCE IPO)

	Dividend
Total Dividend since IPO (cents/share)	22.5



## YEAR IN REVIEW

### FEBRUARY 2023

Driven by growth in the distribution business across ASEAN, Middle East and Australia, Megachem achieved record revenue of S\$143.7 million and net profit after tax of S\$6.1 million for the financial year ended 31 December 2022. A final tax-exempt dividend of 1.2 cents per share was proposed for FY 2022.



### APRIL 2023

Annual General Meeting for FY 2022.



### JUNE 2023

A final tax-exempt dividend of 1.2 cents per share for FY 2022 was paid.



### JULY 2023

Megachem informed shareholders that a fire broke out at 132 Pioneer Road where our warehouse building is located in the morning of 5 July 2023. The fire was put out without casualty and injury to our staff.

### AUGUST 2023

On the back of weaker external environment and falling chemical prices, Megachem reported a 19.3% and 79.1% decrease in revenue and net profit after tax to S\$60.7 million and S\$0.9 million respectively for the half year ended 30 June 2023.



### SEPTEMBER 2023

Megachem Limited (the "Company") invested USD1 million in JIOS Aerogel Holdings Pte Ltd ("JIOS"), an innovator in producing silica aerogels and thermal blades primarily for the electric vehicles industry. Coupled with the investment made by associated company, Megachem (Thailand) Public Company Limited, the Company will have an effective equity interest of approximately 1.37% in JIOS.



### FEBRUARY 2024

Megachem reported a 14.4% decline in revenue to S\$123.0 million and its first ever net loss of S\$5.8 million for financial year ended 31 December 2023 due to the fire incident in July 2023.

# FINANCIAL CALENDAR

## FEBRUARY 2024

- 21 Results Announcement for the Second Half Year and Financial Year ended 31 December 2023
- 22 Analyst Briefing
- 22-28 Online Q&A with investors & shareholders

## MARCH 2024

- 6 Response to Online Q&A
- 28 Notice of AGM

## APRIL 2024

- 8 Submission of questions for AGM
- 12 Response to shareholders' questions
- 19 Annual General Meeting

## AUGUST 2024

- Results Announcement for the Half Year ending 30 June 2024
- Analyst Briefing
- Online Q&A with investors & shareholders
- Response to Online Q&A

## FEBRUARY 2025

- Results Announcement for the Second Half Year and Financial Year ending 31 December 2024

## INVESTOR RELATIONS



Megachem views Investor Relations (“IR”) as a strategic management responsibility that integrates corporate governance, compliance and communication with the aim to preserve our shareholders’ assets and enhance shareholders’ values.

We place great emphasis on effective communication with our shareholders. In this aspect, we endeavour to provide timely and adequate information to shareholders and effective channels for shareholders communication.

The following sections outline Megachem’s IR objectives, practices, activities and tools employed to engage and communicate with the investing community.

- Adopts a focused internal IR structure which is supported by appointing external IR advisors, Citigate Dewe Rogerson;
- Deploys a dedicated IR website ([www.shareinvestor.com](http://www.shareinvestor.com)) which is regularly updated;

- Conducts half-yearly results briefings and online Q&A session;
  - Senior management including our Managing Director and Chief Financial Officer are present in these briefings.
  - Members of the financial community and media are invited to attend these briefings.
  - Supported by webcast made available on the Company’s website [www.megachem.com](http://www.megachem.com) and the IR website.

- Provides results announcements that are timely with emphasis on responsible financial reporting, business updates and prospects;
- Gives advance notice of the date of announcement of our results;
- Provides business updates where necessary to allow shareholders and investors to understand any significant changes in market trend and its impact on our business;

- Provides detailed accounts of the financial results and operating strategy in our annual report
- Provides investor relations strategy that indicates internal and external IR contacts as well as IR websites;

In order to provide expert independent views on the Company’s performance, the research department of SAC Capital Private Limited provides stock analysis reports of each of our results announcement. These reports are posted on the Company’s website.

The results announcements, the analyst briefings presentation and the online Q&A are all published on SGXNet and are also made available on the Company’s and IR websites. Investors can also view a webcast recording of the analyst briefing at the Company’s and IR websites.

We encourage greater shareholder participation at our general meetings by giving them opportunity to air their views and to post questions regarding the company to directors and management.



### Accolades

As testimony to our high level of transparency and corporate governance, we have been accorded the following:

- |  |   |  |
|--|---|--|
| <p><b>2023</b> Ranked 98<sup>th</sup> in the 2023 Singapore Governance and Transparency Index (SGTI)</p> <p><b>2022</b> Ranked 102<sup>nd</sup> in the 2022 Singapore Governance and Transparency Index (SGTI)</p> <p><b>2021</b> Ranked 185<sup>th</sup> in the 2021 Singapore Governance and Transparency Index (SGTI)</p> <p><b>2020</b> Ranked 85<sup>th</sup> in the 2020 Singapore Governance and Transparency Index (SGTI)</p> <p><b>2019</b> Ranked 93<sup>rd</sup> in the 2019 Singapore Governance and Transparency Index (SGTI)</p> <p><b>2018</b> Singapore Corporate Awards: Best Managed Board (Bronze) in the "less than \$300 million market capitalisation" category</p> <p><b>2018</b> Ranked 78<sup>th</sup> in the 2018 Singapore Governance and Transparency Index (SGTI)</p> <p><b>2017</b> Singapore Corporate Awards: Best Annual Report Award (Gold) in the "less than \$300 million market capitalisation" category</p> <p><b>2017</b> Ranked 56<sup>th</sup> in the BT Governance and Transparency Index</p> <p><b>2016</b> Singapore Corporate Awards: Best Annual Report Award (Silver) and Best Investor Relations Award (Gold) in the "less than \$300 million market capitalisation" category</p> <p><b>2016</b> SIAS Investors' Choice Awards: Most Transparent Company (Runner up) (Catalist category)</p> <p><b>2016</b> Ranked 37<sup>th</sup> in the BT Governance and Transparency Index</p> | <p><b>2015</b> Singapore Corporate Awards: Best Managed Board (Gold), Best Chief Financial Officer, Best Annual Report Award (Silver) and Best Investor Relations Award (Bronze) in the "less than \$300 million market capitalisation" category</p> <p><b>2015</b> SIAS Investors' Choice Awards: Most Transparent Company (Runner up) (Catalist category)</p> <p><b>2015</b> Ranked 60<sup>th</sup> in the BT Governance and Transparency Index</p> <p><b>2015</b> IR Magazine Awards: Best Investor Relations by an SGX Catalist company</p> <p><b>2014</b> Singapore Corporate Awards: Best Investor Relations Award (Bronze) and Best Annual Report Award (Bronze) in the "less than \$300 million market capitalisation" category</p> <p><b>2014</b> Ranked 64<sup>th</sup> in the BT Governance and Transparency Index</p> <p><b>2013</b> SIAS Investors' Choice Awards: Most Transparent Company (Catalist category)</p> <p><b>2013</b> Singapore Corporate Awards: Best Annual Report (Silver) (category for companies with less than \$300 million market capitalisation)</p> <p><b>2013</b> IR Magazine Awards: Best Investor Relations by an SGX Catalist company</p> <p><b>2013</b> Ranked 49<sup>th</sup> in the BT Governance and Transparency Index</p> <p><b>2012</b> Singapore Corporate Awards: Best Annual Report (Bronze) (category for companies with less than \$300 million market capitalisation)</p> <p><b>2012</b> Ranked 115<sup>th</sup> in the BT Governance and Transparency Index</p> | <p><b>2011</b> Singapore Corporate Awards: Best Annual Report (Bronze) (category for companies with less than \$300 million market capitalisation)</p> <p><b>2011</b> Ranked 62<sup>nd</sup> in the BT Governance and Transparency Index</p> <p><b>2010</b> Ranked 235<sup>th</sup> in the BT Governance and Transparency Index</p> <p><b>2009</b> Ranked 196<sup>th</sup> in the BT Governance and Transparency Index</p> <p><b>2007</b> Singapore Corporate Awards: Best Annual Report (Bronze) (Sesdaq category)</p> <p><b>2006</b> Singapore Corporate Awards: Best Annual Report (Silver) (Sesdaq category)</p> |
|--|---|--|



### IR Contact

#### Company

Francis Yau Thiam Hwa  
Chief Financial Officer  
Megachem Limited  
Tel: 6933 9999  
Email: [fsyau@sg.megachem.com](mailto:fsyau@sg.megachem.com)

#### External Consultant

Dolores Phua  
Citigate Dewe Rogerson  
Tel: 6534 5122  
Email: [Megachem@citigatedewerogerson.com](mailto:Megachem@citigatedewerogerson.com)

For more information, please visit  
[www.megachem.com](http://www.megachem.com)

# RISK MANAGEMENT

Recognizing the importance of risk management in providing sustainability to our business and in preserving our shareholders' value, Megachem is committed to incorporate effective risk management practices into our organizational processes to mitigate and manage each of these risks.



Megachem has identified 5 main risk components within its risk management framework.



**A. STRATEGIC RISK**

The Executive Committee and Board members collectively formulates the strategy and charts the directions for the Group. The progress of implementation of the strategy is monitored and reviewed annually. In the process of strategy formulation and review, we evaluate the external environmental factors such as the risk profile of the industry, competitive forces within the industry, opportunities and threats, as well as the internal factors such as our key competitive strengths and weaknesses, our market position and growth strategy.

The Company views the current strategy of building our growth around our distribution and contract manufacturing activities as the 2 pillars of growth and the business model of diversification in terms of markets, customers, products and suppliers as being robust and sustainable.

**B. ECONOMIC RISK**

• **Global economy**

In response to softer inflation, central banks have begun to put a pause to the aggressive interest rate hikes. In spite of that, interest and business costs remain elevated which may dampen global economic growth. Inevitably, the impact will be felt in the chemical industry which may in turn have an adverse effect on our performance.

• **Energy prices**

Any escalation in oil prices may push freight rates and chemical prices higher which may in turn dampen demand for chemicals. Specialty chemicals, though not immune to oil price fluctuations, are less susceptible in comparison to bulk commodity chemicals due to the fact that they are more downstream product whose usage in the finished product is smaller.

• **Financial market risk**

Financial market activity and economic growth are closely linked. Many have warned of stretched market valuations. Should financial market risk escalate into a major correction, it may have an impact on economic growth and hence on our business prospect.

• **Supply Chain Risk**

Following the conflict between Israel and Hamas in Gaza, the Yemen’s Houthi Rebels have launched attacks at vessels, especially those associated with Israel, passing through the Red Sea. As a result, many shipping companies have rerouted their vessels, leading to longer shipment time and higher freight cost. This may have adverse impact on our business.

# RISK MANAGEMENT

## C. FINANCIAL RISK

Megachem's activities expose it to a variety of risks and unpredictability of the financial markets such as changes in foreign currency exchange rates and interest rates. The following sections outline the practices with respect to our financial risk management.

### • Foreign Currency Risk

We operate internationally and is exposed to foreign currency risks arising from various currency exposures primarily with respect to United States Dollar, Euro Dollar, Sterling Pound, Japanese Yen and Malaysian Ringgit.

Forward currency contracts are entered into to hedge certain extent of its exposures to foreign currency risk. General guidelines are set with regard to the level of hedging and the type of hedging instruments that Megachem undertakes. Authority matrix is also in place that sets the authorized personnel and his/her authorization limits for hedging. The Executive Committee monitors the foreign currency exposure on a monthly basis through monthly Executive Committee reports.

The currency market remains volatile and difficult to predict. Furthermore, some countries impose foreign exchange controls. These pose a challenge to our foreign currency risk management.

### • Interest Rate Risk

Interest rate risk arises mainly from our borrowings which are mainly at floating interest rates. Interest rates are likely to remain elevated in 2024 following surging inflation and aggressive interest rates hike by central banks which has increased our borrowing cost.

### • Inventory Risk

Our business involves keeping inventory of chemicals to meet customers' requirements and to ensure continuity of supply to customers. In the event of an unexpected fall in customers' demand levels for any product, we may end up with excess inventory. We mitigate inventory risk by strategising our purchasing policies and engaging with customers on a regular basis.

### • Credit Risk

We sell our products globally which thus increases the risk of payment default by our customers. We manage our credit risk by diversifying credit risk exposure and dealing with high credit quality counterparties. As such, we have no significant concentration of credit risk. Policies are in place to ensure that the sale of products and services are made to customers with an appropriate credit history and obtaining sufficient security and/or credit insurance where appropriate to mitigate credit risk.

### • Liquidity Risk

We manage liquidity risk by maintaining sufficient cash balances and availability of funding through an adequate amount of credit facilities at all times. Our banks have remained supportive even during the health and economic crisis. Notwithstanding the fact that we partly rely on bank borrowings to fund our operations, our low gearing and sound liquidity put us in a healthy financial position.

### • Capital Risk

Our objectives when managing capital are to safeguard Megachem's ability to continue its business operations as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

In order to maintain or achieve an optimal capital structure, we seek to strike a balance between debt and equity and capping our financial gearing at a comfortable level.

## D. OPERATIONAL RISK

### • IT Security

Megachem adopts the following 3 key principles in its IT security management:

Confidentiality – information should not be disclosed to unauthorized individuals or systems.

Integrity – important data should not be modified by unauthorized individuals or systems.

Availability – information should be readily available when needed even at times of any disruption.

With this in mind, we have in place the following measures:

- physical security is enhanced by installing security cameras at our premises which can be monitored via IP addresses;
- content filtering has been enabled to prevent viewing inappropriate web sites or content and also to prevent access by known malware hosts;

- disaster recovery procedures are implemented such that in the event of any system breakdown, our operation can continue with little disruption. Key applications can be run at third party disaster recovery sites located away from our premises. Overseas operations will also be able to access the disaster recovery sites via virtual private network access;
- databases are backed up daily and kept in fire rated safe at disaster recovery sites;
- policies are documented and our people are constantly oriented to adhere to the approved policies and procedures; and
- internal and external IT security audits are conducted annually.

### • Process Execution

Failure in operational and business processes can jeopardize our Company's competitiveness. In order to minimize process risk, we seek to standardize our processes throughout its entire organization by adopting international Quality Management standards within the framework of ISO9001. Guided by this Quality Management System, we are able to consistently deliver quality in our products and services with an impeccable level of service.

### • Business Continuity

For the same reason as explained above, Megachem has implemented a Business Continuity Management ("BCM") program which aims to ensure continuity of our key functions and processes, in part and/or in whole in the event of any unforeseen disruptions, in order to fulfill our obligations and to protect our reputation and branding.

The BCM program involves the integration of management, people, system and facilities. The framework covers:

- conducting context analysis and understanding needs and expectation of interested parties such as our customers, regulators, government agencies etc;
- conducting risk assessment and business impact analysis periodically;
- evaluating recovery strategies to be implemented; and
- documenting and communicating detailed plans and measures to recover, restore and return business processes to pre-incident level to all interested parties.

Megachem is proud to achieve ISO22301 certification for our BCM program.

## E. LEGAL RISK

### • Business Ethics

Compliance with rules and regulations is set as a fundamental principle with which we conduct our business. Through staff induction program and continuous education, this principle is being reinforced to ensure that we continue to comply with all relevant rules and regulations.

Anti-graft laws are increasingly being enacted globally such as the US Foreign Corrupt Practices Act and UK Anti-Bribery Act. Recognizing the adverse impact of non-compliance on our Company's reputation and the potential loss of business, Megachem puts integrity at the core of our corporate value system. The business conducts of all employees of the Group are guided by a Business

Ethics Guide which provides guidance on areas such as anti-bribery, corruption, conflict of interest, intellectual property protection, insider trading and fraud. These Codes of Ethics are strictly binding for all employees in the respective countries in which we operate. Trainings are provided during staff induction program and refresher trainings are also provided. This Code demonstrates our commitment to integrity in the workplace and in the way we conduct our business.

### • Industry Specific Regulations

Various government agencies also imposed industry-specific regulations. In this area we collaborate closely with these agencies on educational programs and exercises to keep ourselves up to speed with changes in their rules and regulations. (For more information, please refer to Sustainability: Health, Safety and Environment section.)

### • Stock Exchange Listing Rules

Guided by our Catalyst Sponsor, listing rules are constantly being observed and followed. All announcements are perused by our Catalyst Sponsor before they are released. Our Catalyst Sponsor is also frequently being engaged in board discussion on matters relating to listing rules compliance.

# CORPORATE GOVERNANCE REPORT



The Directors of Megachem strongly support the principles of transparency, accountability and integrity as set out in the Code of Corporate Governance 2018 (the “**Code**”). This report describes the Company’s corporate governance policies and practices which were in place during the financial year ended 31 December 2023 (“**FY 2023**”), with specific reference to the Principles and Provisions of the Code and accompanying Practice Guidance.

The Code aims to promote high levels of corporate governance by putting forth Principles of good corporate governance and Provisions with which companies are expected to comply. The Practice Guidance complements the Code by providing guidance on the application of the Principles and Provisions and setting out best practices for companies.

Pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Catalist Rules**”), the Board confirms that the Company and Group, have for FY 2023 complied with the Principles as set out in the Code. The Board also confirms that where there are deviations from the Provisions of the Code, explanations for the deviation and how the Group’s practices are consistent with the intent of the relevant principle are provided in the sections below:-

## BOARD MATTERS

### The Board’s Conduct of 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 of the Code: Directors are fiduciaries who act objectively in the best interests of the Company**

As at the date of this Report, the Board and its committees comprise the following members, all of whom possess the appropriate core competencies and diversity of experience needed to enable them to effectively contribute to the Group.

Name	Designation	Audit Committee	Nominating Committee	Remuneration Committee	Executive Committee
Mr Lee Bon Leong	Independent and Non-Executive Chairman	Member	Chairman	Member	-
Mr Sidney Chew Choon Tee	Managing Director	-	Member	-	Chairman
Mr Chan Kam Loon	Independent Director	Chairman	Member	Member	-
Dr Tay Kin Bee	Independent Director	Member	-	Chairman	-
Mr Yasutaka Kawamura	Non-Executive and Non-Independent Director	-	-	-	-
Mr Francis Yau Thiam Hwa	Chief Financial Officer	-	-	-	Member
Ms Kwok Hwee Peng	Group Finance Manager & Company Secretary	-	-	-	Member

# CORPORATE GOVERNANCE REPORT

The principal functions of the Board, in addition to carrying out its statutory responsibilities, *inter alia*, are as follows:

- overseeing and approving the formulation of the Group's overall long-term strategic objectives and directions, corporate strategy and objectives as well as business plans, taking into consideration sustainability issues;
- overseeing and reviewing the management of the Group's business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its objectives;
- establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets;
- to review the Management's performance;
- to set the Group's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met;
- to approve the release of the Group's financial results, annual reports and announcements to shareholders;
- to review and approve related party transactions to ensure compliance with relevant rules and terms stated in shareholders' mandate; and
- to assume the responsibilities for corporate governance.

All Directors recognize that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

Each Director is required to promptly disclose any actual, potential and perceived conflict of interest, 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 associates for the purpose of monitoring interested person transactions. Any Director facing a conflict of interest will recuse himself from the discussions and abstain from participating in any Board decisions and voting on resolutions regarding the matter.

The Company has established a Code of Business Ethics that sets the principles of business ethics for the Group and covers areas such as business conduct, protection of Company's assets, confidentiality of information and conflicts of interest. All staff of the Group are expected to uphold high standards of integrity that comply with the Company's Code as well as laws and regulations of the countries in which they operate.



**Provision 1.2 of the Code: Directors' induction, training and development**

Newly appointed Directors will receive a formal letter explaining their duties and responsibilities, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. As stipulated under Rule 406(3)(a) of the Catalist Rules, directors who are appointed and who have no prior experience as directors of a listed company in Singapore will have to attend the Listed Entity Director ("LED") courses organized by the Singapore Institute of Directors within 1 year of his appointment. Briefings on the roles and responsibilities as directors of a listed company in Singapore will be conducted for the new appointees. They may also attend courses conducted by other training institutions in areas such as accounting, legal and industry specific knowledge, where appropriate, in connection with their duties.

Directors may request to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. The external auditors, during their presentation of the audit plan, will update the Directors on the new or revised financial reporting standards on an annual basis. Our Company's Catalist Sponsor, SAC Capital Private Limited, provides updates to the Board whenever there are changes to the listing rules or the Code of Corporate Governance.

**Provision 1.3 of the Code: Matters requiring Board's approval**

Although the day-to-day management of the Company is delegated to the Managing Director, the approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group's results and announcement to shareholders, declaration of dividends and interested person transactions.

**Provision 1.4 of the Code: Board Committees**

To assist the Board in discharging its oversight functions and execution of its responsibilities, the Board has established three Board Committees, comprising an Audit Committee (the "AC"), a Nominating Committee (the "NC") and a Remuneration Committee (the "RC"). These Board Committees function within clearly defined written terms of reference and operating procedures. The terms of reference of the respective Board Committees, which are reviewed by the Board on a regular basis, as well as other relevant information on the Board Committees can be found in the subsequent sections of this report.

**Provision 1.5 of the Code: Board Meetings and Attendance**

The Board meets regularly on a quarterly basis and ad-hoc Board Committee or Board meetings are convened when they are deemed necessary. In between Board meetings, other important matters will be tabled for the Board's approval by way of circulating resolutions in writing.

The Constitution of the Company provides for meetings of the Board to be held by way of telephonic or video conference.

# CORPORATE GOVERNANCE REPORT

The attendance of the Directors at scheduled Board Committee and Board meetings held in FY 2023 is set out below:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr Sidney Chew Choon Tee	5	5	2	NA	2	2	1	NA
Mr Jeffrey Tan Bock Chia (*)	5	1	2	NA	2	NA	1	NA
Mr Lee Bon Leong	5	5	2	2	2	2	1	1
Mr Chan Kam Loon	5	5	2	2	2	2	1	1
Dr Tay Kin Bee	5	5	2	2	2	NA	1	1
Mr Yasutaka Kawamura	5	5	2	NA	2	NA	1	NA

*Note:*

(\*) Mr Jeffrey Tan Bock Chia retired from the Board on 19 April 2023.

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The NC is of the view that the matter relating to multiple board representations should be left to the judgement of each Director given that time requirements for different board representations vary. As such, the NC and the Board have decided that there is no necessity to determine the maximum number of listed company board representations which a Director may hold. None of the Directors hold more than 4 directorships in listed companies concurrently.

#### Provision 1.6 of the Code: Access to information

The Company recognises that the flow of relevant, complete and accurate information on a timely basis is critical for the Board to discharge its duties effectively. The Management provides the Board with quarterly management accounts, as well as relevant background or explanatory information relating to the matters that would be discussed at the Board meetings, prior to the scheduled meetings. All Directors are also furnished with updates on the financial position and any material developments of the Group as and when necessary.

#### Provision 1.7 of the Code: Access to Management and Company Secretary

The Board has separate and independent access to the Company Secretary and the Management at all times. The Board will have independent access to professional advice when required at the Company's expense, subject to the approval of the Chairman.

Under the direction of the Chairman, the Company Secretary facilitates information flow within the Board and its Board Committees and between the Management and Non-Executive Directors. The Company Secretary attends all meetings of the Board and Board committees and ensures that all Board procedures are followed and applicable rules and regulations are complied with. The minutes of all Board committee meetings are circulated to the Board. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

## Board Composition and Guidance

**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.**

### Provision 2.1 of the Code: Director's independence

#### Provision 2.2 of the Code: Independent directors make up a majority of the Board

#### Provision 2.3 of the Code: Non-executive directors make up a majority of the Board

The Board comprises five Directors, of whom three are independent. With an Independent Chairman of the Board and more than half of the Board made up of independent directors, the Board is capable of exercising independent and objective judgement on corporate affairs of the Group.

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code and the Catalist Rules. The NC adopts the Code's definition of what constitutes an "independent" director in its review. The NC takes into consideration, among other things, whether a Director has business relationships with the Company, its related companies, its substantial shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. Although Dr Tay Kin Bee was a director of Chemical Industries (Far East) Ltd ("**CIFE**") which sold products to and/or purchase products from the Group, the NC considers him to be independent as he is not a shareholder of CIFE and the sales and/or purchase transactions are not material. As such the NC is of the view that the business relationship does not affect Dr Tay Kin Bee's ability and judgement to act independently. The NC and the Board are of the view that all its Independent Directors have satisfied the criteria of independence in accordance to the Code, its Practice Guidance and Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules as a result of its review.

As at the date of this report, Mr Lee Bon Leong, Mr Chan Kam Loon and Dr Tay Kin Bee have served on the Board for a period exceeding nine years from the date of their first appointments. Pursuant to Rule 406(3)(d)(iv), Mr Lee Bon Leong, Mr Chan Kam Loon and Dr Tay Kin Bee will be considered independent until the conclusion of the forthcoming annual general meeting for FY2023 ("**AGM2023**") and thus will retire at AGM 2023.

### Provision 2.4 of the Code: Board Composition

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into consideration the scope and nature of the operations of the Group and the requirements of the Group's business. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making.

# CORPORATE GOVERNANCE REPORT

The Company believes that a diverse Board will bring a wider range of skills and experience, leading to constructive discussion and better decisions. An effective and diverse Board will in turn contribute to the attainment of its strategic objectives and better and sustainable performance of the Company. In the Company's board diversity policy, emphasis is placed on having an effective blend of competencies, skills, experience and knowledge that will enable the Board to discharge its duties and responsibilities effectively and support good decision making. The Board is of the view that, while it is important to promote board diversity in terms of gender, age and ethnicity, criteria based on an effective blend of competencies, skills, experience and knowledge to strengthen the Board should remain a priority. For achieving an optimal Board, diversity targets may be set and reviewed from time to time to ensure their appropriateness. Under the policy, the NC will consider the benefits of all aspects of diversity with emphasis being placed on having an effective blend of competencies, skills, experience and knowledge in the annual review of Board composition. In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity.

Currently, the Board has not set any specific target for gender diversity but will include female candidates, if available, for consideration when identifying candidates to be appointed as new directors. Similarly, the Board does not set any specific target for ethnic diversity, age diversity and age limit for its Directors given that Directors are selected based primarily on experience and knowledge and his/her ability to contribute to the Board.

The Board as a group provides an appropriate balance of diversity of skills, experience and knowledge of the Company, with core competencies in accounting and finance, legal expertise, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. This enables the Management to benefit from the external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of the Group.

## **Provision 2.5 of the Code: Meeting of Independent Directors without Management**

Where necessary or appropriate, the Independent Directors will meet without the presence of the Management. The Independent Directors communicate regularly to discuss matters related to the Group, including the performance of the Management. Where appropriate, Independent Directors provide feedback to the Board after such meetings.

The profiles of our Directors are set out on pages 19 to 23 of this Annual Report.

## **Chairman and Chief Executive Officer**

**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 of the Code: Separation of the roles of the Chairman and the Chief Executive Officer ("CEO")**

**Provision 3.2 of the Code: Division of responsibilities between the Chairman and CEO**

**Provision 3.3 of the Code: Lead Independent Director**

The Chairman, Mr Lee Bon Leong, and the Managing Director, Mr Sidney Chew Choon Tee, are separate persons and have no familial relationship with each other. As the Chairman is independent, there is no necessity for the appointment of a Lead Independent Director.

Mr Sidney Chew Choon Tee is responsible for formulating corporate strategies, leading the Group's marketing and business development activities as well as ensuring the smooth operation of the Group.

The Board is of the view that as all major decisions are made in consultation with the Board and with the establishment of the three Board Committees, there are adequate safeguards in place to ensure accountability and unfettered decision-making, as well as to prevent an uneven concentration of power and authority in a single individual.

The Chairman, in consultation with the Management, ensures:

- that Board meetings are held as and when necessary to enable the Board to perform its duties responsibly, while not interfering with the flow of the Company's operations;
- that the agenda for Board meetings are prepared, with the assistance of the Company Secretary;
- the exercise of control over the quality, quantity and timeliness of information between the Management and the Board and the facilitation of effective contribution from the Independent Directors;
- effective communication with shareholders and compliance with corporate governance best practices; and
- compliance with the Company's guidelines on corporate governance.

### 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.**

#### Provision 4.1 of the Code: Role of the NC

#### Provision 4.2 of the Code: Composition of NC

The NC is responsible for making recommendations on all board appointments and re-nominations, having regard to the contribution and performance of the Director seeking re-election.

The NC comprises Mr Lee Bon Leong (Chairman of NC), Mr Chan Kam Loon and Mr Sidney Chew Choon Tee. A majority of the NC, including the Chairman of the NC, is independent. The Chairman of the NC is not, and is not directly associated with, any substantial shareholder of the Company. The NC holds at least one meeting in each financial year.

The written terms of reference of the NC have been approved and adopted, and they include the following:-

- (a) developing and maintaining a formal and transparent process for Director appointments and re-nomination and making recommendations to the Board on Director appointment and re-appointment (including the appointment of alternate directors, if any), and recommending to the Board re-nominations of existing Directors for re-election in accordance with the Company's Constitution, having regard to their competencies, commitment, contribution and performance and taking into consideration the composition, diversity, and progressive renewal of the Board;
- (b) making recommendations to the Board on relevant matters relating to the review of succession plans for the Directors, in particular, for the Chairman and Managing Director as well as for key management personnel;
- (c) reviewing and approving any new employment of related persons and the proposed terms of their employment;

## CORPORATE GOVERNANCE REPORT

- (d) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent;
- (e) in respect of a Director who has multiple board representations on various companies, to review and decide whether or not such Director is able to and has been adequately carrying out his duties as a Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments;
- (f) reviewing training and professional development programs for the Board;
- (g) developing a process for evaluating the performance of the Board, its committees and the Directors and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholders' value; and
- (h) assessing the effectiveness of the Board as a whole and its Board committees and the contribution by the Chairman and each individual Director to the effectiveness of the Board.

### **Provision 4.3 of the Code: Board renewal and succession planning**

The Company does not have a formal criterion of selection for the appointment of new Director to the Board. When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new Director, the NC may rely on search companies, personal contacts and recommendations for the right candidates. The NC ensures that the newly appointed Director is aware of their duties and obligations.

Board appointments are made by the Board after the NC has, upon reviewing the resume of the proposed Director and conducting appropriate interviews, recommended the appointment to the Board. The NC is also in charge of re-nominating the Directors, having regard to their contribution and performance. Pursuant to the Constitution of the Company, one-third of the Directors shall retire from office at the Company's annual general meeting every year, provided that all Directors shall retire from office at least once every three years. Newly appointed Director by the Board is required to retire at the next annual general meeting following his appointment. Retiring Director is eligible to offer themselves for re-election. Each member of the NC abstains from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his own performance or re-nomination as Director.

Pursuant to the Company's Constitution, Mr Lee Bon Leong, Mr Chan Kam Loon and Dr Tay Kin Bee will retire at the Company's forthcoming annual general meeting to pave way for Board refreshment. Three new independent directors will be appointed with effect from 20 April 2024.

### **Provision 4.4 of the Code: Circumstances affecting Director's independence**

As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the Directors. Each independent Director is required annually to complete a checklist to confirm his independence. Further, the NC determines annually, and as and when circumstances require, whether a director is independent, taking into consideration the disclosures by the Directors of any relationships with the Company, its related corporations, its substantial shareholders or its officers and the checklist completed by each independent director. Having made its review, the NC is of the view that all independent directors have satisfied the criteria for independence.

**Provision 4.5 of the Code: Multiple listed company directorships and other principal commitments**

The NC ensures that the new Directors are aware of their duties and obligations. For re-nomination and re-appointment of Directors, the NC takes into consideration the competing time commitments faced by Directors and their ability to devote sufficient time and attention to the Group. Each Director is required to declare changes in listed company directorships or other principal commitments during the year to enable the on-going monitoring of the commitment of the Directors to the Company. Aside from considering the number of listed company directorships and other principal commitments of the directors, the NC also considers the results of the annual evaluation of each Director's effectiveness and the respective Director's conduct at the Board and Board Committees meetings to determine whether the Director is able to discharge his duties diligently.

In respect of FY 2023, the NC and Board were of the view that all the Directors have discharged their duties diligently. As at the date of this report, none of the Directors hold more than 4 listed company directorships. Please refer to pages 19 to 23 of the Annual Report for the listed company directorships and other principal commitments of the Directors.

The Board provides for appointment of alternate director only in exceptional cases such as when a Director has a medical emergency. There is currently no alternate Director on the Board.

**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 and 5.2 of the Code: Assessment of effectiveness of the Board and Board Committees and assessing the contribution by individual directors**

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company complies with the applicable laws, and members of our Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board, the board committees and each individual Director.

The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The NC assesses the overall effectiveness of the Board and its committees by having members of the Board and committees completing an Assessment Checklist, which takes into consideration factors such as its structure, conduct of meetings, risk management and internal controls, strategic leadership and relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators.

The NC assesses the individual Directors' performance by completing an Individual Director Assessment Checklist, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors. The evaluation of individual Directors aims to assess whether each Director continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Board Committee meetings, and any other duties. The Chairman will be briefed on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors, in consultation with the NC. Each member of the NC shall abstain from deliberating and voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

# CORPORATE GOVERNANCE REPORT

The NC, having reviewed the overall performance of the Board as a whole, its Board committees as well as the performance of each individual Director, is overall satisfied with their performance for the period under review. No external facilitator has been engaged to conduct the Board performance evaluation.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the background, experience, business and finance knowledge and management skills critical to the Group's business. They have also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

## 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 of the Code: RC to recommend remuneration framework and packages

#### Provision 6.2 of the Code: Composition of RC

The RC makes recommendations to the Board on the framework of remuneration and the specific remuneration packages for each Director.

The RC comprises Dr Tay Kin Bee (Chairman of RC), Mr Lee Bon Leong and Mr Chan Kam Loon. All members of the RC, including the Chairman, are independent. The RC holds at least one meeting in each financial year.

The written terms of reference of the RC have been approved and adopted, and they include the following:-

- (a) reviewing and recommending to the Board a framework of remuneration for the Directors and key management personnel and determining specific remuneration packages of each Director. The RC shall cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, awards to be granted under the Company's performance share scheme, and benefits in kind;
- (b) reviewing annually the remuneration, bonuses, pay increase and/or promotions of employees who are related to the Directors or substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;
- (c) reviewing the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or key management personnel, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group;
- (d) if necessary, seeking expert advice within and/or outside the Company on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and
- (e) reviewing annually the remuneration package in order to maintain their attractiveness to retain and motivate the Directors and key management personnel and to align the interests of the Directors and key management personnel with the long-term interests of the Company.



**Provision 6.3 of the Code: RC to consider and ensure all aspects of remuneration are fair**

The RC considers all aspects of remuneration (including Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind and termination payments) in the review of remuneration packages for the Directors and executive officers with an aim to be fair and to avoid rewarding poor performance, before making any recommendation to the Board.

The Independent Directors receive directors' fees in accordance with their contributions, taking into consideration factors such as effort and time spent and their responsibilities. The directors' fees are recommended by the RC and endorsed by the Board for approval by shareholders of the Company at the annual general meeting. Except as disclosed in this Annual Report, the Independent Directors did not receive any other remuneration from the Company.

The terms of employment for the Managing Director, such as monthly base salary, annual wage supplement and benefits that commensurate with their position, are stipulated in the service agreement ("**Service Agreement**"). The Managing Director also participates in a profit-sharing scheme that is pegged to the Group's profitability. The Managing Director does not receive directors' fees and there are no post-retirement and severance benefits except the common practice of giving notice or salary in lieu of notice in the event of termination. The Service Agreement is valid for 3 years.

**Provision 6.4 of the Code: Expert advice on remuneration**

The members of the RC are familiar with executive compensation matters as they have prior experience in managing businesses and/or are holding other directorships. The RC has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY 2023.

**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 the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

**Provision 7.1 and 7.3 of the Code: Remuneration of Executive Directors and key management personnel are appropriately structured to link rewards to performance**

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 the Managing Director and key management personnel. The remuneration package is designed to allow the Company to better align the interests of the Managing Director and key management personnel with those of shareholders and link rewards to corporate and individual performance. The Company also ensures that the remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

## CORPORATE GOVERNANCE REPORT

Remuneration for the Managing Director comprises a basic salary component and a variable component that is pegged to the performance of the Group as a whole. Having reviewed the variable component in the remuneration packages of the Managing Director and key management personnel, the RC is of the view that it is not necessary to institute contractual provisions to reclaim incentive components of remuneration from Managing Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Company believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events from the Managing Director and key management personnel.

The Company does not offer any employee share scheme. The RC may consider other forms of long-term incentive schemes for key management personnel when necessary.

### Provision 7.2 of the Code: Remuneration of Non-Executive Directors dependent on contribution, effort, time spent and responsibilities

The Independent Directors receive directors' fees for their effort and time spent, responsibilities and contribution to the Board, subject to shareholders' approval at annual general meetings. The Independent Directors are not over-compensated to the extent that their independence may be compromised. The Non-Executive Non-Independent Directors are not remunerated.

### 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 and 8.3 of the Code: Remuneration disclosures of Directors and key management personnel; Details of employee share schemes

The Board is of the view that full disclosure of the specific remuneration of each individual director and key management personnel is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

Remuneration of the Executive Director is stipulated in their respective service agreements with the Company ("Service Agreements"). Under the provisions of the Service Agreements, the Executive Director shall be paid a monthly base salary and annual wage supplement and be provided with benefits commensurate with the position. The Executive Director participates in a profit-sharing scheme that is pegged to the Group's profitability. The Executive Director does not receive directors' fees and there are no post-retirement and severance benefits except the common practice of giving notice or salary in lieu of notice in the event of termination.

The level and mix of remuneration paid or payable to the Executive Director for FY 2023 are set out as follows:

Name of Director	Remuneration band	% Breakdown of Remuneration		
		Base salary	Bonus/Profit Sharing	Benefits in kind
Mr Sidney Chew Choon Tee	S\$500,000 – S\$750,000	89%	8%	3%

Independent Directors are paid only directors' fees, subject to approval at the annual general meeting. The fees paid to Independent Directors comprise a basic fee, a fee for chairing a committee and a fee for being a member of the committee. The fees paid to the Independent Directors for FY 2023 are set out as follows:-

Name of Independent Director	Directors' fees
Mr Lee Bon Leong	S\$50,000-S\$100,000
Mr Chan Kam Loon	S\$50,000-S\$100,000
Dr Tay Kin Bee	S\$50,000-S\$100,000

Mr Yasutaka Kawamura, the Non-Executive Non-Independent Director, of the Company, did not receive any remuneration for FY 2023. Mr Jeffrey Tan Bock Chia, the Non-Executive Non-Independent Director who retired from the Board on 19 April 2023, did not receive any remuneration in the period from 1 January 2023 to 19 April 2023.

The remuneration of top 5 executives of the Group (who are not also Directors) for FY 2023 is set out below:-

Remuneration band	No of Executives
Below S\$250,000	0
S\$250,000 – S\$500,000	5
Above S\$500,000	0

#### Provision 8.2 of the Code: Remuneration disclosures of related employees

Save for Mr Sidney Chew Choon Tee, the Managing Director of the Company, there is no employee who is a substantial shareholder of the Company in FY 2023.

The remuneration of an employee who is the spouse of Mr Sidney Chew Choon Tee, for FY 2023 is set out as below:-

Name of employee	Remuneration band	% Breakdown of Remuneration		
		Base salary	Bonus	Benefits in kind
Ms Liau Bin Bin	S\$250,000 – S\$500,000	72%	25%	3%

Save for Ms Liau Bin Bin, there is no other employee who is the immediate family members of a Director, the Managing Director or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 in FY 2023.

# CORPORATE GOVERNANCE REPORT

## 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 of the Code: Board determines the nature and extent of risks**

The Board and Management acknowledge that it is responsible for the overall risk management and internal control framework, but recognise that no cost-effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss, human error, fraud and lapse in judgement.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. Although the Board does not have a separate risk management committee, the Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The internal auditor, Baker Tilly Consultancy (Singapore) Pte Ltd ("**Baker Tilly**"), has conducted annual reviews of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. No material internal control weaknesses had been raised by the internal auditors in the course of their audits for FY 2023.

#### **Provision 9.2 of the Code: Assurance from CEO, CFO and other key management personnel**

The Board has received assurance from (a) the Managing Director and the Chief Financial Officer that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2023 give a true and fair view of the Company's operations and finances; and (b) the Managing Director and key management personnel regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the assurance from the Managing Director, the Chief Financial Officer and key management personnel referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems) as at 31 December 2023.

## Audit Committee

**Principle 10: The Board has an Audit Committee (“AC”) which discharges its duties objectively.**

**Provision 10.1 of the Code: Duties of AC**

**Provision 10.2 of the Code: Composition of AC**

**Provision 10.3 of the Code: AC does not comprise former partners or directors of the Company’s auditing firm**

The AC comprises Mr Chan Kam Loon (Chairman of AC), Dr Tay Kin Bee and Mr Lee Bon Leong. All members of the AC, including the Chairman of the AC, are independent. No former partner or director of the Company’s existing audit firm or auditing corporation is a member of the AC. The members of the AC have sufficient accounting or financial management expertise, as interpreted by the Board in its business judgment, to discharge the AC’s functions. The AC holds at least two meetings in each financial year.

The written terms of reference of the AC have been approved and adopted, and they include the following:-

- (a) reviewing the audit plans and scope of work of the external auditors and the internal auditors, including the results of the external and internal auditors’ review and evaluation of the Group’s system of internal controls, the management letters on the internal controls and the Management’s response, and monitoring the implementation of the internal control recommendations made by the external and internal auditors;
- (b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group’s internal controls, including financial, operational, compliance and information technology controls and risk management systems, prior to the incorporation of such results in the Company’s annual report;
- (c) reviewing the interim financial results and annual consolidated financial statements and the external auditors’ report on the annual consolidated financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgements, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management to ensure the integrity of the financial statements of the Group and any announcements relating to the Company’s financial performance, where necessary, before submission to the Board for approval;
- (d) reviewing and discussing with the external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group’s operating results or financial position and the Management’s response;
- (e) reviewing and ensuring the co-ordination between internal auditors, external auditors and the Management, including the assistance given by the Management to the auditors;
- (f) reviewing the audit plan of the external auditor and the result of the external auditor’s review and evaluation of the Group’s system of internal accounting controls that are relevant to the statutory audit;
- (g) making recommendations to the Board on the proposals to the shareholders with regard to the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

## CORPORATE GOVERNANCE REPORT

- (h) reviewing the audit plan of the internal auditor, including the results of the internal auditor's review and evaluation of the Group's system of internal controls;
- (i) reviewing and ratifying where appropriate any interested person transactions;
- (j) reviewing potential conflicts of interests (if any);
- (k) reviewing the policy and arrangements by which employees of the Group and any other persons may, in confidence, report to the Chairman of the AC, concerns about possible improprieties in financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be safely raised and independently investigated, and for appropriate follow-up action to be taken;
- (l) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- (m) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (n) reviewing the scope and results of the external audit and its cost effectiveness and the independence and objectivity of the external auditor, and where the external auditor also provides a substantial volume of non-audit services to the Company, keeping the nature and extent of such services under review, seeking to maintain objectivity;
- (o) reviewing the assurance from the Managing Director and the Chief Financial Officer on the financial records and financial statements; and
- (p) undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any Director, executive officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The Group has implemented a whistle-blowing policy which aims to provide an avenue for employees and external parties to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimization for whistle-blowing in good faith. Cases that are significant will be reviewed by the AC for adequacy or investigation actions and resolutions. Details of the whistle-blowing policy are disseminated to the employees of the Group, and is available on the Company's website. All concerns about possible improprieties can be communicated directly to the AC.

As at the date of this Annual Report, there are no reports received through the whistle-blowing channel.

The external auditors update the AC on any changes in accounting standards impacting on the financial statements of the Group before an audit commences. Significant matters that were discussed with the Management and the external auditors have been included as key audit matters in the Auditors' Report for FY 2023 on pages 114 to 116 of this Annual Report.

Significant matters	How does the Audit Committee address the matter
Impairment of trade receivables	<p>The Audit Committee had reviewed management's approach and judgement in assessing collectability of outstanding receivables, which includes a review of customers' credit worthiness, historical observed default rate, payment history and correspondences with customers.</p> <p>The Audit Committee was satisfied that the approach was appropriate and provision was adequate. The external auditor has included this item as a key audit matter in the audit report for FY 2023. Please refer to pages 114 and 115 of this Annual Report.</p>
Impairment of Inventories	<p>The Audit Committee had considered the methodology and management's technical judgement in assessing inventory obsolescence, which includes a review of the ageing of inventory.</p> <p>The Audit Committee was satisfied that management's methodology was reasonable and carrying value of inventory was appropriate. The external auditor has included this item as a key audit matter in the audit report for FY 2023. Please refer to pages 115 and 116 of this Annual Report.</p>

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees paid to them. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY 2023. A breakdown of the audit and non-audit fees paid to the Company's auditors is disclosed on page 176 of this Annual Report.

Having undertaken a review of the non-audit services provided during FY 2023, the AC is of the view that the objectivity and independence of the external auditors are not in any way impaired by reason of their provision non-audit services to the Group.

The AC reviews the independence of the external auditor annually. In the selection of suitable auditing firms, the AC takes into consideration several factors such as the adequacy of the resources, experience of the accounting auditing firm, the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit and its ability to provide audit service to our foreign subsidiaries and associated companies. The selected auditing firm based in Singapore is engaged as auditors for the Company as well as our Singapore-incorporated subsidiaries.

Different auditing firms are engaged as auditors for its associated company and 2 foreign subsidiaries for FY 2023. The AC has considered the appointment of different auditing firms for its associated company and 2 foreign subsidiaries and is satisfied that such appointment would not compromise the standard and effectiveness of the audit of these entities. The Company is thus in compliance with Rule 712 and 715 set out in Catalist Rules.

# CORPORATE GOVERNANCE REPORT

## **Provision 10.4 of the Code: Primary reporting line of the internal audit function is to AC; Internal audit function has unfettered access to Company's documents, records, properties and personnel**

The Company outsources the internal audit function to an external professional firm to perform the review and test of controls of the Group's processes.

The AC approves the appointment of the internal auditor and the internal auditor, Baker Tilly, reports directly to the Chairman of the AC.

Baker Tilly is a professional services firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability/ESG advisory services. The firm currently has a diverse outsourced internal audit portfolio of SGX-ST listed companies across different industries including distribution, manufacturing, services, hospitality, food & beverage, trading, retail and property development industries. Baker Tilly is a corporate member of the Institute of Internal Auditors Singapore and is staffed with qualified professionals who are Chartered Accountants or Certified Internal Auditors with deep expertise in corporate governance, risk management, internal controls and other relevant disciplines. The AC is satisfied that Baker Tilly is staffed by suitably qualified and experienced persons.

The internal auditor plans its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The internal auditor carries out their work in accordance with International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and has full access to the Company's documents, records, properties and personnel. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The AC has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function.

## **Provision 10.5 of the Code: AC meets with the auditors without the presence of Management annually**

The AC endeavors to meet at least once a year with the external and internal auditors without the presence of the Management so that any concern and/or issue can be raised directly and privately.

## **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 of the Code: Company provides shareholders with the opportunity to participate effectively and vote at general meetings**

The Company supports the Code's principle to encourage communication with and participation by shareholders. Shareholders are informed of general meetings through notices published in the newspapers, through reports or circulars sent to all shareholders and via SGXNet. Shareholders are encouraged to attend the annual general meetings to ensure a greater level of shareholder participation.



**Provision 11.2 of the Code: Separate resolution on each substantially separate issue**

All resolutions are put to vote by poll and shareholders are entitled to vote in accordance with established voting rules and procedures. An announcement of the detailed results is made after the conclusion of the annual general meeting. The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principles as regards "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will provide reasons and material implications.

**Provision 11.3 of the Code: All Directors attend general meetings**

All Directors attend the general meetings of shareholders, and the external auditor will also be present to assist in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.

**Provision 11.4 of the Code: Company's Constitution allow for absentia voting of shareholders**

The Constitution allows a shareholder of the Company to appoint up to two proxies to attend the annual general meeting and vote in place of the shareholder, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Company's Constitution allows a shareholder who is unable to vote in person at general meeting to vote in absentia, such as via mail, electronic mail or facsimile.

**Provision 11.5 of the Code: Minutes of general meeting are published on the Company's corporate website**

Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders at the Company's website.

**Provision 11.6 of the Code: Dividend policy**

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. The Company did not declare any dividend in FY 2023 after considering the capital expenditure required for rebuilding its warehouse.

# CORPORATE GOVERNANCE 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 of the Code: Company provides avenues for communication between the Board and shareholders**

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNet. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable. Shareholders are provided with an update on the Group's performance, position and prospects through the Company's annual report.

The Company's half year and full year results announcements, corporate presentations, announcements and press releases are issued via SGXNet. Shareholders have access to information on the Group via the Company's website. The Company discloses all material information on a timely basis to all shareholders.

Shareholders are given the opportunity to pose questions to the Board or the Management at the general meetings. The members of the AC, NC and RC will be present at the general meetings to answer questions relating to matters overseen by the respective committees. Shareholders are provided sufficient time to submit questions after the publication of notice of general meeting and the Company will address these questions timely to accord shareholders with reasonable time to consider matters tabled at the general meetings prior to the closing date and time for the lodgment of the proxy forms.

### **Provision 12.2 and 12.3 of the Code: Company has in place an investor relations policy and the policy set out mechanism of communication between the shareholders and the Company**

To enhance and encourage communication with shareholders and investors, the Company provides the contact information of its investor relations consultants in its press releases. Shareholders and investors can send their enquiries through email or telephone.

An investor relations strategy is in place which sets the policies to regularly, fairly and effectively communicate with our shareholders.

The Company maintains regular dialogue with shareholders through online Q&A, analyst briefings and at the general meetings.

Analyst briefings are conducted for members of the investment community and media after each results announcement. Key management personnel including the Managing Director and Chief Financial Officer are present in these briefings. An online Q&A session is also conducted after each result announcements for shareholders to raise their queries with regard to the results. The results announcements, the analyst briefings presentation slides and the online Q&A responses are all published on SGXNet and are also made available on the Company's website, [www.megachem.com](http://www.megachem.com) and investors' relations website, [www.shareinvestor.com](http://www.shareinvestor.com).

Please refer to Investor Relations section of this Annual Report.

### MANAGING STAKEHOLDERS RELATIONSHIPS

#### Engagement with Stakeholders

**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 and 13.2 of the Code: Engagement with material stakeholder groups**

**Provision 13.3 of the Code: Corporate website to engage stakeholders**

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, contractors and suppliers, government and regulators, community, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

Stakeholders who wish to know more about the Group such as our business, industry, performance or sustainability practices can visit our website at [www.megachem.com](http://www.megachem.com).

### DEALING IN SECURITIES

In compliance with the Catalist Rules on dealings in securities, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company shall not deal in and prohibits dealings in its shares by its Directors, officers and employees during the period commencing one month before the announcement of the Company's half-year and full-year financial results, and ending on the date of the announcement of the financial results.

# CORPORATE GOVERNANCE REPORT

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The aggregate value of interested person transactions entered into during FY 2023 were as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2023 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year ended 31 December 2023 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations.	Nil (Note 1)	Nil (Note 1)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations.	Nil	S\$586,714 (Note 2)

Note 1: The Group did not sell to Chori Co., Ltd and its related corporations during the financial year ended 31 December 2023.

Note 2: The Group purchased products from Chori Co., Ltd and its related corporations amounting to S\$586,714 during the financial year ended 31 December 2023 and the aggregate value of purchases (excluding transactions less than S\$100,000) amounted to S\$586,714.

## MATERIAL CONTRACTS

Save for the Service Agreements between the Executive Director and the Company and transactions as disclosed in the "Interested Person Transactions" section above, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Managing Director, any Director, or controlling shareholder.

## NON-SPONSOR FEES

S\$5,500 non-sponsor services fees were paid to its sponsor, SAC Capital Private Limited, in FY 2023 as fees for equity research.

# SUSTAINABILITY REPORT



# SUSTAINABILITY REPORT



## BOARD STATEMENT

Our world is confronted with unprecedented challenges such as climate change, scarcity of natural resources, poverty, human health and safety issues. One that stood out in recent years was climate change evident in global warming, rising sea level and extreme weather conditions. Fuelled by these challenges, Sustainability has become an even more pressing issue.

At Megachem, we recognise this and view Sustainability as a shared responsibility towards improving not only our business but also our society and the quality of lives for everyone.

As a company, we do not exist in a vacuum. We are part of the economic, environmental and social ecosystem. We will therefore work closely with all our stakeholders to contribute towards a global effort to meet these challenges and integrate Sustainability into our business models.

## Sustainability Highlights

### Environment/Health/Safety

- Tapping on solar as a source of renewable energy, the solar panels installed in our plant in Singapore has enabled us to reduce carbon emission and our electricity bill.
- In recognition of our efforts in meeting international environment, health and safety standards, the Singapore Chemical Industry Council accorded us, under the Responsible Care program, Gold award in the category of Product Stewardship in 2023.
- In a Sustainability assessment in 2022 conducted by independent rating firm, EcoVadis, Megachem attained Gold status with an improved overall core of 74 and was ranked in the Top 5% among the companies in our industry assessed by them.
- Under Singapore's Green Nation Pledge program, we pledged to adopt environmental-friendly best practices to make our country a greener place. It marks our commitment in joining our nation to build a better and greener future.
- We have adopted the Global Product Strategy (GPS) from International Council of Chemical Associations on the evaluation of Chemical Risk Assessment since 2018 and established a Product Safety Summary as well as Product Safe Handling Guide on high-risk products.

- In our effort to benchmark our sustainability program against international standards, we are gradually adopting the Taskforce for Climate-related Financial Reporting (“TCFD”) framework and have included TCFD disclosures in this report.
- We have commenced Scope 3 Greenhouse Gas emission reporting, focusing initially on business travel.

### Sustainability-linked Financing & Green Financing

Subsequent to our first Sustainability-linked Financing from United Overseas Bank, we have further secured our Sustainability-linked financing from Overseas Chinese Banking Corporation and Hong Kong and Shanghai Banking Corporation. These sustainability-linked financing are key steps in our sustainability journey and a clear demonstration of our commitment to be a responsible member of the community, together with our customers, suppliers, bankers as well as our other stakeholders.

Also partnering us in our sustainability journey is Overseas Chinese Banking Corporation who granted us a Green Finance for installation of solar panels at our premises.

### Governance

- In the Singapore Governance and Transparency Index (SGTI) 2023, our SGTI Score improved from 81 to 84 and we were ranked 98<sup>th</sup>, improving from 102<sup>nd</sup> in 2022 which affirms our high standard of governance.

### Social

- We continue to provide equal opportunities to our employees by embracing diversity in terms of gender, age and nationality.
- While many have lost their jobs during the pandemic, we had safeguarded jobs for our people. This is possible because of the robustness of our business continuity management and the resilience of our business model.

Looking ahead, we will be increasing our focus in the following areas:

- conduct safety risk assessment to enhance the safety level of our operation,
- install solar panels in our operations in Malaysia as part of our effort to adopt more sustainable sources of energy,
- refine and expand our Scope 3 emissions analysis in the coming years,
- continue to work across our value chain to incorporate sustainability into our business strategy,
- creating greater awareness of sustainability issues and good sustainability practices in our daily operation,
- striving and working together with major stakeholders in the chemical industry in adopting higher standards of Sustainability practices,
- launching our Mental Health & Well-being program to make our workplace a more supportive and conducive space for our employees,
- maintain a business continuity management program that is robust enough to face any future disruptions.

Together, we shall strive with passion to make a lasting, positive difference in people’s lives and build a sustainable world for the present and future generations.

Managing Director  
**Sidney Chew Choon Tee**

On behalf of Megachem’s Board of Directors

# SUSTAINABILITY REPORT

## KEY HIGHLIGHTS

### ENVIRONMENT



- Transitioning to greener energy, we have installed solar panel to reduce energy cost and carbon emission.
- Under Singapore's Green Nation Pledge program, we pledged to adopt environmental-friendly best practices to make our country a greener place.
- Included TCFD and Scope 3 GHG emission disclosures in this report.

### GOVERNANCE



- In the Singapore Governance and Transparency Index (SGTI) 2023, our SGTI score improved further from 81 to 84 and we were ranked 98th, improving from 102th in 2022 which affirms our high standard of governance.

### SUSTAINABILITY ACHIEVEMENTS



- In a Sustainability assessment in 2022 conducted by independent rating firm, EcoVadis, Megachem attained Gold status and was ranked in the Top 5% among the companies in our industry assessed by them.
- Megachem secured its second and third Sustainability-linked Financing.



### REPORT PROFILE

This report summarises our approach and practices towards Sustainability and represents our belief that Sustainability is an important aspect of our business.

#### Reporting Period

1 January 2023 - 31 December 2023

#### Date of first Sustainability report

2015.

#### Reporting Cycle

Annual based on Megachem's financial year.

#### Feedback

We welcome feedback from all stakeholders. Please send questions, comments, suggestions or feedback relating to this report to [sustainability@sg.megachem.com](mailto:sustainability@sg.megachem.com).

#### Methodology

This report has been prepared with reference to GRI (Global Reporting Initiative) Standard 2021.

Recommendations from TCFD (Taskforce for Climate-related Financial Disclosures), relating to how we manage climate-related risks, were also adopted.

Relevant UN Sustainable Development Goals (UN SDG).

SGX-ST Listing Rules 711A and 711B.

#### Review and Assurance

SGX requires Internal Audit function of companies listed on the stock exchange of Singapore to undertake an internal review of the process in relation to sustainability reporting. In this regard, we had engaged Baker Tilly Singapore to perform this review in 2022. The internal review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

We have not sought external assurance for this report.

Our Sustainability program is rated by EcoVadis, an internationally recognised ESG rating agency.

# SUSTAINABILITY REPORT

## ORGANISATIONAL PROFILE

### Megachem Sustainability Strategy



For Megachem, our Sustainability Strategy is built around a vision to align our economic success with environmental and social responsibility, backed by a system of governance and values. We recognize that the environmental and social interaction with our community affect our long-term organizational success and thus the need to manage not only corporate and financial performance but also the environmental and social impact of our business.

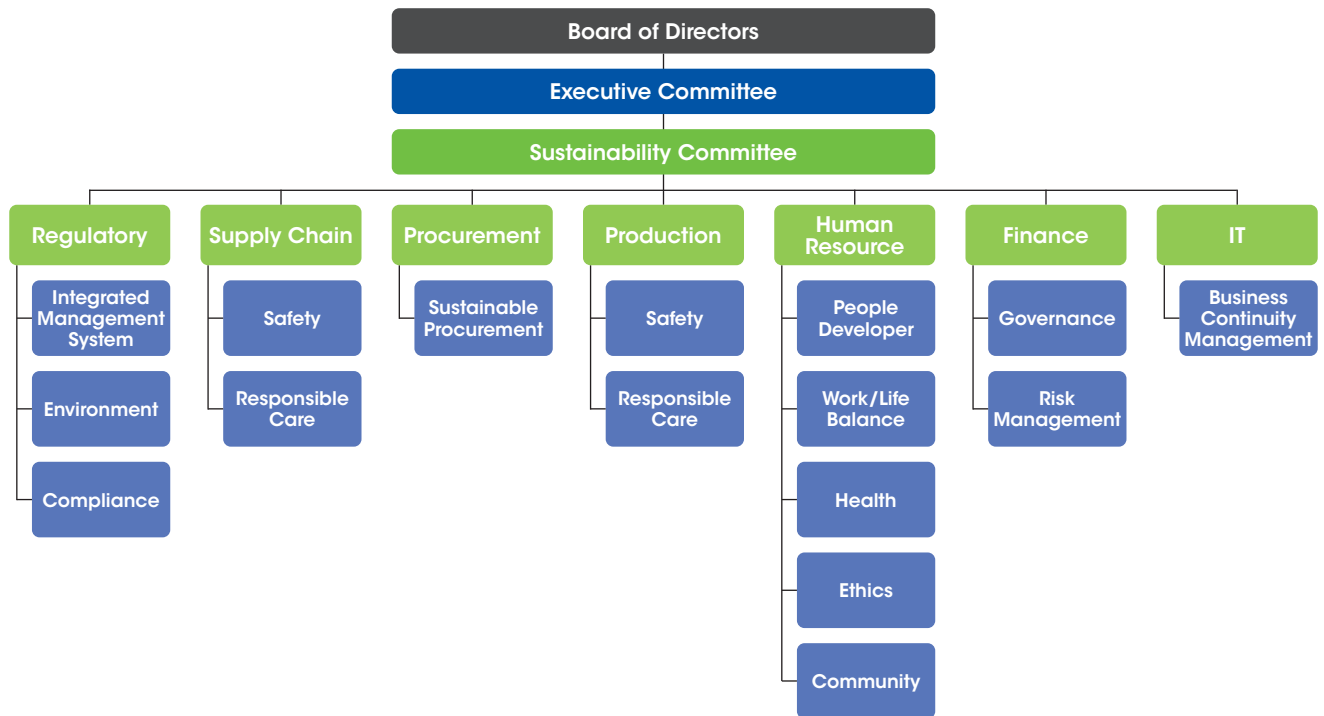
Guided by our Sustainability Vision, our objectives are to:

- achieve high standards of health and safety throughout our value chain;
- protect our environment;
- be a preferred employer by maintaining a good work culture and adopting a genuine interest in the long-term career development of our employees;
- to recruit, train and retain people who have good character, are committed to the organization and are highly skilled in their areas of expertise;
- adopt best business practices and comply with all applicable rules and regulations;
- manage our risk to safeguard our economic sustainability; and
- be a responsible member of society.

**Sustainability Leaders**

Steering our Sustainability journey are representatives from each functional team within the Group who collectively forms the Sustainability committee. This committee reports to the Executive Committee which is headed by our Managing Director.

The Sustainability committee meets periodically to review the progress of our Sustainability programs and these are escalated to the Executive Committee who in turn share our sustainability performance with the Board of Directors annually.



Roles and Responsibilities	
Board of Directors	<ul style="list-style-type: none"> <li>Champions sustainability and climate-related strategy as an integral part of our long-term business strategy</li> <li>Defines our Sustainability Vision and Objectives</li> <li>Approves the material aspects of our sustainability program</li> <li>Monitors and oversees progress of our climate commitments and sustainability journey</li> </ul>
Executive Committee	<ul style="list-style-type: none"> <li>Chaired by our Managing Director and comprises senior management of our company</li> <li>Reviews and approves key sustainability approach</li> <li>Identify, assess, monitor, and report on climate-related issues and strategies to the Board</li> <li>Evaluate ESG performance against the targets</li> </ul>
Sustainability Committee	<ul style="list-style-type: none"> <li>Comprises group functional heads</li> <li>Drives the implementation of our sustainability program and climate-related risk management</li> </ul>

# SUSTAINABILITY REPORT

## External Charters, Principles, Certification

Megachem is committed to conduct our business in a responsible and sustainable manner. We have therefore aligned our operations and business practices with industry/ market accepted principles and standards such as:

- Responsible Care® – a global environmental, health and safety (EHS) performance initiative for the chemical industry,
- Integrated Management System (ISO9001, ISO45001, ISO14001 and ISO22301), a system that integrates all of an organization's policies, processes and procedures into one complete framework, enabling an organization to work as a single unit with unified objectives,
- EcoVadis Sustainability Assessment System – an assessment system used widely in the chemical industry and assesses companies in the areas such as environment protection, labour practices, fair business practices and sustainable procurement,

## Member of Industry Associations

We are a member of Singapore Chemicals Industry Council and collaborate with them to continually improve EHS performance in the chemical industry.

## Awards & Achievements

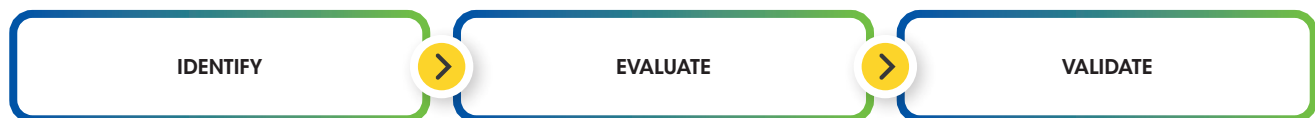
Megachem has always regarded sustainability as one of our priorities in creating sustainable long-term value for our stakeholders. Since 2018, Megachem has partnered with EcoVadis to rate our sustainability performance. EcoVadis provides solution for monitoring sustainability in global supply chains and help companies adopt sustainable practices.

Megachem is proud to be a **Gold award recipient of the EcoVadis Sustainability Ratings 2022**. In the Sustainability Assessment Report 2022, EcoVadis placed Megachem among the Top 5% of the companies in the category of industry that were assessed by them. This accolade is a testimony of the importance we place Sustainability in our overall strategy and a recognition of our Sustainability achievements.



## MATERIALITY ASSESSMENT

Process for defining report boundaries and content



The assessment of our material aspects is conducted in accordance with guidelines and framework established by GRI.

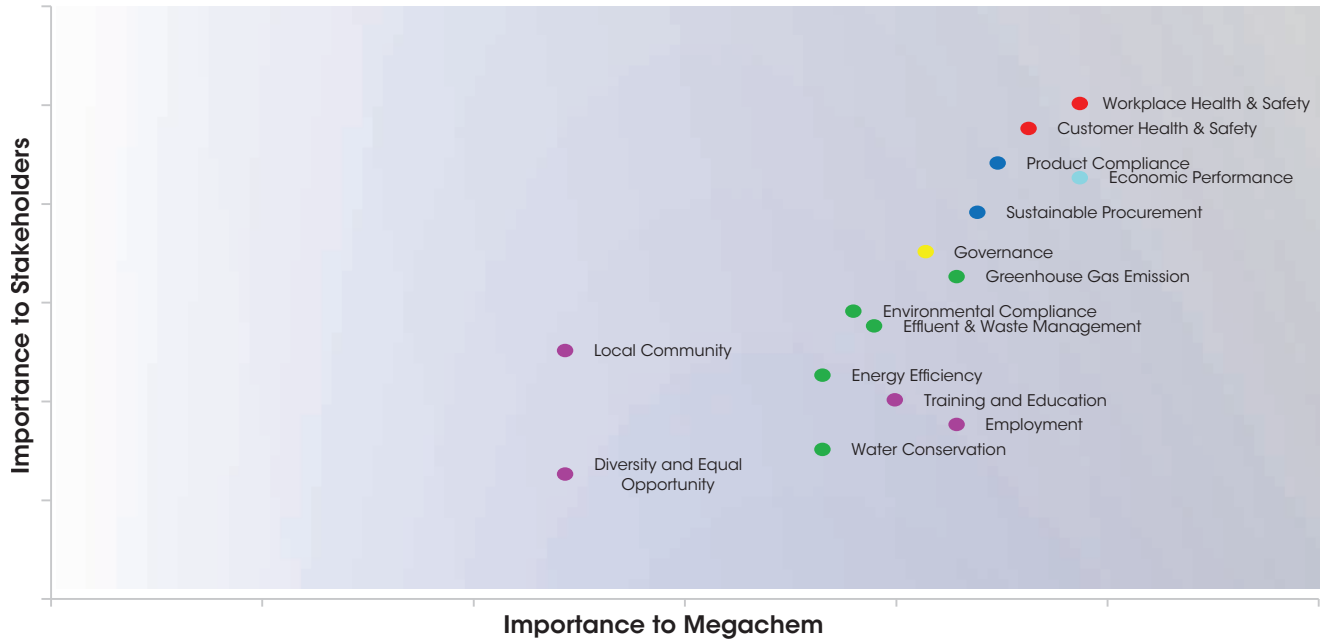
Our Sustainability Committee identified the material aspects based on feedback garnered from our stakeholders and internal reviews.

The material aspects are evaluated against 2 criteria: importance to stakeholders and importance to Megachem (in terms of the significance of its impact on economic, environment, social and governance).

These are then validated by the Executive Committee headed by our Managing Director and approved by our board of directors.

Our Material Aspects

Materiality Matrix



MATERIAL FACTORS	RATIONALE	UN SDG
Governance	Cultivate a culture of ethics and integrity	
Economic Performance	Enhance long-term shareholders' value	
Energy Efficiency Environmental Compliance Effluence & Waste Management Greenhouse Gas Emission Water Conservation	Combat climate change and its impact. Conserve natural resources.	
Workplace Health & Safety Customer Health & Safety	Ensure health & safety for employees and customers	
Product Compliance Sustainable Procurement	Partnering industry stakeholders' in creating a sustainable ecosystem.	
Employment Diversity & Equal Opportunities	Embrace diversity and creating an inclusive work environment.	
Training & Education	Developing human capital	
Local Community	Doing our part for society	

# SUSTAINABILITY REPORT

## Scope & Boundaries

Within the Organisation:

All entities and employees within the Group (excluding associated company) unless otherwise stated.

Outside the Organisation:


Customers, suppliers, investors/shareholders, regulators and community.

## STAKEHOLDERS ENGAGEMENT

Our Sustainability approach takes into accounts the sustainability issues facing our stakeholders. Their feedback helps us develop our materiality matrix and define our future targets.

These stakeholders are identified as being critical to our ability to implement our strategies and achieve our objectives.

To achieve this, we maintain a culture of engagement and a channel of open communication with our stakeholders.

STAKEHOLDERS	STAKEHOLDERS ENGAGEMENT	STAKEHOLDERS FEEDBACK
<p><b>Employees</b></p> 	<p>Megachem views employee engagement as one of the crucial vehicle to drive business excellence and we aim to provide a safe, engaging, inclusive and stimulating work environment that encourages quality performance, high employee satisfaction and loyalty.</p> <p>We do this through:</p> <ul style="list-style-type: none"> <li>• Orientation programmes for new employee online,</li> <li>• Employee engagement &amp; opinion survey,</li> <li>• Internal employee portal,</li> <li>• Ongoing new &amp; existing employee development guide,</li> <li>• Annual total training plan via training needs analysis to chart out the organizational-wide training needs,</li> <li>• Focus on continuous improvement and innovation through employee participation,</li> <li>• Whistleblowing channel,</li> <li>• Protecting employees' well-being by adopting comprehensive risk-based approach in safeguarding the safety and health of all employees,</li> <li>• Regular staff meetings and dialogue session.</li> </ul>	<p>Employees' satisfaction survey is conducted once every 2 years.</p> <p>We achieved an overall employees' satisfaction score of 97.9% in 2023 based on our Employee Engagement &amp; Opinion survey.</p>

STAKEHOLDERS	STAKEHOLDERS ENGAGEMENT	STAKEHOLDERS FEEDBACK
<p><b>Customers</b></p> 	<p>At the heart of our strategy is our customer-centric approach to conducting our business. Essential to this customer-centric approach is customer engagement.</p> <p>We engage with our customers:</p> <ul style="list-style-type: none"> <li>• through collaboration, information sharing and regular communication,</li> <li>• mutual sharing of sustainability practices</li> <li>• customers' satisfaction survey where customers' feedback on Megachem's performance, products and services are garnered.</li> </ul>	<p>In the Customer Satisfaction Survey done in 2023 we scored well in the categories of, compliance to business code of conduct, order processing accuracy, regulatory support and management of change and on-time delivery.</p>
<p><b>Suppliers</b></p> 	<p>We build close relationship with our valued suppliers to ensure deeper market penetration and supply continuity.</p> <p>We create a channel for feedback to our suppliers on the quality of products supplied to us.</p> <p>We also assess and audit our top suppliers to ensure we provide quality products to our customers through our vendor evaluation program.</p> <p>We evaluate the sustainability performance and commitment of our suppliers through sustainability assessment questionnaire and their attainment in global standards for promoting sustainability such as EcoVadis. Our suppliers also assess us to ensure we meet their sustainability standards.</p>	<p>Suppliers increasingly value the importance of sustainability in our working relationship with them.</p> <p>Megachem will consistently carry out our sustainability programs to meet requirements of suppliers.</p> <p>In a Sustainability assessment in 2022 conducted by EcoVadis, Megachem attained Gold status and was ranked in the Top 5% among companies in the category of industry assessed by them. Specifically on the Sustainable Procurement component, we attained a score of 70 out of 100.</p>
<p><b>Investors/ Shareholders</b></p> 	<p>We place great emphasis on effective communication with our shareholders by providing the following channels of communication:</p> <ul style="list-style-type: none"> <li>• a dedicated IR website <a href="http://www.shareinvestor.com">www.shareinvestor.com</a> which is regularly updated and provides investors with email alerts of latest announcements</li> <li>• results briefings where analysts, investors and media are invited</li> <li>• online Q&amp;A are conducted with shareholders and investors</li> <li>• results announcements, results presentation, press releases, online Q&amp;A are made available at our website and at SGXnet</li> <li>• webcast of the results briefings are uploaded to our website</li> <li>• AGM where greater shareholders' participation are encouraged.</li> </ul>	<p>We have been well-recognised in areas such as shareholders communication, transparency and governance.</p> <p>In the Singapore Governance and Transparency Index (SGTI) 2023, our SGTI Score improved from 81 to 84 which affirms our high standard of governance.</p>

# SUSTAINABILITY REPORT

## STAKEHOLDERS

## STAKEHOLDERS ENGAGEMENT

## STAKEHOLDERS FEEDBACK

### Regulators



We participate in seminars conducted by our stock market regulators to keep ourselves abreast of changes in rules and regulations.

We conduct various exercises and events to educate our stakeholders the importance of safety.

We seek to comply with regulatory bodies such as Singapore Civil Defence Force (SCDF), National Environment Agency (NEA), Singapore Police Force (SPF), Singapore Customs, Central Narcotics Bureau (CNB), Health Sciences Authority (HSA), Agri-Food & Veterinary Authority (AVA).

Company Emergency Response Team audit reveals good response to different emergency scenarios.

### Community



We engage with our community by working with various social organisations as well as with various stakeholders such as supplier, customer and industry peers in increasing safety awareness.

We received positive response in our initiative.



**GOVERNANCE**

**CORPORATE GOVERNANCE**

**Objective**

To ensure that our business is sustainable, Megachem believes strongly in upholding the highest standards of corporate governance. We strive to ensure that the value of good governance is deeply embedded in our corporate culture and entrenched in our policies and processes.

**Approach**

We adopt the Code of Corporate Governance established by the Monetary Authority of Singapore and Singapore Exchange Securities Trading Limited. Our Corporate Governance Code is reviewed and endorsed by our Board of Directors annually.

\* More details about our corporate governance practices can be found in the Corporate Governance Report section of this annual report.

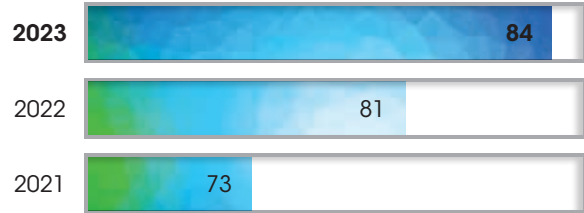
**PERFORMANCE HIGHLIGHTS**



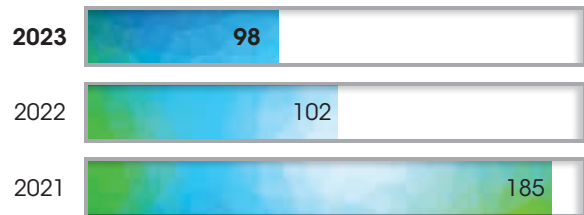
As a testimony to our high level of corporate governance, Megachem has been accorded many awards in the past. At the Singapore Corporate Awards 2018, Megachem Limited was awarded the Best Managed Board Award (Bronze) in the "less than \$300 million market capitalisation" category.

In the Singapore Governance and Transparency Index (SGTI) 2023 which ranks listed companies on its governance and transparency practises, Megachem was ranked 98<sup>th</sup> among all listed companies in Singapore, improving from 102<sup>nd</sup> in 2022, and attained a score of 84 compared to 81 the year before.

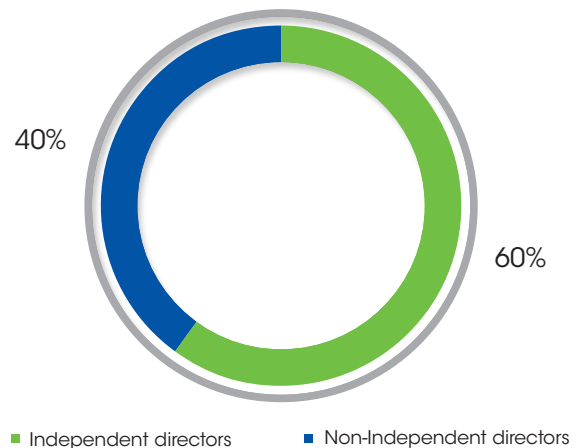
**SGTI SCORE**



**SGTI RANK**



**BOARD INDEPENDENCE**



# SUSTAINABILITY REPORT

There are currently 5 directors of whom 3 are independent. Chairman of our Board is also independent.

Megachem will continue to uphold the principles of good governance which in turn enhances the sustainability of our business.

## Targets & Plans

To improve or maintain the current SGTI score.

## ETHICS & INTEGRITY

### Objective

To uphold high standards of business ethics and integrity.

### Approach

Megachem has established a Code of Business Ethics that sets the principles of business ethics for the Group and covers areas such as business conduct, protection of Company's assets, confidentiality of information, anti-bribery/corruption and conflicts of interest. All staff of the Group are expected to uphold high standards of integrity that is in compliance with the Code of Business Ethics as well as laws and regulations of the countries in which it operates. Awareness is created by conducting briefings and annual assessment test for all staff. All staff are also required to sign acknowledgement of their awareness of our Code of Business Ethics and declare any existing or potential conflicts of interest to the management.

## PERFORMANCE HIGHLIGHTS

	2021	2022	2023 Target	2023 Actual	2024 Target
Number of Breaches	0	1	0	0	0

	2021	2022	2023 Target	2023 Actual	2024 Target
EcoVadis – Ethics component	70	70	>=70	na	>=70

na – not available at time of printing

## RISK MANAGEMENT

### Objective

To ensure our business is sustainable and to preserve our shareholders' value.

### Approach

Recognising the importance of risk management in providing sustainability to our business and in preserving our shareholders' value, Megachem is committed to incorporate effective risk management practices into our organizational processes to mitigate and manage each of these risks.

\* More information on how we manage our risks can be found in the Risk Management section of this annual report.

### Performance Highlights

In FY2023, a review of our enterprise risk management was conducted where significant risks, their impact and the mitigating factors were discussed and updated.

### Targets & Plans

To conduct annual review of the risk assessment and mitigation factors in response to changes to internal and external factors.

**ECONOMIC****Objective**

To Create Long-term Sustainable Value for our shareholders.

**Approach**

Megachem adopts a 2-pronged approach:

- preserve shareholders' value by building resilience throughout its business operations;
- enhance shareholders' value through a robust strategy with a focus on delivering long-term sustainable growth.

**PERFORMANCE HIGHLIGHTS**

	2021	2022	2023
Net Profit/(loss) after tax (\$\$'mil)	8.0	6.1	(5.8)
Adjusted net profit after tax (\$\$'mil) <sup>(1)</sup>	8.0	6.1	1.9
Shareholders Equity (\$\$'mil)	57.3	58.6	50.0
Earnings/(loss) per share (cents)	5.82	4.41	(4.43)
Net Dividend/share (cents)	2.0	2.0	nil
Dividend Yield %	5.3%	3.9%	nil
Share Price change (%)	27.3%	21.4%	(2.0%)
Total Shareholders Return (%)	32.6%	25.3%	(2.0%)

Note (1) Refers to amount adjusted to FY2023 net profit after tax for the impact of a fire incident.

Results for FY2023 has been negatively impacted by a fire incident at one of our warehouses, leading to our first ever loss. As a result, no dividend has been declared for FY2023. Excluding the impact of the fire, we would have been profitable.

**ENVIRONMENT****Objective**

We are committed to environmental protection and conservation of resources.

**Approach**

Our efforts in this area includes reducing paper, electricity and water consumption, reducing waste water generation, paper recycling and adopting proper chemical waste treatment methods.

# SUSTAINABILITY REPORT

## MANAGING CLIMATE RISK

CLIMATE-RELATED RISKS	IMPACT	MITIGATING RISKS AND OPPORTUNITIES
<b>Policy and Legal</b>		
Potentially higher business cost in the form of carbon taxes or plastic tax.	Although we are currently not subject to carbon tax as our carbon emission is below the threshold level set by the Singapore authority, we anticipate there will be passed-on indirect increase in our business cost.	Solar panels have been installed to transition to greener energy which will to some extent alleviate the increase in business cost.
Failure to meet climate-related regulations.	Failure to meet climate-related regulations may lead to fines and loss of business.	We have a regulatory and compliance department to ensure compliance
<b>Technology</b>		
High emission production process and equipment	High emission production processes and equipment contributes to global warming and leads to higher production cost.	Adopted regular preventive maintenance making our manufacturing facility run more efficiently which in turn minimize energy consumption.
<b>Market</b>		
Shifting customer preferences for more sustainable products	<p>Shifting customer preferences for more sustainable products may present a challenge if we are unable to meet their requirements.</p> <p>Conversely it brings opportunities for new products development in the industry, gravitating towards greener and sustainable products.</p>	<p>As a chemical distributor, our goal is to align our product portfolio with customers demand. We are gradually introducing sustainable products. For example, we have added RSPO certified palm oil derivative products to our product portfolio.</p> <p>There will be potentially new growth areas within the industry that we can tap on to create new pillars of growth for our business.</p>
<b>Reputation</b>		
Increased expectations from stakeholders on sustainability practices	<p>Inability to meet stakeholders' expectations may be detrimental to our reputation.</p> <p>Conversely, aligning our sustainability practices with the industry standards will enhance our business standing.</p>	Benchmarking our sustainability practices against internationally-recognised standards such as EcoVadis enable us to work closely with like-minded companies in the industry.
<b>Extreme weather</b>		
Increased severity of extreme weather events such as cyclones and floods	Increased severity of extreme weather events such as cyclones and floods may cause damage to our facilities and disruption to supply chain, resulting in financial and business loss.	<p>Locating our facilities in areas which are less prone to flood.</p> <p>Conducting regular inspection and evaluation of our facilities and 3rd party warehouses.</p> <p>Undertaking sufficient insurance to cover such risks.</p>



### Energy

Megachem successfully installed 822 solar panels in FY2022 which has resulted in energy savings of about 502,051 kWh in 2023. The use of solar energy not only reduces our energy cost, it also promotes cleaner and greener environment, thereby further solidifying our commitment to sustainability. As an extension of our efforts to adopt sustainable energy sources, we will be installing solar panels in our operations in Malaysia.

Most of our office lighting systems uses energy saving features to reduce electricity consumption. Through regular preventive maintenance, we make our manufacturing facility run more efficiently which will in turn minimize energy consumption.

### Water, Effluent & Waste

Megachem implemented LEAN methodology, a systematic approach to reduce or eliminate activities that don't add value to the process. Arising from this exercise, we managed to reduce the quantity of waste water generation. By standardizing washing procedure for different types of products based on its chemical properties, developing training programs for operator on washing process and implementing water recycling program as well as effective production planning, we are able to reduce waste water. Waste water generation is one of our important KPIs to achieve for everyone in Megachem in order to minimize cost and play our role to help our environment.

We continue to look for water reduction activities both in plant and office building through installed water saving device, cut down unnecessary water usage and recycle water wherever possible in plant activities.

We ensure that chemical wastes are treated responsibly by engaging licensed industrial waste treatment companies.

Product and sales information such as product and material safety data sheets are maintained in our system and transmitted to our customers electronically thus reducing usage of paper. Sales invoices are also increasingly being transmitted electronically.

### Products and Recycling of packaging materials

Megachem practices 'reduce, reuse and recycle' of packaging material whenever we can. Packaging material such as wooden pallet or plastic pallet are reused in the factory. We also collaborate with customers to reuse packaging materials whenever possible.

### Environmental Impact of transporting goods

Most of our delivery trucks are in compliance with the EURO 6 standard which helps to reduce the emission of CO<sub>2</sub> and other gases.

In addition, we work with customers to optimize the delivery schedule, taking advantage of consolidation opportunities whenever possible in order to achieve fuel and CO<sub>2</sub> emissions reduction.

### Deforestation

Among other factors, greenhouse gas emissions from deforestation is contributing to climate change. Working with suppliers and customers, Megachem is making efforts to reduce deforestation from the chemical supply chain. For example, in the sourcing for paper materials, we will try to source for materials that are made from renewable fibres and certified by international certification organization which promotes sustainable forest management.

# SUSTAINABILITY REPORT

## GREEN NATION PLEDGE

Under Singapore's Green Nation Pledge program, we pledged to adopt environmental-friendly best practices to make our country a greener place. This is a demonstration of our commitment to help the nation achieve its sustainability objectives.



## Earth Day

Megachem continues to support the Global Earth Day initiative. The theme for Earth Day 2023 is "Invest in Our Planet", focusing on accelerating solutions to combat climate change, and to activate everyone – governments, citizens, and businesses – to do their part. Everyone accounted for, and everyone accountable.

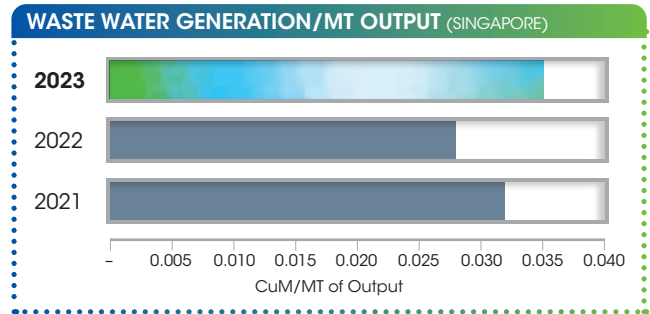
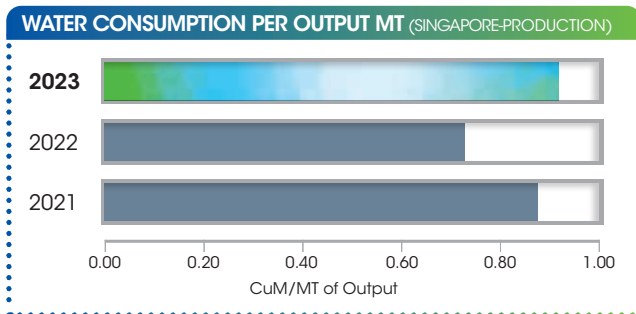
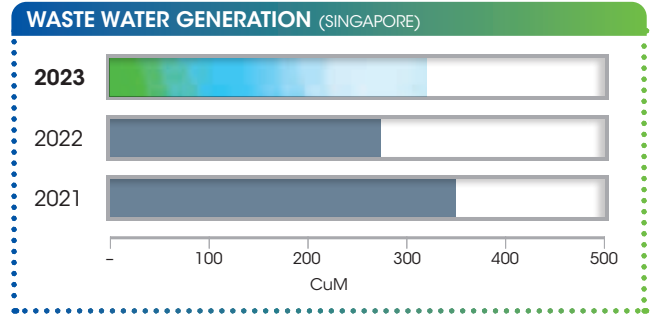
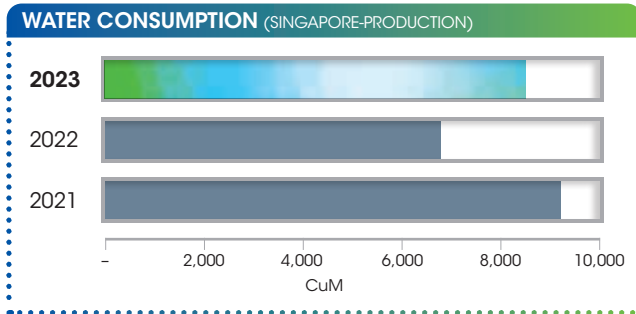


## Compliance

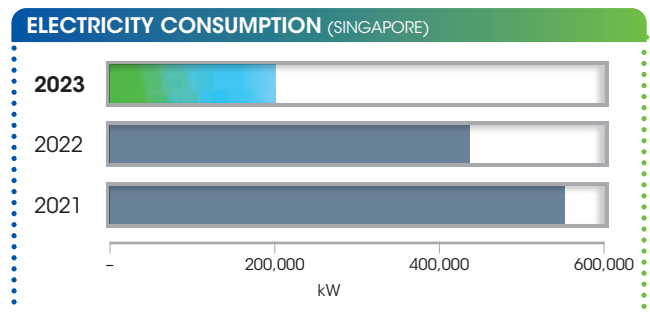
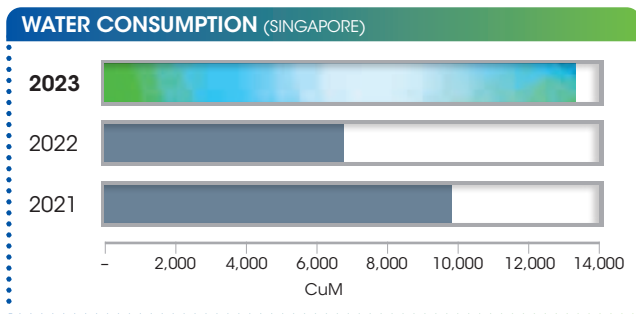
In 2023, Megachem incurred fines of S\$6,000 for non-compliance with environmental laws and regulations (2022: nil).

We will increase our effort to keep abreast of regulatory changes and comply with them.

PERFORMANCE HIGHLIGHTS

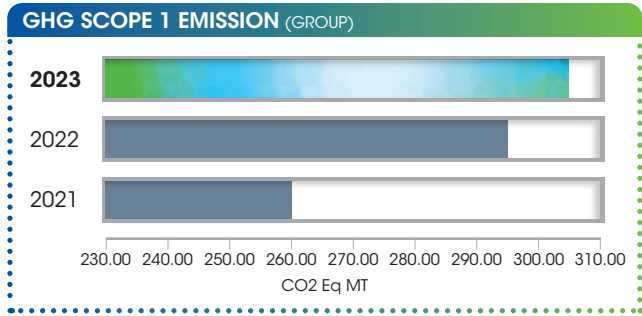
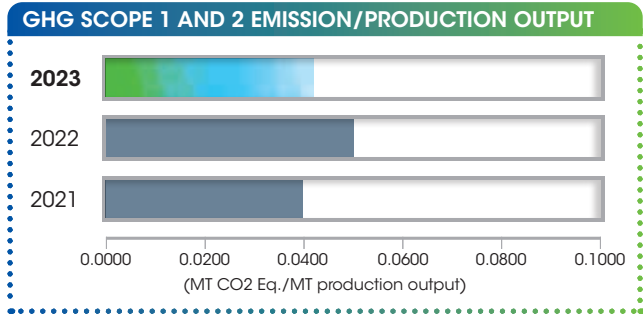
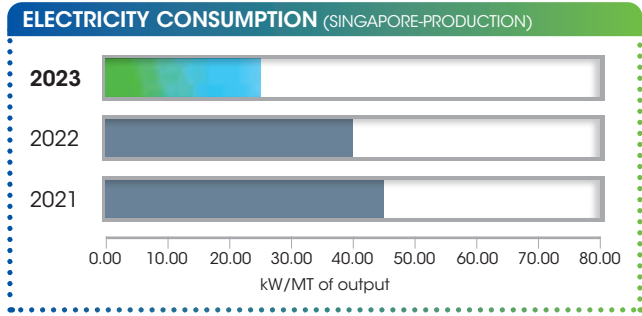


There is a slight increase in waste water generation due to difference in production process for different products.



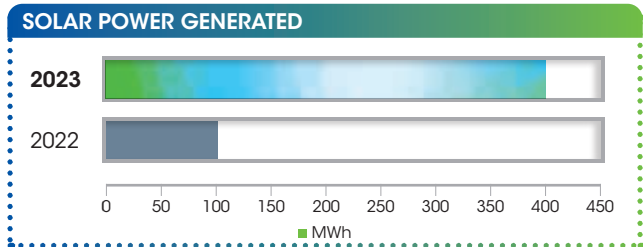
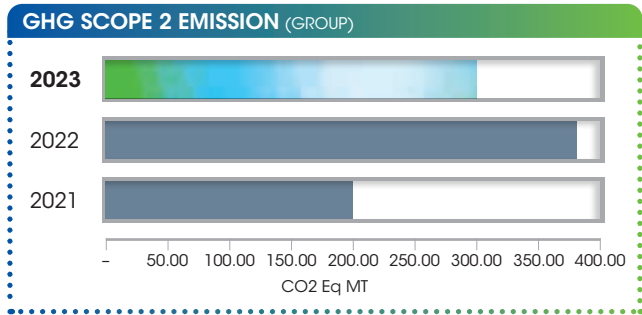
FY2023 water consumption is higher due to additional 1,700 m3 water were consumed during fire incident in July 23.

# SUSTAINABILITY REPORT

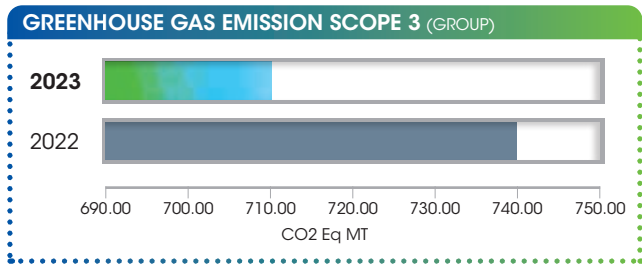


Note: GHG emissions was prepared based on the Greenhouse Gas Protocol. The emission factors used were taken from independent sources such as IPCC 2006 Guidelines for National Greenhouse Gas Inventories, Grid Electricity Emission Factor (GEF) and Singapore Energy Market Authority (EMA).

- Scope 1 consists of emissions from fuel combustion including vehicle fleet, forklifts and steam boilers.
- Scope 2 consists of emissions from purchased electricity.
- Scope 3. During the year, we initiated the assessment of our Scope 3 indirect GHG emissions for FY 2022 and FY 2023, focusing initially on business travel component. We will further refine our Scope 3 emission analysis in the coming years.

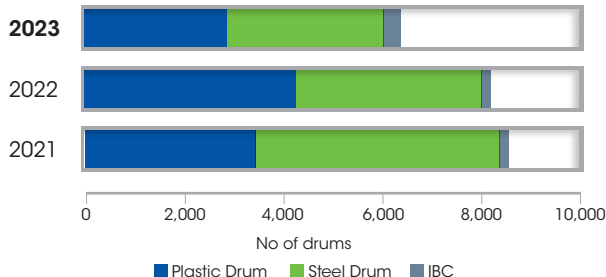


Megachem successfully installed 822 solar panels in FY2022, the estimated energy savings was about 502,051 kWh in 2023. The addition of solar panels not only reduces our carbon footprint but shows our dedication to promoting cleaner and greener environment.





RECOVERED PACKAGING (SINGAPORE)



TARGETS & PLANS (SINGAPORE)

	2023 Targets	2023 Results
Chemical waste generated not exceeding	Maximum 0.5kg per 1000kg Sales Volume	0.0kg/1000kg Sales
Energy consumption (non-production activities)	Reduce 5%	-79.59%
Waste water generated from production (average per blending)	Reduce 4%	+17.58%
Scope 1 GHG Emission	Reduce 2%	+3.8%
Scope 2 GHG Emission	Reduce 2%	-42.6%
Compliance with legislation relating environmental management	0 non-compliance	1

Above targets will remain the same for 2024.

	2021	2022	2023 Target	2023	2024 Target
EcoVadis – Environment component	80	80	>= 80	na	>= 80

na – not available at time of printing

SOCIAL – PRODUCT RESPONSIBILITIES

HEALTH & SAFETY

Objective

We take pride in our commitment to maintain high level of health and safety standards. They are the foundations of trust that our people, customers and vendors place in us. We therefore aim to achieve uncompromised level of health and safety standards in our plants, products and processes.

Approach



The framework for our Health, Safety and Environment (HSE) management is modelled after international standards. We have attained international certification such as the ISO 14001:2015 and ISO 45001:2018 certification and are a member of the Responsible Care Program.

In recognition of our commitment to meeting HSE standards, we have also received Responsible Care Awards from the Singapore Chemical Industry Councils. Internal and external audits are being conducted to ensure that our HSE programs consistently meet international standards.

Safety Data Sheets detailing health, safety and environment measures are available for all products that we handle. In our Product Stewardships Program, we conducted Global Product Strategy evaluation on existing products range to layout and execute the risk management based on the evaluated hazard assessment and risk characterization. The risk of prioritized products are communicated with the various interested parties, including warehouse personnel, and customer on the Products Safety Summary and Safety Handling Guidelines.

Our plants are built to meet stringent regulatory requirements in relation to Health & Safety (“H&S”) and our processes are designed with features to reduce H&S risk. Our goal is to operate the plant safely with no leaks or incidents that may cause serious injury to our employees, contractors or

# SUSTAINABILITY REPORT

neighbors. We routinely prepare and practice our emergency response to potential incidents such as chemical spill or a fire. This involves working closely with the Singapore Civil Defence Force to jointly test our emergency response plans and procedures. The joint exercises continually improve our readiness to respond. If an incident does occur, we have procedures in place to mitigate the risk and reduce the impact on people and the environment.

Megachem's employees operate a large number of vehicles such as delivery trucks, high reach trucks and forklift trucks on our company's premises and on public roads every day. There are serious risks and hazards associated with it and can cause significant harm to the environment as well as humans if accidents occur. At Megachem, we are aware of the risks and hazards and we have programmes to ensure that the drivers are well-trained and the equipment are in good condition to carry out daily job requirements. Drivers for delivery trucks undergo special safety training and possess hazardous transport driving permit ("HTDP"). They are also trained in safe loading methods, securing of cargo and understand how to react during an emergency according to the transport emergency response plan ("TERP"). The vehicles are also equipped with GPS and tracking device with speed limit alert. Their driving skills are regularly assessed by the supervisor. The vehicles are also regularly inspected and maintained by certified third party service provider. The delivery trucks are also subjected to inspection by the regulatory body such as Singapore Civil Defence Force ("SCDF") and Land Transport Authority ("LTA").

Employees are required to wear suitable safety clothing and personal protection equipment such as helmet, safety shoes, reflective clothing at work. Pathways are appropriately indicated in Megachem's premises.

The production and use of chemicals in workplaces present one of the most significant challenges in workplace protection programs. As part of our Company's efforts, we strive to ensure the safety and health of the employees in Megachem. Workplace safety and health is an important practice toward this goal. In order to enhance and promote safety awareness, a Safety Day program is organized for our employees, some of our customers and suppliers as well as our neighbours. For this event, SCDF officers provide us with better understanding of safety standards in handling flammable and hazardous chemicals. The other activities of this program include safety video sharing, safety quiz and safety games.

Sourcing for the right 3rd party provider to store our products is of paramount importance to our business. We have developed a warehouse assessment checklist to ensure that the 3rd party provider adhere to our storage requirements and to acceptable safety, health, environment and security standards.

## PERFORMANCE HIGHLIGHTS

A fire incident happened at one of our warehouses. There were no human casualties and injuries. Extensive investigations are being conducted to examine the cause of the fire and enhanced safety measures will be incorporated into the design and construction of the new warehouse.

	2021	2022	2023	2024 Target
Man Days Lost (Singapore)	4	25	0	0

	2021	2022	2023	2024 Target
No of Industrial Accident (Singapore)	1	5	1	0

## Targets & Plans

To achieve zero reportable accident.

To comply with occupational health and safety requirements of all employees with no findings from authority.

## PANDEMIC

The COVID-19 pandemic shocked the world and put the resilience of our system, processes and people to the test. Our investments in robust software and security system and the early adoption of digitalization and technology enabled us to continue our business without much disruptions. Hence we stood up to the test well and emerged from this crisis relatively unscathed.

SYSTEM	PROCESSES	PEOPLE
<ul style="list-style-type: none"> <li>activating and aligning our business continuity plan to the pandemic</li> <li>assessing cybersecurity risk</li> </ul>	<ul style="list-style-type: none"> <li>early adoption of digital technology</li> <li>diversifying supply sources</li> <li>realigning purchasing and inventory management to customers' needs</li> </ul>	<ul style="list-style-type: none"> <li>adhering to pandemic readiness measures</li> <li>mobilising people in key functions to reduce disruption to operation</li> </ul>

**PRODUCT LABELLING**

**Objective**

To protect humans and environment against hazardous chemicals as well as to facilitate international trade by ensuring that all chemicals moving into and out of a country are classified, packaged and labelled in accordance with a globally harmonised system.

**Approach**

Another way in which Megachem contributes to international chemical safety is through our support of the United Nations' initiative to implement a Globally Harmonized System (GHS) of Classification and Labeling of Chemicals. GHS is a system for chemical classification and hazard communication through harmonised provisions for standardized labels and safety data sheets.

**Performance Highlights**

The GHS system of chemical classification is being adopted.

In 2023, there has been no cases of non-compliance with regulations concerning product labelling (2022: nil).

**Target**

Zero cases of non-compliance

**CUSTOMER SATISFACTION**

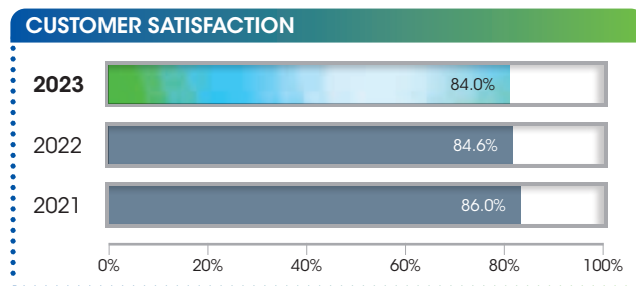
**Objective**

To ensure our products and services are delivered to the satisfaction of our customers.

**Approach**

Megachem measures customer satisfaction through annual survey and seeks continuous improvement so as to deliver total customer satisfaction.

**Performance Highlights**



For 2023, we did not meet our customer satisfaction target of at least 85%. The customer satisfaction survey has been reviewed and areas for improvement such as supply continuity and technical support have been identified.

**Targets & Plans**

To achieve customer satisfaction level of at least 85%.

**CUSTOMER PRIVACY**

**Objective**

To protect customers' and suppliers' intellectual property ("IP") rights and privacy.

**Approach**

Megachem ensures that only relevant employees have access to customers and suppliers confidential information and that such information are properly stored and secured.

In order to protect intellectual property rights of our customers and suppliers, their IP rights are used only to the extent stipulated in non-disclosure agreements with them.

**Performance Highlights**

We have not received any substantiated complaints relating to breach of customer privacy or loss of customers data (2022: nil).

**SUSTAINABLE PRODUCTS**

**Objective**

To include sustainable products in product portfolio.

# SUSTAINABILITY REPORT

## Approach

Major chemical producers are increasingly focused on developing products which reduces environmental impact, thereby providing sustainable alternatives to conventional products. As a distributor of chemicals, our goal is to add more of such sustainable products into our product portfolio and introducing them to our customers, hence contributing to the industry's sustainability objectives. In 2022, we started tracking the quantity of sustainable products added into our product range with mass balance supply chain including RSPO certified palm oil's derivative products.

## PRODUCT COMPLIANCE

### Objective

To comply with relevant regulations concerning the sale of our products

### Approach

In the European Union ("EU"), all imported or manufactured chemical substances above a quantity of one tonne per year are subject to registration under Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations. Similar registration requirements and regulations exist for other markets. In Canada, the United States, Australia, Korea, China and Turkey, for example, notification is also mandatory for new chemicals on the market.

In Megachem, our regulatory compliance team together with our supply chain team ensures that information required from our suppliers to comply with the REACH regulations are accurate and complete and that they are readily available for submission to the regulatory authorities.

In order to evaluate the impact of any change of product design, process and raw material(s) to end customer and interest parties, we had initiated a Management of Change team to evaluate the risk, communicate the change and its impact to interested parties through automated notification system.

We also adopted the Global Product Strategy ("GPS") from International Council of Chemical Associations on the evaluation of Chemical Risk Assessment and established a Product Safety Summary as well as Product Safe Handling Guide on high-risk products.

### Performance Highlights

There have been no cases of non-compliance with regulations concerning product compliance (2022: nil).

## SUSTAINABLE PROCUREMENT

### Objective

To contribute towards achieving a common vision of sustainable procurement within the chemical industry ecosystem.

To minimize negative impacts on human health and the environment while supporting a diverse, equitable, and vibrant community and economy.

### Approach

Our Sustainable Procurement Policy is intended to:

- communicate the Megachem's commitment to sustainable purchasing to its employees, vendors and community
- complement and support implementation of Megachem's sustainability goals and policies
- provide responsible sourcing and procurement guidance
- empower employees to demonstrate leadership by considering sustainability benefits when making purchasing decisions

Our Sustainable Procurement Policy also sets out the following principles:

- adopts internationally recognised standards of health and safety measures
- protects our environment by minimising impact of our business on environment
- conduct our business in a socially responsible and ethical manner

This policy applies to all Megachem employees, vendors, contractors and providers of products and services to Megachem.

- Supplier Assessment

Megachem evaluates and selects suppliers based on criteria such as quality, price, lead time, quality of management, technical standards and abilities as well as its sustainable procurement policies and practices.

Internal processes were enhanced to check and ensure that sustainability criteria are taken into consideration when introducing a new supplier. The new assessment of supplier is done through self-audit questionnaire that consists of 5 categories, i.e. management responsibility, resource management, quality management system, health, safety & environment management system and corporate social responsibility.

- Supplier Code of Conduct

Megachem expect our suppliers to comply with our Supplier Code of Conduct which includes among others adhering to applicable laws and regulations as well as internationally recognized environmental, social and corporate governance standards (ESG standards). Megachem also expect our suppliers to implement these standards with their suppliers and subcontractors.

The Supplier Code of Conduct is sent to suppliers and is also available at our company's website.

**Performance Highlight**

TARGET	2023 Status	% of suppliers responded	Score
To assess suppliers contributing to Top 80% of total chemical spend	80% re-assessed	Of those suppliers whom we assessed, the % of responses increased from 67% to 80%.	82% of respondent scored above 71%.

	2021	2022	2023 Target	2023 Actual	2024 Target
EcoVadis – Sustainable Procurement component	60	70	>= 70	na	>= 70

na – not available at time of printing

**SOCIAL – LABOUR PRACTICES & WORK ENVIRONMENT**

**Objective**

To sustain our human capital to achieve our long-term goals.

**Approach**

Megachem is influenced by the effects of demographic changes worldwide. The rising life expectancy, shrinking and aging population represent challenges for companies' human resources management. We at Megachem have an important role to play in mastering the demographic challenges of the future. From the way in which we address these challenges, we can shape the social environment which we operate in and at the same time secure competitive advantages. Sustaining our human capital therefore becomes critical for us to achieve our long-term goals.

**EMPLOYMENT: EMPLOYEES WELL-BEING/FAIR WAGES/TALENT MANAGEMENT**

With a view to maintaining the employability of our workforce, increased focus is placed on preventive health care. Annually health screening examinations and sporting activities are examples of what we do to positively influence employees' health. We have been actively participating in activities to encourage employees to walk towards a healthier future. We also provide comprehensive health insurances to our employees to help defray part of their medical costs.

As a Work Life Achiever Award recipient, Megachem commits to creating and sustaining a working environment supportive of work life balance for all employees where they are respected partners of the business.

We use external wage data and strike to balance our salary structure externally and internally. Market data serves as an external benchmarking tools and with the objective to pay fairly and reasonable to our employees.

Competition for talent will become more intensified as well with the changing demographics. Megachem's human resource management adopts a holistic approach that not only provides tangible rewards but also intangibles such as work-life balance practices, education sponsorship, continuous training and upgrading as well as flexible work schedule. Our employees are also entitled to various type of leaves such as parental care, career break/sabbatical, prolonged sickness, dependent care, maternity, paternity and examination leave. These initiatives are also aimed at prolonging the employability of our employees.

We adopt the best Fair Employment Practices from Tripartite Alliance for Fair Employment practices (TAFEP). TAFEP works with companies, government and unions to adopt and implement fair employment practices.

**SUBSIDY FOR CHILDREN'S EDUCATION & SUPPORT GRANT**

With the commitment towards enriching the well-being of our employees, we provide subsidy to our lower income employees to defray part of their children's education cost, ranging from nursery up to tertiary education.

We have also committed an exclusive scheme called Support Grant for Special Needs Children. This scheme targets to assist employees on their financial abilities to cope with the necessary medical treatment.

# SUSTAINABILITY REPORT

## TRAINING AND EDUCATION

Our Higher Learning Education program provides financial assistance to eligible employees who choose to further their professional education and training that will enhance their knowledge and skills. Education sponsorships are available for employees who wish to pursue higher education.

Megachem is a certified "People Developer" organisation in Singapore. "People Developer" is a certification and award recognition by Enterprise Singapore to companies which have attained the niche Business Excellence standard for human resource development. This niche standard provides us with a total approach to attracting, managing and engaging employees for high performance and aims to bring the best out of our people. All the best practices will be shared and implemented in our entities.

Megachem welcomes interns/attachment students to embark on an exciting learning journey with challenging assignments and projects. Upon graduation, these interns are encouraged to apply and join the Company as Management Trainees in their first step towards building a promising career.

## DIVERSITY, INCLUSION & EQUAL OPPORTUNITY

At Megachem, we value and respect each individual in the organisation and ensure that all of our employees feel they are a part of the organisation – cultivating a culture of mutual respect. Hence Megachem has a non-discriminatory culture that it does not discriminate on the basis of race, religion, gender, marital status or age.

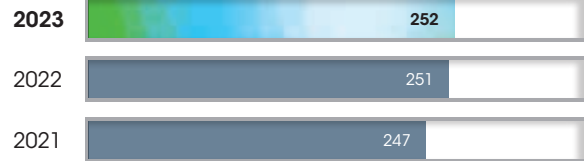
## CHILD LABOUR/FORCED LABOUR/HARASSMENT

Building on the culture of mutual respect is a set of clear policies against child labour, forced labour and harassment. Megachem prohibits such unethical labour practices and will take necessary action against any such practices. These policies are spelt out in our Code of Business Ethics and shared with all our employees regularly.

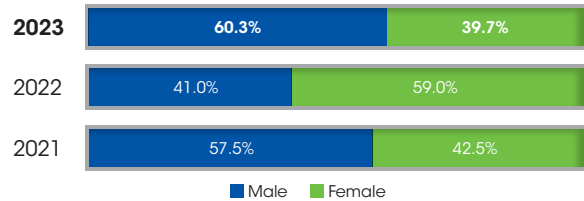
## Performance Highlights

Megachem has 252 employees in its organization as at 31 December 2023.

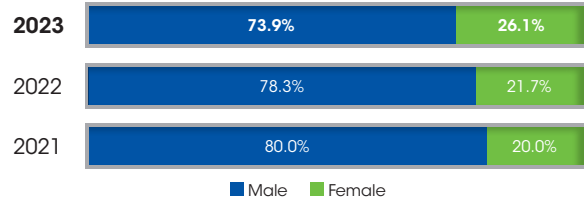
## TOTAL EMPLOYEE (GROUP)



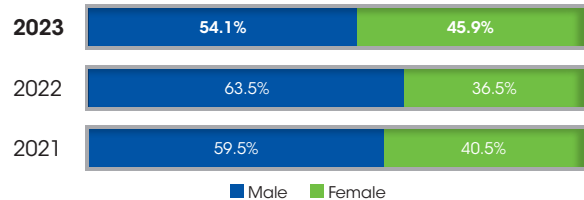
## EMPLOYEE GENDER DIVERSITY (GROUP)



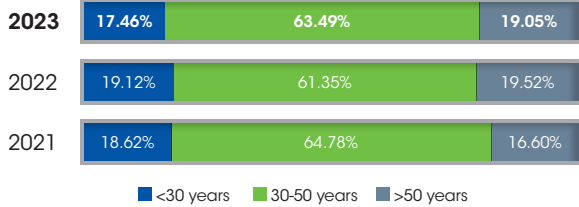
## MANAGEMENT GENDER DIVERSITY (GROUP)



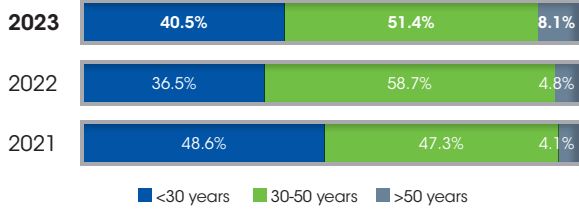
## NEW EMPLOYEES GENDER DIVERSITY (GROUP)



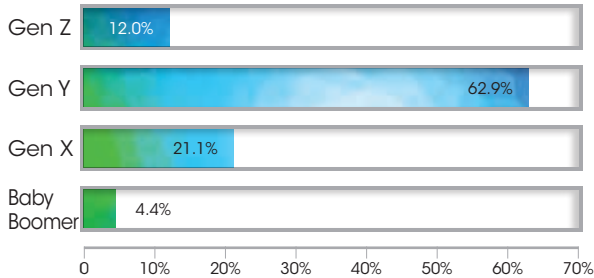
**EMPLOYEE AGE DISTRIBUTION (GROUP)**



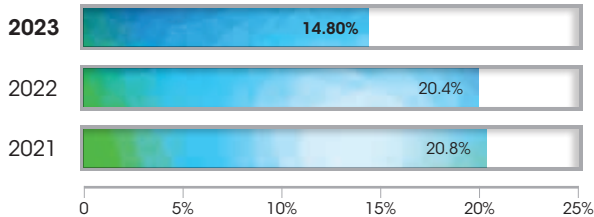
**NEW EMPLOYEE AGE DISTRIBUTION (GROUP)**



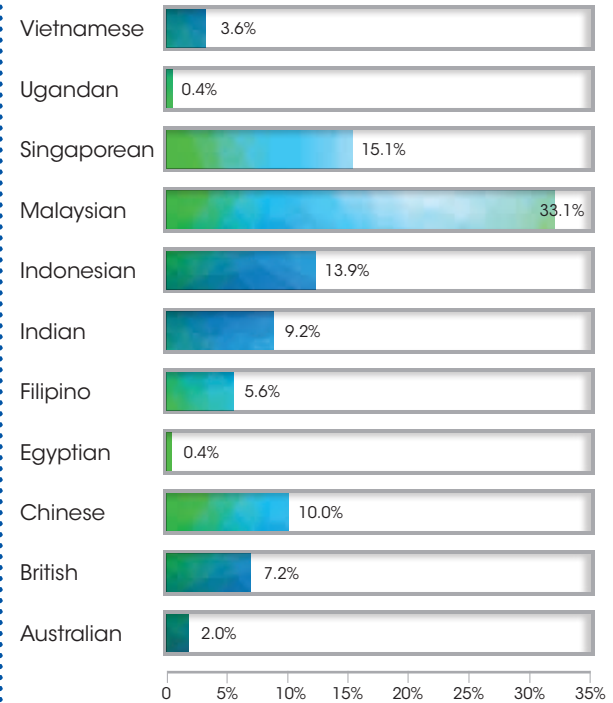
**GENERATION 2023 (GROUP)**



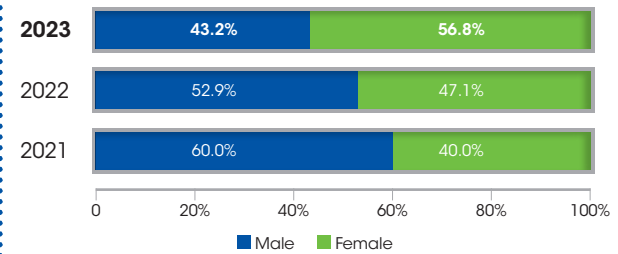
**EMPLOYEE TURNOVER RATE (GROUP)**



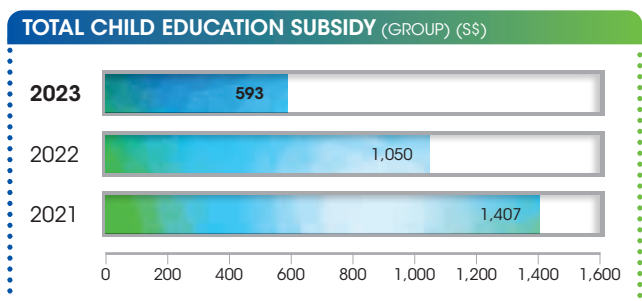
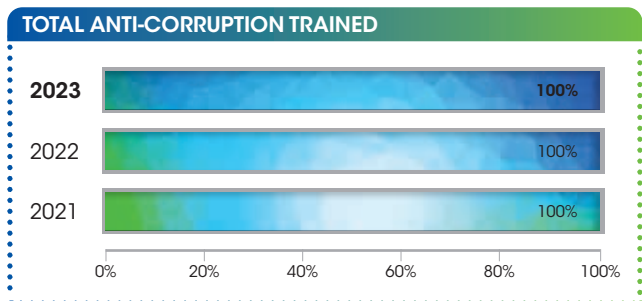
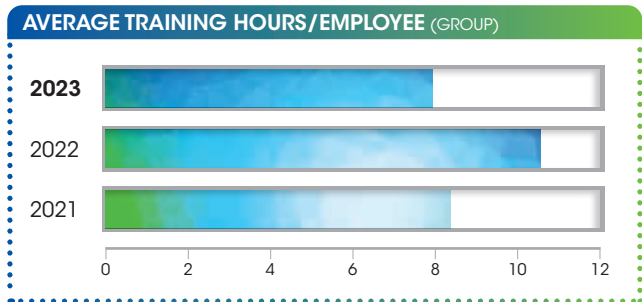
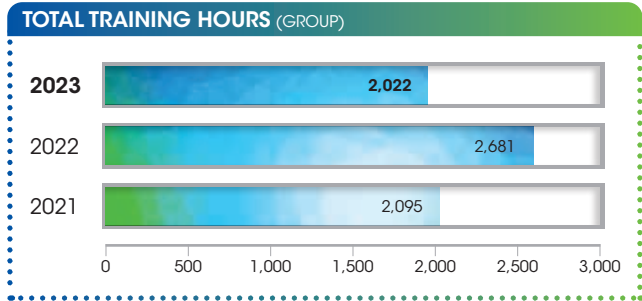
**NATIONALITY 2023 (GROUP)**



**EMPLOYEE TURNOVER BY GENDER (GROUP)**



# SUSTAINABILITY REPORT



## TARGET

	2021	2022	2023 Target	2023	2024
EcoVadis - Labour/ Human Rights component	70	70	>= 70	na	>= 70

na – not available at time of printing

To implement Employees’ Mental Health and Well-being program in 2024.

## SOCIAL - SOCIETY

### Objective

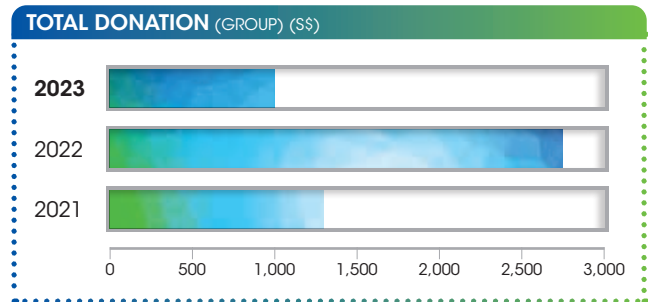
To play our part in nation building.

### Approach

At Megachem, we recognize that businesses have a part to play in nation-building especially in providing assistance to people who are less fortunate than others. As such, we work closely with charitable organizations in finding ways for us to contribute to society. These come not just in the form of monetary contribution but also in committing time and effort in participating in these organizations’ activities. Megachem visits several charitable homes during which we make donations as well as provide basic necessities to them. We also participate in several fund-raising events and in youth development program. However these activities were halted during the pandemic.

Megachem participates actively in charity programmes as part of our social responsibility to the community.

## Performance Highlights





TCFD DISCLOSURE



The recommendations of the TCFD have four overarching elements – Governance, Strategy, Risk Management and Metrics & Targets.

Governance

Megachem’s Board provides the leadership and formulates our Sustainability strategy and ensures that our management carries out the execution of its strategy effectively.

TCFD RECOMMENDED DISCLOSURES	OUR APPROACH	REFERENCE
Describe the Board’s oversight of climate-related risks and opportunities	<p>Our Board’s primary roles in our sustainability strategy are:</p> <ul style="list-style-type: none"> <li>to champion sustainability and climate-related strategy as an integral part of our long-term business strategy</li> <li>to define our Sustainability Vision and Objectives</li> <li>to approve the material aspects of our sustainability program</li> <li>to monitor and oversee progress of our climate commitments and sustainability journey</li> <li>To approve our Sustainability reports</li> </ul>	Sustainability Report – Board Statement
Describe management’s role in assessing and managing climate-related risks and opportunities	<p>Steering our Sustainability journey are representatives from each functional team within the Group who collectively forms the Sustainability committee. This committee reports to the Executive Committee headed by our Managing Director.</p> <p>Our Executive Committee</p> <ul style="list-style-type: none"> <li>reviews and approves key sustainability approach</li> <li>identifies, assess, monitors, and reports on climate-related issues and strategies to the Board</li> <li>evaluates ESG performance against the targets</li> </ul> <p>Our Sustainability Committee</p> <ul style="list-style-type: none"> <li>drives the implementation of our sustainability program and climate-related goals</li> </ul>	Sustainability Report – Sustainability Leaders

# SUSTAINABILITY REPORT

## Strategy

By effectively communicating our sustainability strategy, stakeholders can gain a deeper understanding of how climate-related issues may impact our future performance.

TCFD RECOMMENDED DISCLOSURES	OUR APPROACH	REFERENCE
<p>Describe the climate-related risks and opportunities that the organisation has identified over the short, medium, and long term</p> <p>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning</p>	<p>Based on feedback garnered from our key stakeholders, Megachem conducts materiality assessments annually to identify material ESG issues for the business.</p> <p>The following are key climate-related risks and opportunities that may have significant impact on our stakeholders and us.</p> <ul style="list-style-type: none"> <li>• there is an increasing emphasis on sustainability practices across the whole chemical supply chain. Failure to meet these sustainability standards may lead to loss of business. Conversely aligning our Sustainability practices with the industry will enhance our business standing.</li> <li>• Failure to meet climate-related regulations may lead to fines and loss of business.</li> <li>• There is potentially higher compliance cost in the form of carbon taxes, water tariffs or plastic tax.</li> <li>• Extreme changes in climate leading to floods and damage to goods.</li> <li>• Shifting customer preferences for more sustainable products may present a challenge if we are unable to meet their requirements. Conversely, it brings opportunities for new products development in the industry, gravitating towards greener and sustainable products.</li> </ul>	<p>Sustainability Report – Environment</p> <p>Sustainability Report – Managing Climate Risk</p>
<p>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<p>To ensure that our sustainability strategy remains resilient, we model our sustainability program against internationally-accepted standards.</p> <ul style="list-style-type: none"> <li>• Megachem is a member of the Responsible Care® program – a global environmental, health and safety (EHS) performance initiative for the chemical industry.</li> <li>• Our Environment, Health and Safety Management System is audited by a third-party accredited certification body in accordance with ISO 14001 standard.</li> <li>• We subject our sustainability practices to annual assessment by EcoVadis Sustainability Assessment System – an assessment system used widely in the chemical industry and assesses companies in the areas such as environment protection, labour practices, fair business practices and sustainable procurement.</li> <li>• Under Singapore's Green Nation Pledge program, we pledged to adopt environmental-friendly best practices to make our country a greener place. It marks our commitment in joining our nation to build a better and greener future.</li> </ul> <p>Megachem will explore the use of climate scenario analysis in the subsequent sustainability reporting.</p>	<p>Sustainability Report – External Charters, Principles, Certification – Green Nation Pledge</p>

**Risk Management**

Addressing the risks and managing the potential impact of those risks supports Megachem’s achievement of their objectives.

TCFD RECOMMENDED DISCLOSURES	OUR APPROACH	REFERENCE
Describe Megachem’s processes for identifying and assessing climate-related risks	Our Sustainability Committee identified and assessed the material climate-related risks based on feedback garnered from our stakeholders and internal reviews.	Sustainability Report – Materiality Assessment
Describe Megachem’s processes for managing climate-related risks	The Board is responsible for the governance of risk across the Group, while ensuring that management maintains a sound system of risk management.  The Management shares and discusses with the Board annually its significant risk issues and how these risks can be managed.	Sustainability Report – Megachem Sustainability Strategy
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into Megachem’s overall risk management	Managing climate-related risks and opportunities is a key component of Megachem’s ERM framework. Having identified the risks, processes are implemented to manage the risks. These processes are designed by adopting internationally recognised standards such as ISO management system and EcoVadis Sustainability Assessment System.	Sustainability Report – Megachem Sustainability Strategy

**Metrics & Targets**

Metrics and targets are used to assess and manage relevant climate-related risks and opportunities.

TCFD RECOMMENDED DISCLOSURES	OUR APPROACH	REFERENCE
Disclose the metrics used by Megachem to assess climate-related risks and opportunities in line with its strategy and risk management process	Megachem’s Sustainability plan has annual targets to track and monitor progress towards our ESG goals. Key metrics include carbon emissions, energy and water usage, and waste management, which are published in our Sustainability report.	Sustainability Report – Environment Performance Highlights
Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Megachem has measured and disclosed Scope 1 and Scope 2 GHG emissions and related risks.  Megachem has also commenced the disclosure of Scope 3 GHG emissions in its FY2023 Sustainability Report.	Sustainability Report – Environment Performance Highlights
Describe the targets used by Megachem to manage climate-related risks and opportunities and performance against targets	<b>2023 Targets</b>	
	Chemical waste generated not exceeding	Maximum 0.5kg per 1000kg Sales Volume
	Energy consumption (non-production activities)	Reduce 5%
	Waste water generated from production (average per blending)	Reduce 4%
	Scope 1 GHG Emission reduction	Reduce 2%
	Scope 2 GHG Emission reduction	Reduce 2%
	Compliance with legislation relating environmental management	0 non-compliance

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

<b>Statement of use</b>	Megachem Limited has reported the information cited in this GRI content index for the period 1 January 2023 – 31 December 2023 with reference to the GRI Standards.
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	PAGE
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	80-82
	2-2 Entities included in the organization's sustainability reporting	84
	2-3 Reporting period, frequency and contact point	79
	2-4 Restatements of information	Nil
	2-5 External assurance	79
	2-6 Activities, value chain and other business relationships	11-13
	2-7 Employees	25, 99-102
	2-8 Workers who are not employees	na
	2-9 Governance structure and composition	53-62, 81
	2-10 Nomination and selection of the highest governance body	57-62
	2-11 Chair of the highest governance body	19, 53
	2-12 Role of the highest governance body in overseeing the management of impacts	53-61, 81
	2-13 Delegation of responsibility for managing impacts	53-61, 81
	2-14 Role of the highest governance body in sustainability reporting	81
	2-15 Conflicts of interest	51, 57, 74, 88
	2-16 Communication of critical concerns	Nil
	2-17 Collective knowledge of the highest governance body	55
	2-18 Evaluation of the performance of the highest governance body	60-61
	2-19 Remuneration policies	62-65
	2-20 Process to determine remuneration	62-65
	2-21 Annual total compensation ratio	62-65
	2-22 Statement on sustainable development strategy	80
	2-23 Policy commitments	87-102
	2-24 Embedding policy commitments	87-102
	2-25 Processes to remediate negative impacts	87-102
	2-26 Mechanisms for seeking advice and raising concerns	68
	2-27 Compliance with laws and regulations	51, 88
	2-28 Membership associations	82
	2-29 Approach to stakeholder engagement	84-86
	2-30 Collective bargaining agreements	na

<b>GRI STANDARD</b>	<b>DISCLOSURE</b>	<b>PAGE</b>
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	82-83
	3-2 List of material topics	83
	3-3 Management of material topics	87-102
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	89
	201-2 Financial implications and other risks and opportunities due to climate change	90, TCFD disclosure 103-105
	201-4 Financial assistance received from government	132
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	76, 77, 90, 91
	203-2 Significant indirect economic impacts	nil
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	51, 88
	205-2 Communication and training about anti-corruption policies and procedures	51, 88
	205-3 Confirmed incidents of corruption and actions taken	88
<b>GRI 206: Anti-competitive Behavior 2016</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	nil
<b>GRI 207: Tax 2019</b>	207-1 Approach to tax	guided by tax advisory firms to comply with local tax regulations
<b>GRI 301: Materials 2016</b>	301-2 Recycled input materials used	95
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	93-94
	302-3 Energy intensity	93-94
	302-4 Reduction of energy consumption	93-94
<b>GRI 303: Water and Effluents 2018</b>	303-2 Management of water discharge-related impacts	91
	303-4 Water discharge	93
	303-5 Water consumption	93
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	94
	305-2 Energy indirect (Scope 2) GHG emissions	94
	305-4 GHG emissions intensity	89-90
	305-5 Reduction of GHG emissions	89-90
	305-6 Emissions of ozone-depleting substances (ODS)	na
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	na

# SUSTAINABILITY REPORT

GRI STANDARD	DISCLOSURE	PAGE
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	93
	306-2 Management of significant waste-related impacts	91
	306-3 Waste generated	93
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	98-99
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	100-101
	401-3 Parental leave	Guided by local regulation
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	95-96
	403-2 Hazard identification, risk assessment, and incident investigation	95-96
	403-3 Occupational health services	95-96
	403-4 Worker participation, consultation, and communication on occupational health and safety	95-96
	403-5 Worker training on occupational health and safety	95-96
	403-6 Promotion of worker health	95-96
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	95-96
	403-8 Workers covered by an occupational health and safety management system	95-96
	403-9 Work-related injuries	95-96
	403-10 Work-related ill health	95-96
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	102
	404-2 Programs for upgrading employee skills and transition assistance programs	102
	404-3 Percentage of employees receiving regular performance and career development reviews	102
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	87, 100-101
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	nil

GRI STANDARD	DISCLOSURE	PAGE
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	100
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	100
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	102
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	98-99
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	nil
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	95
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	96
<b>GRI 417: Marketing and Labeling 2016</b>	417-1 Requirements for product and service information and labeling	97
	417-2 Incidents of non-compliance concerning product and service information and labeling	97
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	97

## FY2023 FINANCIAL STATEMENTS

PAGE 111.....	PAGE 120.....
STATEMENT BY DIRECTORS	STATEMENTS OF FINANCIAL POSITION
PAGE 114.....	PAGE 121.....
INDEPENDENT AUDITOR'S REPORT	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PAGE 119.....	PAGE 122.....
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	CONSOLIDATED STATEMENT OF CASH FLOWS
	PAGE 123.....
	NOTES TO THE FINANCIAL STATEMENTS



# STATEMENT BY DIRECTORS

The directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2023.

## 1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

## 2. Directors

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

Chew Choon Tee  
 Lee Bon Leong  
 Chan Kam Loon  
 Tay Kin Bee  
 Yasutaka Kawamura

## 3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act 1967 except as follows:

	Direct Interest		Deemed Interest	
	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
<u>Name of directors</u>	<u>Number of shares of no par value</u>			
Chew Choon Tee	47,285,416	47,445,716	444,296	444,296
Lee Bon Leong	100,000	100,000	-	-

By virtue of section 7 of the Act, Mr Chew Choon Tee, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the Company and in all the related corporations of the Company.

The directors' interests as at 21 January 2024 were the same as at 31 December 2023.

# STATEMENT BY DIRECTORS

## 4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## 5. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

## 6. Report of Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Mr Chan Kam Loon	(Chairman of Audit Committee, Independent and Non-Executive Director)
Mr Lee Bon Leong	(Independent and Non-Executive Chairman)
Dr Tay Kin Bee	(Independent and Non-Executive Director)

The Audit Committee carried out its function in accordance with section 201B(5) of the Companies Act 1967. The Audit Committee's main functions are to:

- review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and of the Group and any announcements relating to the Group's financial performance;
- review and report to the board annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;
- review effectiveness of the Company's internal audit function;
- review the scope and results of the external audit and the independence and objectivity of the external auditors;
- make recommendations to the board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and the terms of engagement of the external auditors;
- review with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- review the Group's results announcements, consolidated financial statements and other documents accompanying the same before they are recommended to the board for approval; and
- review and, where appropriate, approve interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

### 6. Report of Audit Committee (cont'd)

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how the independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditor, RSM SG Assurance LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the Company.

### 7. Independent auditor

RSM SG Assurance LLP has expressed willingness to accept re-appointment. This audit firm was known as RSM Chio Lim LLP before 1 March 2024.

### 8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the Audit Committee and the board are of the opinion that Group's system of internal controls, addressing financial, operational, compliance risks, are adequate as at the end of the reporting year 31 December 2023.

### 9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 21 February 2024, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

.....  
Chew Choon Tee  
Managing Director

13 March 2024

.....  
Lee Bon Leong  
Independent and Non-Executive Chairman

# INDEPENDENT AUDITOR'S REPORT

To the Members of MEGACHEM LIMITED

## Report on the audit of the financial statements

### Opinion

We have audited the accompanying financial statements of Megachem Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the reporting year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and the Singapore Financial Reporting Standards (International) ("SFRSs(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 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the reporting year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("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 ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("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 ("KAMs") are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current reporting year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Impairment of trade receivables

Refer to Note 2 for the relevant accounting policy and Notes 17 and 28E for the breakdown of trade receivables and credit risk of the Group respectively.

#### Key audit matter

The Group's trade receivables amounted to \$22,977,908 as at 31 December 2023, representing approximately 23% of the Group's total assets.

The gross amount of trade receivables past due over 6 months amounted to \$429,774. Specific provision amounted to \$23,647 and loss allowance under the expected credit loss matrix of \$382,479, leaving a net amount of \$23,648 that was not provided for as management is of the view that these amounts are recoverable, based on their knowledge of the customers' payment history and credit worthiness.

Determining the amount of allowance requires management's judgement on overdue debts and the amount of collection default based on past collection trends.

**Key audit matters (cont'd)****1. Impairment of trade receivables (cont'd)****How we addressed the matter in our audit**

We have evaluated management's judgement on the recoverability of trade receivables via our review of the customers' payment history and management's assessment of expected credit losses.

We have assessed management's process over the recoverability of outstanding trade receivables, which included the trace of payments made by the customers subsequent to the reporting year end and the review of correspondence with customers to assess the potential recoverability of any significant overdue balances which were not provided for.

We have assessed the expected loss matrix developed by management by reviewing historical information on default rates and their impact on the model, taking into account the Group's own historical credit loss experience, our understanding of the business and current economic trends and expectations.

We have tested the accuracy of Group's trade receivables aging as at the reporting year end.

We have also assessed the adequacy of the disclosures made in the financial statements.

**2. Impairment of inventories**

Refer to Note 2 for the relevant accounting policy and Note 16 for the breakdown of inventories at the reporting year end.

**Key audit matter**

The Group's inventories amounted to \$33,561,171 as at 31 December 2023, representing approximately 34% of the Group's total assets.

The Group's inventory provision policy takes into consideration the inventory aging profiles, as well as the inventories' sales patterns for the reporting year. Management is of the view that these amounts are realisable, based on their knowledge of the Group's operations, the industry and their technical assessment of the inventories. Allowance of inventories amounted to \$6,103,650 as at the reporting year end.

Determination of the method to use, period to consider, and percentages to apply to aged inventory requires significant management's judgement.

**How we addressed the matter in our audit**

We have assessed the reasonableness of Group's policy and management's judgement for inventory obsolescence based on our understanding of the business environment and our review of the inventories' sales patterns.

We have assessed the accuracy of Group's inventory aging as at the reporting year end, as well as tested the Group's computation for inventory obsolescence.

We have retrospectively assessed the historical accuracy of management's assumptions and estimates applied in the provision for inventory obsolescence.

# INDEPENDENT AUDITOR'S REPORT

To the Members of MEGACHEM LIMITED

## Key audit matters (cont'd)

### 2. Impairment of inventories (cont'd)

#### How we addressed the matter in our audit (cont'd)

We have tested the net realisable value ("NRV") of inventories by reviewing the subsequent selling prices. For inventories that have been written down to NRV, we have performed procedures to assess whether the write-down was appropriate.

We have also assessed the adequacy of the disclosures made in the financial statements.

## Other information

Management is responsible for the 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.

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 the financial reporting standards, 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 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.

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

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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.
- (e) 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.
- (f) 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.

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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of MEGACHEM LIMITED

## 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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors 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 Tan Beng Teck.

RSM SG Assurance LLP  
Public Accountants and  
Chartered Accountants  
Singapore

13 March 2024

Engagement partner – effective from year ended 31 December 2022



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2023

	Notes	Group 2023 \$	Group 2022 \$
<b>Revenue</b>	3	<b>123,009,277</b>	143,720,589
Cost of sales		<b>(100,506,638)</b>	(109,314,073)
<b>Gross profit</b>		<b>22,502,639</b>	34,406,516
Other income	3	<b>3,678,155</b>	957,428
Distribution costs		<b>(21,158,317)</b>	(17,176,901)
Administrative expenses		<b>(6,238,656)</b>	(6,188,156)
Other operating expenses		<b>(3,257,428)</b>	(3,910,752)
Finance costs	5	<b>(2,036,940)</b>	(1,377,430)
Share of profit of associated companies	14	<b>1,171,091</b>	1,119,427
<b>(Loss)/profit before income tax</b>		<b>(5,339,456)</b>	7,830,132
Income tax expense	7	<b>(455,685)</b>	(1,763,347)
<b>Net (loss)/profit</b>		<b>(5,795,141)</b>	6,066,785
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange difference on translating foreign operations, net of tax		<b>(1,156,142)</b>	(1,971,543)
<b>Total comprehensive (loss)/income</b>		<b>(6,951,283)</b>	4,095,242
Net (loss)/profit attributable to equity holders of the Company		<b>(5,907,704)</b>	5,876,931
Net profit attributable to non-controlling interests		<b>112,563</b>	189,854
<b>Net (loss)/profit</b>		<b>(5,795,141)</b>	6,066,785
Total comprehensive (loss)/income attributable to equity holders of the Company		<b>(7,032,154)</b>	4,001,730
Total comprehensive income attributable to non-controlling interests		<b>80,871</b>	93,512
<b>Total comprehensive (loss)/income</b>		<b>(6,951,283)</b>	4,095,242
<b>(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (cents per share)</b>			
Basic and diluted	9	<b>(4.43)</b>	4.41

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Notes	Group		Company	
		2023 \$	2022 \$	2023 \$	2022 \$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	14,631,444	15,359,176	1,157,002	1,271,586
Right-of-use assets	11	2,348,784	2,589,994	1,007,676	1,008,388
Investment property	12	55,569	61,688	-	-
Investments in subsidiaries	13	-	-	5,723,472	5,723,472
Investments in associated companies	14	8,385,733	7,901,273	2,798,756	2,798,756
Financial assets at fair value through other comprehensive income	19	1,351,100	-	1,351,100	-
Transferable club memberships	15	24,093	25,268	4,001	4,001
Other receivables	17	-	-	229,084	962,936
Deferred tax assets	7	804,755	397,504	350,000	-
<b>Total non-current assets</b>		<b>27,601,478</b>	<b>26,334,903</b>	<b>12,621,091</b>	<b>11,769,139</b>
<b>Current assets</b>					
Inventories	16	33,561,171	49,338,304	15,473,216	26,934,085
Trade and other receivables	17	23,701,518	27,567,016	19,320,822	21,651,468
Financial assets at fair value through profit or loss	18	-	33,168	-	6,903
Other current assets	20	1,749,398	1,879,486	363,316	328,356
Cash and cash balances	21	13,629,981	11,932,498	3,357,298	1,560,854
<b>Total current assets</b>		<b>72,642,068</b>	<b>90,750,472</b>	<b>38,514,652</b>	<b>50,481,666</b>
<b>Total assets</b>		<b>100,243,546</b>	<b>117,085,375</b>	<b>51,135,743</b>	<b>62,250,805</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	22	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves	23	(7,717,643)	(6,593,193)	-	-
Retained earnings		41,787,913	49,295,217	298,539	7,807,644
		49,962,298	58,594,052	16,190,567	23,699,672
Non-controlling interests		3,196,889	3,146,355	-	-
<b>Total equity</b>		<b>53,159,187</b>	<b>61,740,407</b>	<b>16,190,567</b>	<b>23,699,672</b>
<b>Non-current liabilities</b>					
Borrowings	24	416,667	916,667	416,667	916,667
Financial liabilities - lease liabilities	26	2,647,092	2,404,937	1,391,705	1,071,372
Deferred tax liabilities	7	418,851	216,549	350,000	130,000
<b>Total non-current liabilities</b>		<b>3,482,610</b>	<b>3,538,153</b>	<b>2,158,372</b>	<b>2,118,039</b>
<b>Current liabilities</b>					
Current income tax liabilities		62,058	590,844	-	492,000
Trade and other payables	25	15,165,802	15,343,265	9,539,815	9,273,365
Borrowings	24	28,071,924	35,440,024	23,153,347	26,645,953
Financial liabilities - lease liabilities	26	251,101	324,602	93,642	15,037
Financial liabilities at fair value through profit or loss	27	50,864	108,080	-	6,739
<b>Total current liabilities</b>		<b>43,601,749</b>	<b>51,806,815</b>	<b>32,786,804</b>	<b>36,433,094</b>
<b>Total liabilities</b>		<b>47,084,359</b>	<b>55,344,968</b>	<b>34,945,176</b>	<b>38,551,133</b>
<b>Total equity and liabilities</b>		<b>100,243,546</b>	<b>117,085,375</b>	<b>51,135,743</b>	<b>62,250,805</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2023

<b>Group:</b>	<b>Notes</b>	<b>Total equity \$</b>	<b>Parent subtotal \$</b>	<b>Share capital \$</b>	<b>Other reserves \$</b>	<b>Retained earnings \$</b>	<b>Non-controlling interests \$</b>
<b>Current year:</b>							
Opening balance at 1 January 2023		61,740,407	58,594,052	15,892,028	(6,593,193)	49,295,217	3,146,355
Total comprehensive (loss)/ income for the reporting year		(6,951,283)	(7,032,154)	-	(1,124,450)	(5,907,704)	80,871
Final dividend relating to 2022 paid	8	(1,599,600)	(1,599,600)	-	-	(1,599,600)	-
Final dividend relating to 2022 paid to non-controlling interests		(30,337)	-	-	-	-	(30,337)
<b>Closing balance at 31 December 2023</b>		<b>53,159,187</b>	<b>49,962,298</b>	<b>15,892,028</b>	<b>(7,717,643)</b>	<b>41,787,913</b>	<b>3,196,889</b>
<b>Previous year:</b>							
Opening balance at 1 January 2022		60,388,019	57,258,322	15,892,028	(4,717,992)	46,084,286	3,129,697
Total comprehensive income for the reporting year		4,095,242	4,001,730	-	(1,875,201)	5,876,931	93,512
Final dividend relating to 2021 paid	8	(1,599,600)	(1,599,600)	-	-	(1,599,600)	-
Interim dividend relating to 2022 paid	8	(1,066,400)	(1,066,400)	-	-	(1,066,400)	-
Final dividend relating to 2021 paid to non-controlling interests		(76,854)	-	-	-	-	(76,854)
<b>Closing balance at 31 December 2022</b>		<b>61,740,407</b>	<b>58,594,052</b>	<b>15,892,028</b>	<b>(6,593,193)</b>	<b>49,295,217</b>	<b>3,146,355</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2023

Notes	2023 \$	2022 \$
<b><u>Cash flows from/(used in) operating activities</u></b>		
Net (loss)/profit before tax	(5,339,456)	7,830,132
Adjustments for:		
Depreciation of property, plant and equipment and investment property	1,013,861	937,114
Depreciation of right-of-use assets	430,926	414,530
Finance costs	2,036,940	1,377,430
Gain on disposal of quoted equity shares	-	(147,060)
Gain on disposal of property, plant and equipment	(10,166)	(80,809)
Interest income	(85,283)	(45,591)
Inventory written down	8,557,525	1,171,374
Loss on property, plant and equipment written down	811,080	-
Share of profit of associated companies	(1,171,091)	(1,119,427)
Changes in fair value of financial assets at fair value through profit or loss	-	(34,695)
Changes in fair value of financial liabilities at fair value through profit or loss	50,864	113,966
Operating cash flows before working capital changes	6,295,200	10,416,964
Change in operating assets and liabilities:		
Trade and other receivables	3,537,942	2,379,313
Other current assets	51,738	2,609,167
Inventories	6,862,712	(15,403,801)
Trade and other payables	76,443	(1,688,896)
Foreign exchange adjustment differences	24,358	152,100
Cash generated from operations	16,848,393	(1,535,153)
Income tax paid	(1,111,070)	(1,481,488)
Interest received	85,283	45,591
<b>Net cash from/(used in) operating activities</b>	<b>15,822,606</b>	<b>(2,971,050)</b>
<b><u>Cash flows used in investing activities</u></b>		
Dividends received from associated company	619,944	872,280
Purchase of financial assets at fair value through other comprehensive income	(1,351,100)	-
Purchase of property, plant and equipment	(1,185,390)	(1,664,632)
Proceeds from sales of quoted equity shares	-	697,060
Proceeds from sale of property, plant and equipment	11,036	83,229
<b>Net cash used in investing activities</b>	<b>(1,905,510)</b>	<b>(12,063)</b>
<b><u>Cash flows (used in)/from financing activities</u></b>		
Dividends paid	(1,599,600)	(2,666,000)
Dividends paid by subsidiary to non-controlling interest	(30,337)	(76,854)
Repayments of long term bank loans	(500,000)	(500,000)
(Repayments of)/proceeds from bill payables	(6,447,488)	4,395,564
(Repayments of)/proceeds from short term bank loans	(528,590)	3,600,455
Lease liabilities	(598,522)	(548,305)
Interest paid	(1,941,608)	(1,052,452)
<b>Net cash (used in)/from financing activities</b>	<b>(11,646,145)</b>	<b>3,152,408</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,270,951</b>	<b>169,295</b>
Cash and cash equivalents, statement of cash flows, beginning balance	10,949,160	11,107,621
Effects of exchange rate changes on cash and cash equivalents	(196,106)	(327,756)
<b>Cash and cash equivalents, statement of cash flows, ending balance</b>	<b>13,024,005</b>	<b>10,949,160</b>

21A

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore Dollar and they cover the Company (referred to as "parent") and its subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The principal activities of the Company consist of trading in chemicals and chemical-related products and investment holding. It is listed on Catalist which is a share market on Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 13 below.

The registered office is: 11 Tuas Link 1, Singapore 638588. The Company is situated in Singapore.

### Uncertainties relating to current economic conditions

Management has considered the uncertain and challenging macroeconomic and geopolitical environment that have caused widespread increase in interest rates and a significant rise in inflation, affecting the cost of many of the goods and services for customers and suppliers. Management reviewed the probable impact and plausible downside scenarios, in particular the recoverable amounts of the assets. No material uncertainties were identified in connection with the Group's ability to continue in operational existence for the near future.

### Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRSs(I)") and the related Interpretations to SFRSs(I) ("SFRSs(I) INT") as issued by the Accounting Standards Committee under Accounting and Corporate Regulatory Authority ("ASC"). They are in compliance with the provisions of the Companies Act 1967 and with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

### Basis of preparation of the financial statements

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. Disclosures are made on the accounting policy and other explanatory information relating to material transactions, other events or conditions if that information is material to the financial statements or is required by a financial reporting standard.

### Basis of presentation and principle of consolidation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee. They are de-consolidated from the date that control ceases.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 1. General (cont'd)

### Basis of presentation and principle of consolidation (cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

## 2. Disclosures of material accounting policy and other explanatory information

### 2A. Material accounting policy and other explanatory information

#### Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods - Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Services - Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

#### Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

**2. Disclosures of material accounting policy and other explanatory information (cont'd)****2A. Material accounting policy and other explanatory information (cont'd)****Employee benefits (cont'd)**

Certain subsidiaries overseas have arrangements for defined benefit plans. Under the defined benefit plan contributions are set at a level that is expected to be sufficient to pay the benefits falling due in the same period; and future benefits earned during the current period will be paid out of future contributions and the employees' benefits are determined by the length of their service. Such a plan creates actuarial risk for the entity: if the ultimate cost of benefits already earned at the end of the reporting period is more than expected, the entity will have either to increase its contributions or to persuade employees to accept a reduction in benefits.

**Borrowing costs**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

**Foreign currency transactions**

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

**Translation of financial statements of other entities**

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 2. Disclosures of material accounting policy and other explanatory information (cont'd)

### 2A. Material accounting policy and other explanatory information (cont'd)

#### Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associates except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

#### Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The useful lives are as follows:

Freehold buildings	-	50 years
Buildings on leasehold land	-	Over the period of lease of 20 to 30 years
Machinery and equipment	-	5 to 12 years
Motor vehicles	-	3 to 5 years
Computer equipment, furniture and fixtures	-	3 to 5 years

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.



**2. Disclosures of material accounting policy and other explanatory information (cont'd)****2A. Material accounting policy and other explanatory information (cont'd)****Property, plant and equipment (cont'd)**

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

**Investment property**

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee as a right-of-use asset under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. It includes an investment property in the course of construction.

After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once in five years by external independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The useful lives of building on freehold land is 50 years.

**Right-of-use assets**

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment. The useful lives are as follows:

Land	-	35 years
Office premises	-	2 to 5 years
Motor vehicles	-	3 to 5 years

**Leases of lessee**

A lease conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Where a lease arrangement is identified, a liability to the lessor is recognised as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded (or included in property, plant and equipment). Lease payments are apportioned between finance costs and reduction of the lease liability so as to reflect the interest on the remaining balance of the liability. Finance charges are recorded as an finance cost. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases with a term of 12 months or less and leases for low value are not recorded as a liability and lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 2. Disclosures of material accounting policy and other explanatory information (cont'd)

### 2A. Material accounting policy and other explanatory information (cont'd)

#### Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity. In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

#### Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

**2. Disclosures of material accounting policy and other explanatory information (cont'd)****2A. Material accounting policy and other explanatory information (cont'd)****Non-controlling interests**

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Inventories**

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**Carrying amounts of non-financial assets**

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 2. Disclosures of material accounting policy and other explanatory information (cont'd)

### 2A. Material accounting policy and other explanatory information (cont'd)

#### Financial instruments

##### *Recognition and derecognition of financial instruments*

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

##### *Classification and measurement of financial assets*

Financial assets are classified into (1) Financial asset classified as measured at amortised cost; (2) Financial asset that is an equity investment measured at fair value through other comprehensive income ("FVTOCI"); (3) Financial asset that is a debt asset instrument classified as measured at FVTOCI; and (4) Financial asset classified as measured at fair value through profit or loss ("FVTPL").

At the end of the reporting year, the reporting entity had the following financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL, that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is an equity investment classified as measured at FVTOCI: The investment in unquoted equity shares are classified in this category at the end of the reporting year.

##### *Classification and measurement of financial liabilities*

Financial liabilities are classified as at FVTPL in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

**2. Disclosures of material accounting policy and other explanatory information (cont'd)****2A. Material accounting policy and other explanatory information (cont'd)****Cash and cash equivalents**

For the statement of cash flows, cash and cash equivalents includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Derivative financial instruments**

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

**Fair value measurement**

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 2. Disclosures of material accounting policy and other explanatory information (cont'd)

### 2A. Material accounting policy and other explanatory information (cont'd)

#### Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

#### Segment reporting

The Group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

### 2B. Critical judgements, assumptions and estimation uncertainties

Disclosures on material information about the assumptions management made about the future, and other major sources of estimation uncertainty at the end of the reporting year, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the corresponding Notes to these financial statements. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

- (1) Estimating income tax amounts. See Note 7.
- (2) Measurement of impairment of subsidiary or associate. See Notes 13 and 14.
- (3) Assessment of allowance on inventories. See Note 16.
- (4) Assessment of expected credit loss allowance on trade receivables. See Note 17.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 3. Revenue and other income

	Group	
	2023 \$	2022 \$
Sale of goods	119,622,779	140,324,100
Rendering of services	3,386,498	3,396,489
Total sales	<b>123,009,277</b>	143,720,589
Other income		
- Trade receivables recovered	<b>367,688</b>	548,732
- Changes in fair value of financial assets at FVTPL – forward foreign exchange contract (Note 27)	-	34,695
- Gain on disposal of quoted equity shares	-	147,060
- Gain on disposal of property, plant and equipment	<b>10,166</b>	80,809
- Government grant	<b>44,508</b>	55,505
- Interest income – banks	<b>85,283</b>	45,591
- Insurance claims	<b>3,155,631</b>	34,179
- Rental income	<b>14,879</b>	10,857
Other income	<b>3,678,155</b>	957,428
Total sales and other income	<b>126,687,432</b>	144,678,017

The revenue from sale of goods and rendering of services is recognised based on point in time and all contracts with customers are less than 12 months.

The insurance claims pertain to the claims received from the Group's insurer during the reporting year, for compensation of the losses suffered by the Group in the fire incident that broke out in its Singapore warehouse building on 5 July 2023. The Group's insurance claim process is ongoing as at the end of the reporting year. Any further insurance claims are subject to the approval from the insurer.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 4. Expense by nature

The major components and other selected components include the following:

	Group	
	2023	2022
	\$	\$
Cost of inventories	<b>88,766,772</b>	104,777,094
Changes in fair value of financial liabilities at FVTPL – forward foreign exchange contract (Note 27)	<b>50,458</b>	113,966
Compensation claims	<b>809,355</b>	–
Demolition and decontamination costs	<b>2,320,000</b>	–
Depreciation of investment property (Note 12)	<b>2,788</b>	2,968
Depreciation of property, plant and equipment (Note 10)	<b>1,011,073</b>	934,146
Depreciation of right-of-use assets (Note 11)	<b>430,926</b>	414,530
Employee compensation (Note 6)	<b>16,479,316</b>	17,396,764
Impairment of doubtful trade receivables – individually impaired (Note 17)	<b>54,205</b>	126,431
Impairment of doubtful trade receivables – collectively impaired (Note 17)	<b>8,320</b>	48,754
Inventories written down (Note 16)	<b>8,557,525</b>	1,171,374
Property, plant and equipment written off	<b>811,080</b>	–
Net foreign exchange translation losses	<b>88,208</b>	871,658
Rental on short term leases (Note 26)	<b>210,130</b>	194,330
Waste disposal costs	<b>921,810</b>	–
Warehouse storage charges	<b>2,714,631</b>	2,874,950

## 5. Finance costs

	Group	
	2023	2022
	\$	\$
Interest expense:		
– Bills payable to banks	<b>962,184</b>	757,953
– Bank loans	<b>838,812</b>	374,916
– Bank overdraft	<b>81,569</b>	106,096
– Lease liabilities (Note 26)	<b>154,375</b>	138,465
Total finance costs	<b>2,036,940</b>	1,377,430

## 6. Employee compensation

	Group	
	2023	2022
	\$	\$
Wages and salaries	<b>15,155,012</b>	15,972,900
Contributions to defined contribution plans	<b>1,324,304</b>	1,423,864
Total employee compensation (Note 4)	<b>16,479,316</b>	17,396,764



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 7. Income tax expense

#### 7A. Components of tax expense recognised in profit or loss include:

	Group	
	2023	2022
	\$	\$
<u>Current tax expense:</u>		
Current year	499,314	1,021,512
Under adjustments to current tax in respect of prior years	57,898	44,158
Withholding taxes	103,422	244,964
Subtotal	<u>660,634</u>	<u>1,310,634</u>
<u>Deferred tax (income)/expense:</u>		
Current year	(218,037)	246,070
Under adjustments to deferred tax in respect of prior years	13,088	206,643
Subtotal	<u>(204,949)</u>	<u>452,713</u>
Total income tax expense	<u>455,685</u>	<u>1,763,347</u>

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the parent is domiciled. The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2022: 17%) to profit before income tax as a result of the following differences:

	Group	
	2023	2022
	\$	\$
(Loss)/profit before tax	(5,339,456)	7,830,132
Less: share of profit of associated companies	(1,171,091)	(1,119,427)
	<u>(6,510,547)</u>	<u>6,710,705</u>
Income tax (income)/expense at the above rate	(1,106,793)	1,140,820
Not deductible expenses	778,798	153,549
Income not subjected to tax	-	(714)
Tax exemptions	(17,425)	(36,265)
Under adjustments to tax in respect of prior periods	70,986	250,801
Withholding taxes	103,422	244,964
Effect of different tax rates, rebates and incentives	93,072	102,854
Deferred tax assets not recognised	533,625	-
Utilisation of deferred tax assets previously not recognised	-	(92,662)
Total income tax expense	<u>455,685</u>	<u>1,763,347</u>

There are no income tax consequences of dividends to owners of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 7. Income tax expense (cont'd)

### 7B. Deferred tax (income)/expense recognised in profit or loss include:

	Group	
	2023 \$	2022 \$
<u>Deferred tax liabilities:</u>		
Excess of net book value of plant and equipment over tax values	(113,054)	158,218
Amount in connection with interests in associate	(7,000)	318,000
<u>Deferred tax assets:</u>		
Provisions	(82,400)	(115,488)
Tax loss carryforwards	(2,495)	91,983
Total deferred tax (income)/expense recognised in profit or loss	<u>(204,949)</u>	<u>452,713</u>

### 7C. Deferred tax balance in the statement of financial position:

The deferred tax amounts and movements during the year are as follows:

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
<u>Deferred tax liabilities:</u>				
Excess of net book value of plant and equipment over tax values	176,038	289,092	39,000	157,266
Amount in connection with interests in associate	311,000	318,000	311,000	318,000
Total deferred tax liabilities	<u>487,038</u>	<u>607,092</u>	<u>350,000</u>	<u>475,266</u>
<u>Deferred tax assets:</u>				
Provisions	(716,136)	(633,736)	(350,000)	(345,266)
Tax loss carryforwards	(156,806)	(154,311)	-	-
Total deferred tax assets	<u>(872,942)</u>	<u>(788,047)</u>	<u>(350,000)</u>	<u>(345,266)</u>
Net deferred tax (assets)/liabilities	<u>(385,904)</u>	<u>(180,955)</u>	<u>-</u>	<u>130,000</u>
Disclosed in the statement of financial position as:				
Deferred tax assets	(804,755)	(397,504)	(350,000)	-
Deferred tax liabilities	<u>418,851</u>	<u>216,549</u>	<u>350,000</u>	<u>130,000</u>

It is impracticable to estimate the amount expected to be settled or used within one year.

**7. Income tax expense (cont'd)****7C. Deferred tax balance in the statement of financial position: (cont'd)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and capital allowances of \$5,637,000 and \$215,000 (2022: \$2,746,000 and \$204,000) respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date except for \$1,380,000 which will expire between 2024 to 2032. Unutilised capital allowances do not have expiry dates.

For the Singapore companies, the realisation of the future income tax benefits from tax losses carry forwards and temporary differences from capital allowances is available for an unlimited future period, subject to conditions imposed by law including the retention of majority shareholders as defined.

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

***Key sources of estimation uncertainty***

Estimating income tax amounts:

The Group recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature assessments of likelihood are judgemental and not susceptible to precise determination. The carrying amount is disclosed above.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 8. Dividends

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Final tax exempt dividend paid of 1.2 cents (2022: tax exempt 1.2 cents) per share in respect of the previous reporting year	<b>1,599,600</b>	1,599,600
Interim tax exempt dividend paid of NIL cents (2022: tax exempt 0.8 cents) per share in respect of current reporting year	-	1,066,400
Total dividends paid in the year	<b>1,599,600</b>	<b>2,666,000</b>

There was no final dividend declared for the financial year ended 31 December 2023.

## 9. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares of no par value in issue during the reporting year.

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
The calculation of earnings per share is based on the following:		
Net (loss)/profit for the year attributable to equity holders of the Company (\$)	<b>(5,907,704)</b>	5,876,931
Weighted average number of ordinary shares on issue for basic earnings per share	<b>133,300,000</b>	133,300,000

The Group and Company do not have any discontinued operations.

There is no dilution of earnings per share as there are no dilutive potential ordinary shares outstanding as at the year end. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 10. Property, plant and equipment

	Freehold land \$	Freehold buildings \$	Buildings on leasehold land \$	Machinery and equipment \$	Motor vehicles \$	Computer equipment, furniture and fixtures \$	Construction in progress \$	Total \$
<b>Group</b>								
<u>Cost:</u>								
At 1 January 2022	3,123,022	129,900	10,532,163	5,456,087	1,723,355	5,010,192	5,744,210	31,718,929
Currency translation differences	(192,135)	(198,691)	(7,572)	(24,788)	(25,601)	(107,202)	(167,815)	(723,804)
Additions	-	320,721	9,575	597,636	318,502	194,844	223,354	1,664,632
Disposals	-	-	-	(939,191)	(384,362)	(327,929)	-	(1,651,482)
Transfer	-	5,409,500	-	163,539	-	226,710	(5,799,749)	-
At 31 December 2022	2,930,887	5,661,430	10,534,166	5,253,283	1,631,894	4,996,615	-	31,008,275
Currency translation differences	(161,939)	(320,809)	(7,354)	(30,037)	(21,002)	(65,570)	-	(606,711)
Additions	-	288,097	-	227,193	803,549	212,016	77,435	1,608,290
Disposals/written off	-	-	(3,228,240)	(743,635)	(242,645)	(275,735)	-	(4,490,255)
At 31 December 2023	<b>2,768,948</b>	<b>5,628,718</b>	<b>7,298,572</b>	<b>4,706,804</b>	<b>2,171,796</b>	<b>4,867,326</b>	<b>77,435</b>	<b>27,519,599</b>
<u>Accumulated depreciation:</u>								
At 1 January 2022	-	120,143	5,245,513	4,874,402	1,458,016	4,798,617	-	16,496,691
Currency translation differences	-	(10,013)	(2,097)	(9,105)	(20,551)	(90,909)	-	(132,675)
Depreciation charge	-	78,783	345,195	153,586	174,217	182,365	-	934,146
Disposals	-	-	-	(937,548)	(384,362)	(327,153)	-	(1,649,063)
At 31 December 2022	-	188,913	5,588,611	4,081,335	1,227,320	4,562,920	-	15,649,099
Currency translation differences	-	(13,689)	(2,408)	(11,617)	(13,288)	(52,710)	-	(93,712)
Depreciation charge	-	117,056	309,578	181,282	227,102	176,055	-	1,011,073
Disposals/written off	-	-	(3,053,312)	(277,849)	(109,805)	(237,339)	-	(3,678,305)
At 31 December 2023	-	<b>292,280</b>	<b>2,842,469</b>	<b>3,973,151</b>	<b>1,331,329</b>	<b>4,448,926</b>	-	<b>12,888,155</b>
<u>Carrying value:</u>								
At 1 January 2022	3,123,022	9,757	5,286,650	581,685	265,339	211,575	5,744,210	15,222,238
At 31 December 2022	2,930,887	5,472,517	4,945,555	1,171,948	404,574	433,695	-	15,359,176
At 31 December 2023	<b>2,768,948</b>	<b>5,336,438</b>	<b>4,456,103</b>	<b>733,653</b>	<b>840,467</b>	<b>418,400</b>	<b>77,435</b>	<b>14,631,444</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 10. Property, plant and equipment (cont'd)

	Buildings on leasehold land \$	Machinery and equipment \$	Motor vehicles \$	Computer equipment, furniture and fixtures \$	Construction in progress \$	Total \$
<b>Company</b>						
<u>Cost:</u>						
At 1 January 2022	3,574,468	879,472	974,141	2,848,965	-	8,277,046
Additions	-	329,000	181,146	20,095	-	530,241
Disposals	-	(452,246)	(179,810)	(245,036)	-	(877,092)
At 31 December 2022	3,574,468	756,226	975,477	2,624,024	-	7,930,195
Additions	-	54,313	752,941	132,751	77,435	1,017,440
Disposals/written off	(3,228,240)	(728,914)	(181,146)	(272,809)	-	(4,411,109)
At 31 December 2023	<b>346,228</b>	<b>81,625</b>	<b>1,547,272</b>	<b>2,483,966</b>	<b>77,435</b>	<b>4,536,526</b>
<u>Accumulated depreciation:</u>						
At 1 January 2022	2,994,942	645,307	792,975	2,756,019	-	7,189,243
Depreciation charge	119,150	67,014	118,301	41,993	-	346,458
Disposals	-	(452,246)	(179,810)	(245,036)	-	(877,092)
At 31 December 2022	3,114,092	260,075	731,466	2,552,976	-	6,658,609
Depreciation charge	65,345	47,587	175,242	32,770	-	320,944
Disposals/written off	(3,053,313)	(263,997)	(48,306)	(234,413)	-	(3,600,029)
At 31 December 2023	<b>126,124</b>	<b>43,665</b>	<b>858,402</b>	<b>2,351,333</b>	<b>-</b>	<b>3,379,524</b>
<u>Carrying value:</u>						
At 1 January 2022	579,526	234,165	181,166	92,946	-	1,087,803
At 31 December 2022	460,376	496,151	244,011	71,048	-	1,271,586
At 31 December 2023	<b>220,104</b>	<b>37,960</b>	<b>688,870</b>	<b>132,633</b>	<b>77,435</b>	<b>1,157,002</b>

The depreciation expense is charged to profit or loss under:

	Group	
	2023 \$	2022 \$
Cost of sales	59,301	42,287
Operating expenses	951,772	891,859
Total	<b>1,011,073</b>	934,146

During the reporting year, the Company had written-off property, plant and equipment with a carrying value of \$811,080 which were damaged in the fire incident that broke out on 5 July 2023. The Company incurred costs of \$77,435 (2022: \$Nil) on the planned re-construction of the warehouse building at 132 Pioneer Road Singapore, which was damaged in the fire incident. The construction works have yet to be commenced as of reporting year end.

Motor vehicles with carrying value of \$516,440 as at 31 December 2023 (2022: \$Nil) were acquired under finance lease agreements (Note 26).

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 10. Property, plant and equipment (cont'd)

For the purpose of consolidated statement of cash flows, the Group's additions to property, plant and equipment during the reporting year, comprised of:

	Group	
	2023 \$	2022 \$
Additions of property, plant and equipment	<b>1,608,290</b>	1,664,632
Acquired under finance lease agreements (financing portion)	<b>(422,900)</b>	-
Cash payments to acquire property, plant and equipment	<b>1,185,390</b>	1,664,632

### 11. Right-of-use assets

The right-of-use assets in the statement of financial position are as follows:

	Land \$	Office premises \$	Office equipment \$	Motor vehicles \$	Total \$
<b>Group</b>					
<u>Cost:</u>					
At 1 January 2022	2,285,423	1,067,901	-	107,654	3,460,978
Currency translation differences	-	(54,256)	(288)	(10,735)	(65,279)
Additions	-	227,122	8,631	-	235,753
Written off	-	(147,502)	-	(23,701)	(171,203)
At 31 December 2022	2,285,423	1,093,265	8,343	73,218	3,460,249
Currency translation differences	-	(14,988)	(461)	3,195	(12,254)
Additions	-	-	-	127,698	127,698
Written off	-	-	-	(75,386)	(75,386)
Lease modification	65,845	-	-	-	65,845
At 31 December 2023	<b>2,351,268</b>	<b>1,078,277</b>	<b>7,882</b>	<b>128,725</b>	<b>3,566,152</b>
<u>Accumulated depreciation:</u>					
At 1 January 2022	198,244	412,897	-	51,290	662,431
Currency translation differences	-	(29,246)	(43)	(6,214)	(35,503)
Depreciation for the year	64,804	316,023	1,294	32,409	414,530
Written off	-	(147,502)	-	(23,701)	(171,203)
At 31 December 2022	263,048	552,172	1,251	53,784	870,255
Currency translation differences	-	(10,158)	(114)	1,845	(8,427)
Depreciation for the year	66,485	311,288	1,621	51,532	430,926
Written off	-	-	-	(75,386)	(75,386)
At 31 December 2023	<b>329,533</b>	<b>853,302</b>	<b>2,758</b>	<b>31,775</b>	<b>1,217,368</b>
<u>Carrying value:</u>					
At 1 January 2022	2,087,179	655,004	-	56,364	2,798,547
At 31 December 2022	2,022,375	541,093	7,092	19,434	2,589,994
At 31 December 2023	<b>2,021,735</b>	<b>224,975</b>	<b>5,124</b>	<b>96,950</b>	<b>2,348,784</b>

During the reporting year, the Group wrote off the cost of right-of-use assets and their corresponding accumulated depreciation of expired leases.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 11. Right-of-use assets (cont'd)

	<b>Land \$</b>
<b>Company</b>	
<u>Cost:</u>	
At 1 January 2022 and 31 December 2022	1,140,235
Lease modification	32,878
At 31 December 2022 and 31 December 2023	<b>1,173,113</b>
<u>Accumulated depreciation:</u>	
At 1 January 2022	99,319
Depreciation for the year	32,528
At 31 December 2022	131,847
Depreciation for the year	33,590
At 31 December 2023	<b>165,437</b>
<u>Carrying value:</u>	
At 1 January 2022	1,040,916
At 31 December 2022	1,008,388
At 31 December 2023	<b>1,007,676</b>

The depreciation expense for the Group and Company is charged under other operating expenses.

Other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	<b>Land</b>	<b>Group Office premises</b>	<b>Motor vehicles</b>	<b>Company Land</b>
<u>2023</u>				
Number of right-of-use assets	<b>2</b>	<b>7</b>	<b>5</b>	<b>1</b>
Remaining term - range (years)	<b>30-31</b>	<b>0-5</b>	<b>1-3</b>	<b>30</b>
Remaining term - average (years)	<b>30</b>	<b>1</b>	<b>2</b>	<b>30</b>
<u>2022</u>				
Number of right-of-use assets	2	7	4	1
Remaining term - range (years)	31-32	0-6	0-2	31
Remaining term - average (years)	31	2	1	31

The leasehold lands, on which the buildings of the Company and one of Singapore subsidiary in Singapore, are under a non-cancellable operating lease expiring in 2053 and 2054. The annual land rent payable is subject to annual revision. Lease modification is accounted for upon the revision of annual land rent.

There are restrictions or covenants imposed by the leases to sublet the asset to another party. The right-of-use asset can only be used by the lessee. Unless permitted by the owner, the lease prohibits from selling or pledging the underlying leased assets as security. Typically the leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Insurance, and maintenance fees on right-of-use assets are usually required under the lease contracts.



12. Investment property

	Group	
	2023 \$	2022 \$
<u>At cost:</u>		
Balance at beginning of year	127,838	136,218
Currency translation differences	(7,064)	(8,380)
Balance at end of year	<u>120,774</u>	<u>127,838</u>
<u>Accumulated depreciation:</u>		
Balance at beginning of year	66,150	67,429
Currency translation differences	(3,733)	(4,247)
Depreciation charge	2,788	2,968
Balance at end of year	<u>65,205</u>	<u>66,150</u>
<u>Carrying value:</u>		
Balance at beginning of year	61,688	68,789
Balance at end of year	<u>55,569</u>	<u>61,688</u>
Fair value:		
Fair value at end of year	<u>293,179</u>	<u>293,179</u>
Rental and service income from investment property	<u>14,879</u>	<u>10,857</u>
<u>Description/Location</u>	<u>Gross floor area</u>	<u>Tenure of land</u>
Condominium BL 20-3, 20th Floor, Mont' Kiara Palma, Jalan 1/70C, Off Bukit Kiara, Kuala Lumpur 50480, Malaysia	129 sq m	Freehold

The fair value was measured based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was determined on a systematic basis at least once in five years by the independent professional valuer. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 12. Investment property (cont'd)

For fair value measurements categorised within the fair value hierarchy below, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at BL 20-3, 20th Floor, Mont' Kiara Palma, Jalan 1/70C, Off Bukit Kiara, Kuala Lumpur 50480, Malaysia
Fair value and fair value hierarchy – Level:	\$293,179 (2022: \$293,179). Level 2 (2022: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square feet \$207 – \$213 (2022: \$207 – \$213)
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by \$29,318; higher by \$29,318.

The investment property was leased out for the years ended 31 December 2023 and 31 December 2022.

The direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year are not significant.

## 13. Investments in subsidiaries

	Company	
	2023 \$	2022 \$
Movements during the year:		
Balance at beginning of year	5,723,472	6,023,472
Allowance for impairment	-	(300,000)
Balance at end of year	5,723,472	5,723,472
Net book value of subsidiaries	30,995,287	32,951,959
Total cost comprising:		
Unquoted equity shares at cost	7,087,972	7,087,972
Allowance for impairment	(1,364,500)	(1,364,500)
Total at cost	5,723,472	5,723,472
Movements in allowance for impairment:		
At beginning of year	1,364,500	1,064,500
Impairment loss charged to profit or loss included in other losses <sup>(a)</sup>	-	300,000
At end of the year	1,364,500	1,364,500

(a) The decreasing performance of subsidiary Megachem Specialty Chemicals (I) Private Limited was considered sufficient evidence for recognition of impairment loss as at 31 December 2022.

**13. Investments in subsidiaries (cont'd)**

Details of the subsidiaries are as follows:

**Name of subsidiary, principal activities,  
country of incorporation and place of operations**

**Effective percentage  
of equity held by Group**

	<b>2023</b>	<b>2022</b>
	%	%
<u>Held by the Company</u>		
C.N. Chemicals Sdn. Bhd. <sup>(b)</sup> Trading in industrial chemicals Malaysia	<b>100</b>	100
Megachem Manufacturing Pte Ltd <sup>(a)</sup> Blending of chemicals and chemical-related products Singapore	<b>100</b>	100
Megachem Phils., Inc <sup>(c)</sup> Trading in chemicals and chemical-related products Philippines (Alas, Oplas & Co., CPA)	<b>90</b>	90
Megachem Raya Pte Ltd <sup>(a)</sup> Trading in chemicals and chemical-related products Singapore	<b>74</b>	74
Megachem (Shanghai) Pte Ltd <sup>(a)</sup> Trading in chemicals and chemical-related products Singapore	<b>85</b>	85
Megachem (UK) Ltd <sup>(c)</sup> Trading in chemicals and chemical-related products United Kingdom (Moore UK)	<b>85</b>	85
Megachem Middle East FZE <sup>(b)</sup> Trading in chemicals and chemical-related products U.A.E	<b>100</b>	100
Megachem Specialty Chemicals (I) Private Limited <sup>(b)(e)</sup> Trading in chemicals and chemical-related products India	<b>100</b>	100
Megachem Vietnam Company Limited <sup>(b)</sup> Trading in chemicals and chemical-related products Vietnam	<b>100</b>	100
Megachem Australia Pty Ltd <sup>(d)</sup> Trading in chemicals and chemical-related products Australia	<b>100</b>	100

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 13. Investments in subsidiaries (cont'd)

Name of subsidiary, principal activities,  
country of incorporation and place of operations

Effective percentage  
of equity held by Group  
2023  
%                      2022  
%

Held by subsidiaries

Megachem International Trading (Shanghai) Co., Ltd<sup>(b)</sup>  
Trading in chemicals and chemical-related products  
People's Republic of China

85

85

P.T. Mega Kemiraya<sup>(b)</sup>

Trading in chemicals and chemical-related products  
Indonesia

74

74

(a) Audited by RSM SG Assurance LLP.

(b) Audited by member firms of RSM International of which RSM SG Assurance LLP in Singapore is a member.

(c) Other independent auditor. Audited by firm of accountants other than member firms of RSM International of which RSM SG Assurance LLP in Singapore is a member. Their names are indicated above.

(d) Not audited as relieved from the requirement to prepare and lodge an audited financial report with the local authorities. The subsidiary is not material to the Group.

(e) 1% of the equity interest is held through a subsidiary, Megachem Manufacturing Pte Ltd.

There are no subsidiaries that have non-controlling interests that are considered material to the reporting entity.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the board of directors of the Company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

### **Key sources of estimation uncertainty**

Measurement of impairment of subsidiaries:

Where an investee is in net equity deficit and/or has suffered losses, a test is made whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset. The carrying amount of the specific asset at the end of the reporting year affected by the assumption is \$620,019 (2022: \$620,019).

14. Investments in associated companies

	Group	
	2023 \$	2022 \$
Movements in carrying value during the year:		
Balance at beginning of year	7,901,273	7,973,809
Currency translation differences	(66,687)	(319,683)
Share of profit for the year	1,171,091	1,119,427
Dividends received, net of tax	(619,944)	(872,280)
Balance at end of year	<b>8,385,733</b>	7,901,273
Share of net book value of associated companies	<b>8,385,733</b>	7,901,273

	Company	
	2023 \$	2022 \$
Carrying value:		
Unquoted equity shares at cost	<b>2,798,756</b>	2,798,756

Details of the associated companies are as follows:

**Name of associated companies, principal activities, country of incorporation and place of operations**

	Effective percentage of equity held by Group	
	2023 %	2022 %
Megachem (Thailand) Public Company Limited <sup>(a)</sup> Trading in chemicals and chemical-related products Thailand (EY Office Limited Bangkok)	36	36
<u>Held by Megachem (Thailand) Public Company Limited</u>		
Subsidiaries:		
Green Leaf Chemical Co., Limited <sup>(b)</sup> Import and distribution of chemicals for manufacturing of personal care products Thailand	20	20
Megachem Plus Limited <sup>(c)</sup> Import and distribution of ethanol chemicals Thailand	29	29
Megachem (Myanmar) Limited <sup>(d)</sup> Trading in construction material, hospital equipment, seeds and fertilizers Myanmar	18	18

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 14. Investments in associated companies (cont'd)

Name of associated companies, principal activities,  
country of incorporation and place of operations

Effective percentage  
of equity held by Group  
2023 2022  
% %

Joint venture:

Mega Fuji Graphite Limited<sup>(e)</sup>  
Production and sales of expandable graphite  
Thailand

**18** 18

(a) Other independent auditor. Audited by firm of accountants other than member firms of RSM International of which RSM SG Assurance LLP in Singapore is a member. The name is indicated above.

(b) Green Leaf Chemical Co., Limited is 55% owned by Megachem (Thailand) Public Company Limited.

(c) Megachem Plus Limited is 80% owned by Megachem (Thailand) Public Company Limited.

(d) Megachem (Myanmar) Limited is 51% owned by Megachem (Thailand) Public Company Limited.

(e) Mega Fuji Graphite Limited is 49% owned by Megachem (Thailand) Public Company Limited.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the board of directors of the Company have satisfied themselves that the appointment of different auditors for its overseas associated companies would not compromise the standard and effectiveness of the audit of the Group.

Megachem (Thailand) Public Company Limited ("MGT") is considered material to the reporting entity. The summarised financial information of MGT and its subsidiaries and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of MGT and its subsidiaries are as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	2023 \$	2022 \$
Dividends paid	<b>1,699,500</b>	2,368,980
Revenue	<b>37,700,919</b>	41,944,808
Profit	<b>3,534,712</b>	3,359,810
Other comprehensive income/(loss)	<b>56,244</b>	(3,220)
Total comprehensive income	<b>3,590,956</b>	3,356,590
Current assets	<b>18,640,903</b>	19,512,088
Non-current assets	<b>18,000,107</b>	12,915,414
Current liabilities	<b>(7,272,988)</b>	(4,374,869)
Non-current liabilities	<b>(1,981,401)</b>	(2,096,386)
Net assets of the associate	<b>27,386,621</b>	25,956,247
Associate's non-controlling interest	<b>4,217,773</b>	4,125,908
Proportion of the Group's interest in the associate	<b>36.19%</b>	36.19%
Carrying amount of the interest in the associate	<b>8,385,733</b>	7,901,273

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 15. Transferable club memberships

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
Transferable club memberships at cost	77,871	77,871	47,071	47,071
Currency translation differences	(10,708)	(9,533)	-	-
Less: allowance for impairment	(43,070)	(43,070)	(43,070)	(43,070)
Total transferable club memberships	<u>24,093</u>	<u>25,268</u>	<u>4,001</u>	<u>4,001</u>
Movement in allowance for impairment:				
Balance at beginning and end of year	<u>43,070</u>	43,070	<u>43,070</u>	43,070

The carrying value of club memberships is at cost less allowance for impairment. The fair value of the club memberships is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair values. Consequently it is carried at cost less allowance for impairment.

### 16. Inventories

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
Finished/trading goods	<u>33,561,171</u>	<u>49,338,304</u>	<u>15,473,216</u>	<u>26,934,085</u>
Inventories are stated after allowance.				
Movements in allowance during the year:				
Balance at beginning of the year	4,661,436	4,001,111	1,858,000	1,071,000
Charge to profit or loss	8,557,525	1,171,374	7,497,208	976,503
Amount written off against allowance	(7,024,686)	(421,028)	(6,950,208)	(189,503)
Currency translation differences	(90,625)	(90,021)	-	-
Balance at end of the year	<u>6,103,650</u>	<u>4,661,436</u>	<u>2,405,000</u>	<u>1,858,000</u>

	Group	
	2023 \$	2022 \$
The write-downs of inventories charged to profit or loss included in cost of sales (Note 4)	<u>8,557,525</u>	1,171,374
Decrease/(increase) in inventories of finished/trading goods	<u>15,777,133</u>	(12,885,567)
Purchase of inventories	<u>81,456,539</u>	<u>117,662,661</u>

The write-downs of inventories during the reporting year included inventories at costs of \$7,003,145 which were damaged by the fire incident that broke out on 5 July 2023.

Certain inventories are pledged as security for banking facilities as at 31 December 2023 and 31 December 2022 (see Note 24).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 16. Inventories (cont'd)

### *Key sources of estimation uncertainty*

Assessment of allowance on inventories:

A review is made periodically for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount is disclosed above.

## 17. Trade and other receivables

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
<i>Current:</i>				
<u>Trade receivables:</u>				
Non-related parties	<b>23,357,899</b>	27,537,366	<b>8,242,572</b>	10,487,856
Subsidiaries	-	-	<b>7,548,451</b>	8,207,681
Associated company	<b>35,672</b>	47,662	<b>29,483</b>	18,048
Less: allowance for impairment				
- non-related parties	<b>(415,663)</b>	(558,948)	<b>(50,356)</b>	(24,127)
Less: allowance for impairment				
- subsidiaries	-	-	<b>(1,582,000)</b>	(1,582,000)
Net trade receivables – subtotal	<b>22,977,908</b>	27,026,080	<b>14,188,150</b>	17,107,458
<u>Other receivables:</u>				
Short term loans to subsidiaries	-	-	<b>3,322,456</b>	3,908,213
Long term loans to subsidiaries	-	-	<b>391,002</b>	393,210
Subsidiaries	-	-	<b>2,386,251</b>	1,912,931
Advance payments to subsidiary	-	-	<b>370,056</b>	-
Associated company	-	1,627	-	1,627
Non-related parties	<b>723,610</b>	539,309	<b>3,907</b>	57,029
Less: allowance for impairment				
- subsidiaries	-	-	<b>(1,341,000)</b>	(1,729,000)
Net other receivables – subtotal	<b>723,610</b>	540,936	<b>5,132,672</b>	4,544,010
Total net trade and other receivables				
- current	<b>23,701,518</b>	27,567,016	<b>19,320,822</b>	21,651,468
<i>Non-current:</i>				
<u>Other receivables:</u>				
Long term loans to subsidiaries	-	-	<b>846,084</b>	1,191,936
Less: allowance for impairment	-	-	<b>(617,000)</b>	(229,000)
Total other receivables – non-current	-	-	<b>229,084</b>	962,936
Total trade and other receivables	<b>23,701,518</b>	27,567,016	<b>19,549,906</b>	22,614,404



**17. Trade and other receivables (cont'd)**

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

The short term loans to subsidiaries are unsecured, bear interest at 7.0% – 8.3% (2022: 4.5% – 6.7%) per annum and are repayable on demand.

The long term loans to subsidiaries are unsecured, bear interest at 1.8% and 7.8% (2022: 1.8% and 7.4%) per annum and have a average maturity of 4 years from the end of the reporting year (2022: 5 years).

The carrying values of trade and other receivables approximate their fair values due to the short-term maturity.

The expected credit losses ("ECL") on the trade receivables are based on the simplified approach to measuring the ECL which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Excluding specific provision as at reporting year ended 31 December 2023 of \$23,647 and \$9,519 for receivables (i) past due over 6 months, invoice aged less than 1 year; and (ii) past due 4 to 6 months (31 December 2022: \$22,873 and \$6,737 for receivables (i) past due over 6 months, invoice aged less than 1 year; and (ii) past due 4 to 6 months, respectively), respectively, the ageing of the assets is as follows:

Group	Gross amount		Expected loss ratio		Loss allowance	
	2023 \$'000	2022 \$'000	2023 %	2022 %	2023 \$'000	2022 \$'000
Current	18,921	21,933	-	-	-	-
Past due less than 1 month	3,286	2,965	-	-	-	-
Past due 1 to 2 months	536	1,329	-	-	-	-
Past due 2 to 3 months	125	261	-	-	-	-
Past due 3 to 4 months	54	287	-	-	-	-
Past due 4 to 6 months	32	75	-	3.2	-	3
Past due over 6 months, invoice aged less than 1 year	25	226	9.3	20.9	2	47
Past due over 6 months, invoice aged over 1 year	381	479	100.0	100.0	381	479
Total	<b>23,360</b>	<b>27,555</b>			<b>383</b>	<b>529</b>

There are no collateral held as security and other credit enhancements for the trade receivables held by the Group and Company.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

Other receivables are normally with no fixed terms and therefore there is no maturity. Related company other receivables are regarded as of low credit risk if they are guaranteed by the parent or a related party with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk. Any contractual payment which is more than 1 year past due is considered credit impaired.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 17. Trade and other receivables (cont'd)

### (i) Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's and Company's non-related party trade receivables not past due include receivables amounting to \$18,886,000 (2022: \$21,886,000) and \$6,452,000 (2022: \$8,798,000) respectively.

### (ii) Trade receivables that are past due but not impaired

The age analysis of non-related party trade receivables past due but not impaired is as follows:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Past due less than 1 month	3,286	2,965	1,650	674
Past due 1 to 2 months	536	1,329	91	849
Past due 2 to 3 months	125	261	-	137
Past due 3 to 4 months	54	287	-	-
Past due over 4 months	55	251	-	6
Total	4,056	5,093	1,741	1,666

The carrying amount of non-related party trade receivables determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Gross amount	416	559	50	24
Less: allowance for impairment - ECL	(383)	(529)	(17)	(17)
Less: allowance for impairment - specific	(33)	(30)	(33)	(7)
Total	-	-	-	-
Movements in allowance for impairment during the year:				
Balance at beginning of year	559	522	24	37
Currency translation differences	(7)	(31)	-	-
Additions - individually impaired (Note 4)	54	126	33	7
Additions - collectively impaired (Note 4)	8	49	-	-
Bad debt written off against allowance	(93)	(15)	-	(9)
Bad debt recovered - individually impaired	(56)	(83)	(7)	(11)
Bad debt recovered - collectively impaired	(49)	(9)	-	-
Balance at end of year	416	559	50	24

17. Trade and other receivables (cont'd)

(ii) Trade receivables that are past due but not impaired (cont'd)

The carrying amount of trade and other receivables from subsidiaries determined to be impaired and the movement in the related allowance for impairment are as follows:

	Company	
	2023 \$'000	2022 \$'000
Gross amount	3,540	3,540
Less: allowance for impairment	(3,540)	(3,540)
Total	-	-
Movements in allowance for impairment during the year:		
Balance at beginning and end of year	3,540	3,540

(iii) Concentration of credit risk

The number of debtors that individually represented 5-10% of non-related party trade receivables are as follows:

	Group		Company	
	2023	2022	2023	2022
Number of debtors that represent: 5-10% of non-related party trade receivables	1	1	3	2

There is no concentration of credit risk with respect to trade receivables as there are a large number of customers.

(iv) Credit risk exposure

The credit risk for non-related party trade receivables by geographical areas is as follows:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<u>By geographical areas</u>				
Africa	98	213	98	191
America	21	31	24	30
ASEAN	13,757	15,897	7,770	10,000
Australia	1,491	2,370	-	51
Middle East	2,691	2,445	39	-
North Asia	2,424	2,894	240	94
South Asia	950	626	34	3
UK and Europe	1,926	3,061	38	119
Total non-related party trade receivables	23,358	27,537	8,243	10,488

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 17. Trade and other receivables (cont'd)

### *Key sources of estimation uncertainty*

Assessment of expected credit loss allowance on trade receivables:

The assessment of the expected credit losses ("ECL") requires a degree of estimation and judgement. In measuring the expected credit losses. Management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed above.

## 18. Financial assets at fair value through profit or loss ("FVTPL")

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
At fair value:				
Forward foreign exchange contracts (Level 2) (Note 27)	-	33,168	-	6,903
Total financial assets at FVTPL	<u>-</u>	<u>33,168</u>	<u>-</u>	<u>6,903</u>

There were no transfers between fair value hierarchies during the year.

## 19. Financial assets at fair value through other comprehensive income ("FVTOCI")

	Group and Company	
	2023 \$	2022 \$
At fair value:		
Unquoted equity shares	1,351,100	-
Total financial assets at FVTOCI	<u>1,351,100</u>	<u>-</u>

## 19A. Movements in balances

	Group and Company	
	2023 \$	2022 \$
Movements during the year:		
Fair value at beginning of the year	-	-
Additions	1,351,100	-
Fair value at end of the year	<u>1,351,100</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 19. Financial assets at fair value through other comprehensive income ("FVTOCI") (cont'd)

#### 19B. Disclosures relating to investments in equity shares at FVTOCI

	Fair value hierarchy	Group and Company	
		2023	2022
		\$	\$
Unquoted equity shares			
Manufacturing industry: Singapore	3	<b>1,351,100</b>	-

There were no transfers between fair value hierarchies during the year.

The fair value of the investment in unquoted equity shares as at 31 December 2023 approximate to cost as the investment was transacted under normal market conditions and is within 3 months of the reporting year end.

### 20. Other current assets

	Group		Company	
	2023	2022	2023	2022
	\$	\$	\$	\$
Advance payments to suppliers	<b>904,764</b>	1,015,099	<b>241,223</b>	199,306
Deposits to secure services	<b>243,397</b>	316,506	<b>2,680</b>	44,884
Prepayments	<b>601,237</b>	547,881	<b>119,413</b>	84,166
Total other current assets	<b>1,749,398</b>	1,879,486	<b>363,316</b>	328,356

### 21. Cash and bank balances

	Group		Company	
	2023	2022	2023	2022
	\$	\$	\$	\$
Not restricted in use	<b>13,629,981</b>	11,932,498	<b>3,357,298</b>	1,560,854
Interest earning balances	<b>3,209,736</b>	1,372,968	-	-

Interest earning balances have an average maturity of one month (2022: two months) from the end of the reporting year with the following average interest rates:

	Group	
	2023	2022
Indonesian Rupiah	<b>3.6%</b>	3.3%
Indian Rupee	<b>6.6%</b>	5.3%
Malaysia Ringgit	<b>3.0%</b>	-
Vietnamese Dong	<b>2.2%</b>	4.3%

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 21. Cash and bank balances (cont'd)

### 21A. Cash and cash equivalents in the consolidated statement of cash flows:

	Group	
	2023 \$	2022 \$
Cash and bank balances	<b>13,629,981</b>	11,932,498
Less: bank overdraft	<b>(605,976)</b>	(983,338)
Cash and cash equivalents for statement of cash flows purposes at end of the year	<b><u>13,024,005</u></b>	<u>10,949,160</u>

### 21B. Reconciliation of liabilities arising from financing activities:

	2022 \$	Cash flows \$	Non-cash changes \$	2023 \$
Long term bank loans	1,416,667	(500,000)	-	<b>916,667</b>
Bill payables <sup>(a)</sup>	19,760,870	(6,447,488)	(4,184)	<b>13,309,198</b>
Short term bank loans <sup>(a)</sup>	14,195,816	(528,590)	(10,476)	<b>13,656,750</b>
Lease liabilities <sup>(a)(b)</sup>	2,729,539	(598,522)	767,176	<b>2,898,193</b>
Total liabilities from financing activities	<b><u>38,102,892</u></b>	<u>(8,074,600)</u>	<u>752,516</u>	<b><u>30,780,808</u></b>
	<b>2021 \$</b>	<b>Cash flows \$</b>	<b>Non-cash changes \$</b>	<b>2022 \$</b>
Long term bank loans	1,916,667	(500,000)	-	1,416,667
Bill payables <sup>(a)</sup>	15,843,692	4,395,564	(478,386)	19,760,870
Short term bank loans <sup>(a)</sup>	10,768,450	3,600,455	(173,089)	14,195,816
Lease liabilities <sup>(a)(b)</sup>	2,933,851	(548,305)	343,993	2,729,539
Total liabilities from financing activities	<b><u>31,462,660</u></b>	<u>6,947,714</u>	<u>(307,482)</u>	<u>38,102,892</u>

Included in non-cash changes:

- (a) Foreign exchange movements
- (b) Interest expenses, additions and lease modification (Note 26)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 22. Share capital

	<b>Group and Company</b>	
	<b>Number of</b>	<b>Share capital</b>
	<b>shares issued</b>	<b>\$</b>
	<hr/>	<hr/>
Ordinary shares of no par value:		
Balance at beginning and end of the reporting year 31 December 2023 and 31 December 2022	133,300,000	15,892,028
	<hr/>	<hr/>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The Company is a Catalist company and had appointed a sponsor to comply with the Catalist Rules and to facilitate certain corporate actions including rights issues, placement of shares, warrants or other convertible securities for cash, major transactions, transactions requiring shareholders' approval and schemes of arrangement.

### 23. Other reserves

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
Currency translation reserve	<b>(7,717,643)</b>	(6,593,193)
	<hr/>	<hr/>

The currency translation reserve accumulates all foreign exchange differences arising from the translation of financial statements denominated in currencies other than the presentation currency.

This reserve is not available for cash dividends unless realised.

Movements in currency translation reserve during the year:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
Balance at beginning of year	<b>(6,593,193)</b>	(4,717,992)
Net currency translation differences of financial statements of foreign subsidiaries	<b>(1,124,450)</b>	(1,875,201)
Balance at end of year	<b>(7,717,643)</b>	(6,593,193)
	<hr/>	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 24. Borrowings

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
<i>Current:</i>				
Bank overdraft (unsecured)	605,976	983,338	-	-
Bill payables (unsecured)	12,393,383	17,192,759	9,896,597	13,438,853
Bill payables (secured)	915,815	2,568,111	-	-
Short term bank loans (unsecured)	13,656,750	13,969,751	12,756,750	12,707,100
Short term bank loans (secured)	-	226,065	-	-
Long term bank loans (unsecured)	500,000	500,000	500,000	500,000
Current, total	28,071,924	35,440,024	23,153,347	26,645,953
<i>Non-current:</i>				
Long term bank loans (unsecured)	416,667	916,667	416,667	916,667
Non-current, total	416,667	916,667	416,667	916,667
Total borrowings	28,488,591	36,356,691	23,570,014	27,562,620

The secured bill payables and short term bank loans as at 31 December 2023 and 31 December 2022 are collateralised on fixed and floating charges over the present and future assets and undertaking of certain subsidiaries.

### (a) Maturity of borrowings

The bill payables and short term bank loans have an average maturity of 2 months and 1 month respectively (2022: 2 months and 2 months) from the end of the reporting year. The long term bank loans have an average maturity of 2 years from the end of the reporting year (2022: 3 years).

### (b) Interest rate

All borrowings for the Group and Company are at floating interest rates except for a long term bank loan (unsecured) of \$916,667 (2022: \$1,416,667) at fixed rate of 1.75%.

The weighted average effective interest rates of borrowings at the reporting date are as follows:

	2023			2022		
	Singapore Dollar	United States Dollar	Others	Singapore Dollar	United States Dollar	Others
<i>Group</i>						
Bill payables	4.9%	6.9%	3.2%	4.9%	5.8%	5.2%
Short term bank loans	5.3%	6.7%	6.5%	4.9%	5.8%	4.9%
Long term bank loans	1.8%	-	-	1.8%	-	-
<i>Company</i>						
Bill payables	4.9%	6.7%	2.9%	4.9%	5.7%	2.2%
Short term bank loans	5.3%	6.7%	6.5%	5.0%	5.8%	4.8%
Long term bank loans	1.8%	-	-	1.8%	-	-



24. Borrowings (cont'd)

(c) Carrying amounts and fair values

The fair value (Level 2) of bank borrowings carried with floating interest rates is a reasonable approximation of the carrying amount as they are frequently re-priced to market interest rates.

The fair value of bank borrowings carried with fixed interest rates is a reasonable approximation of the carrying amount based on the measurement using the current market interest rate.

25. Trade and other payables

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
<u>Trade payables:</u>				
Non-related parties	<b>7,070,787</b>	6,769,669	<b>2,764,395</b>	2,995,674
Associated company	<b>3,353</b>	10,681	<b>3,353</b>	1,918
Related party	-	64,446	-	-
Subsidiaries	-	-	<b>715,087</b>	506,346
Trade payables – subtotal	<b>7,074,140</b>	6,844,796	<b>3,482,835</b>	3,503,938
<u>Other payables:</u>				
Associated company	<b>7,908</b>	2,843	<b>5,119</b>	-
Subsidiaries	-	-	<b>390,584</b>	260,305
Loan from subsidiary	-	-	<b>1,419,108</b>	1,262,702
Advance payments from customers	<b>73,535</b>	266,213	<b>17,676</b>	13,631
Advance payments from a subsidiary	-	-	<b>487,085</b>	-
Accrued liabilities	<b>6,165,744</b>	5,948,646	<b>2,803,572</b>	3,023,630
Other payables	<b>1,844,475</b>	2,280,767	<b>933,836</b>	1,209,159
Other payables – subtotal	<b>8,091,662</b>	8,498,469	<b>6,056,980</b>	5,769,427
Total trade and other payables	<b>15,165,802</b>	15,343,265	<b>9,539,815</b>	9,273,365

The non-trade amounts due to subsidiaries and associated company are unsecured, interest-free and are repayable on demand.

The loans from subsidiary are unsecured, bear interest at range of 7.4% to 8.3% (2022: 3.1% to 6.7%) per annum and are repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 26. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
Current:				
Finance lease liabilities	77,357	-	77,357	-
Other lease liabilities	173,744	324,602	16,285	15,037
Sub-total	251,101	324,602	93,642	15,037
Non-current:				
Finance lease liabilities	304,195	-	304,195	-
Other lease liabilities	2,342,897	2,404,937	1,087,510	1,071,372
Sub-total	2,647,092	2,404,937	1,391,705	1,071,372
	<b>2,898,193</b>	<b>2,729,539</b>	<b>1,485,347</b>	<b>1,086,409</b>

Movements of lease liabilities for the reporting year are as follows:

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
Balance at beginning of year	2,729,539	2,933,851	1,086,409	1,100,715
Currency translation differences	(3,642)	(30,225)	-	-
Additions	550,598	235,753	422,900	-
Accretion of interest (Note 5)	154,375	138,465	67,520	54,424
Lease payments	(598,522)	(548,305)	(124,360)	(68,730)
Lease modification	65,845	-	32,878	-
Balance at end of year	<b>2,898,193</b>	<b>2,729,539</b>	<b>1,485,347</b>	<b>1,086,409</b>

The lease liabilities above include finance leases under hire purchase agreements. The lease liabilities above do not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets. The property, plant and equipment acquired under finance lease agreements and right-of-use assets are disclosed in Note 10 and Note 11 respectively.

Only variable lease payments that depend on an index or a rate; payments that vary to reflect changes in market rental rates are included in the measurement of the lease liability. Such variable amounts that are unpaid at the commencement date are included in the measurement of lease liability. Variable lease payments would also include extension options and termination options; residual value guarantees; and leases not yet commenced to which the lessee is committed. The variable lease payments based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

A summary of the maturity analysis of lease liabilities is disclosed in Note 28F.

Total cash outflows for leases for the year ended 31 December 2023 and 31 December 2022 are shown in the statement of cash flows.

**26. Lease liabilities (cont'd)**

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

At the end of the reporting year, there were no commitments on leases which had not yet commenced.

Apart from the disclosures made in other notes to the financial statements, amounts relating to leases include the following:

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
Expense relating to short-term leases included in other operating expenses	<b>210,130</b>	194,330	<b>336,360</b>	336,360

**27. Financial assets/(liabilities) at fair value through profit or loss**

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
<u>Forward foreign exchange contracts</u>				
Balance at beginning of year	<b>(74,912)</b>	(20,678)	<b>164</b>	(8,238)
Realisation of forward contracts	<b>74,912</b>	20,129	<b>(164)</b>	8,238
Currency translation differences	<b>(406)</b>	4,908	-	-
Unrealised fair value loss (Note 4)	<b>(50,458)</b>	(113,966)	-	(6,739)
Unrealised fair value gains (Note 3)	-	34,695	-	6,903
Balance at end of year	<b>(50,864)</b>	(74,912)	-	164
Presented in statement of financial position as:				
Financial assets at FVTPL (Note 18)	-	33,168	-	6,903
Financial liabilities at FVTPL	<b>(50,864)</b>	(108,080)	-	(6,739)
Net	<b>(50,864)</b>	(74,912)	-	164

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on expected sales and purchases denominated in United States Dollar ("USD") and Euro ("Euro").

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 27. Financial assets/(liabilities) at fair value through profit or loss (cont'd)

The table below sets out the notional principal amounts of the outstanding forward foreign exchange contracts of the Group and the Company, and their corresponding favourable and unfavourable fair values (Level 2) at the reporting date. The amount of notional amount outstanding is not necessarily a measure or indication of market risk.

	Notional principal		Favourable fair value		Unfavourable fair value	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
<u>Group</u>						
Purchase Euro	851,782	423,818	-	4,175	(81)	-
Sell USD	-	134,330	-	6,903	-	-
Purchase USD	1,601,342	3,707,520	-	22,090	50,945	108,080
	<u>2,453,124</u>	<u>4,265,668</u>	<u>-</u>	<u>33,168</u>	<u>50,864</u>	<u>108,080</u>
<u>Company</u>						
Sell USD	-	134,330	-	6,903	-	-
Purchase USD	-	146,651	-	-	-	6,739
	<u>-</u>	<u>280,981</u>	<u>-</u>	<u>6,903</u>	<u>-</u>	<u>6,739</u>

The fair value (Level 2) of forward foreign exchange contracts is based on the current value of the difference between the contractual exchange rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

At 31 December 2023, the settlement date on forward foreign exchange contracts for the Group and the Company ranges from 1 to 5 months (2022: 1 to 4 months) and Nil months (2022: 1 to 3 months) respectively.

## 28. Financial instruments: information on financial risks

### 28A. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Management sets the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies in accordance with the objectives and underlying principles approved by the board of directors.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

**28. Financial instruments: information on financial risks (cont'd)**

**28B. Categories of financial assets and financial liabilities**

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<u>Financial assets</u>				
Financial assets at amortised cost	<b>37,331</b>	39,500	<b>22,537</b>	24,175
Financial assets at FVTOCI	<b>1,351</b>	-	<b>1,351</b>	-
Financial assets at FVTPL	-	33	-	7
At end of the year	<b>38,682</b>	39,533	<b>23,888</b>	24,182
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	<b>46,479</b>	54,163	<b>34,090</b>	37,909
Financial liabilities at FVTPL	<b>51</b>	108	-	7
At end of the year	<b>46,530</b>	54,271	<b>34,090</b>	37,916

Further quantitative disclosures are included throughout these financial statements.

**28C. Foreign currency risk**

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States Dollar ("USD"), Sterling Pound ("GBP") and Malaysia Ringgit ("RM").

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 28. Financial instruments: information on financial risks (cont'd)

### 28C. Foreign currency risk (cont'd)

The Group's currency exposure is as follows:

Group	Exposure in					Total \$'000
	SGD \$'000	USD \$'000	GBP \$'000	RM \$'000	Others \$'000	
<b>2023</b>						
<u>Financial assets</u>						
Cash and bank balances	3,045	2,732	62	1,859	5,932	13,630
Trade and other receivables*	6,004	20,148	3,111	3,255	10,975	43,493
Subtotal	9,049	22,880	3,173	5,114	16,907	57,123
<u>Financial liabilities</u>						
Trade and other payables*	7,321	18,785	2,075	626	5,661	34,468
Borrowings	9,492	14,572	1,697	-	2,728	28,489
Lease liabilities	2,596	-	107	5	190	2,898
Subtotal	19,409	33,357	3,879	631	8,579	65,855
Net financial (liabilities)/assets	(10,360)	(10,477)	(706)	4,483	8,328	(8,732)
Less: Net financial liabilities/(assets) denominated in respective entities' functional currencies	9,589	600	388	(4,483)	(4,805)	1,289
Add: Currency forward contracts	-	1,601	-	-	852	2,453
Net currency exposure	(771)	(8,276)	(318)	-	4,375	(4,990)

# The amount is before elimination of intragroup balances

Group	Exposure in					Total \$'000
	SGD \$'000	USD \$'000	GBP \$'000	RM \$'000	Others \$'000	
<b>2022</b>						
<u>Financial assets</u>						
Cash and bank balances	1,310	3,680	332	701	5,909	11,932
Trade and other receivables*	9,140	20,508	4,287	2,640	11,068	47,643
Subtotal	10,450	24,188	4,619	3,341	16,977	59,575
<u>Financial liabilities</u>						
Trade and other payables*	7,112	19,929	2,371	316	4,866	34,594
Borrowings	13,094	15,659	2,626	-	4,978	36,357
Lease liabilities	2,179	-	71	7	473	2,730
Subtotal	22,385	35,588	5,068	323	10,317	73,681
Net financial (liabilities)/assets	(11,935)	(11,400)	(449)	3,018	6,660	(14,106)
Less: Net financial liabilities/(assets) denominated in respective entities' functional currencies	11,555	685	315	(3,018)	(2,725)	6,812
Add: Currency forward contracts	-	3,573	-	-	424	3,997
Net currency exposure	(380)	(7,142)	(134)	-	4,359	(3,297)

# The amount is before elimination of intragroup balances

The Company has certain investments in foreign operations, whose net assets are exposed to currency translation risk. The Company does not hedge such currency translation risk.

28. Financial instruments: information on financial risks (cont'd)

28C. Foreign currency risk (cont'd)

The Company's currency exposure is as follows:

**Company**

**2023**

Financial assets

Cash and bank balances

Trade and other receivables

Subtotal

Financial liabilities

Trade and other payables

Borrowings

Subtotal

Net financial (liabilities)/assets and net currency exposure

	USD \$'000	Exposure in Others \$'000	Total \$'000
	766	3	769
	15,288	2,930	18,218
	16,054	2,933	18,987
	3,681	508	4,189
	13,383	1,596	14,979
	17,064	2,104	19,168
	(1,010)	829	(181)

**Company**

**2022**

Financial assets

Cash and bank balances

Trade and other receivables

Subtotal

Financial liabilities

Trade and other payables

Borrowings

Subtotal

Net financial (liabilities)/assets

Add: Currency forward contracts

Net currency exposure

	USD \$'000	Exposure in Others \$'000	Total \$'000
	507	22	529
	15,362	2,980	18,342
	15,869	3,002	18,871
	4,309	241	4,550
	13,857	1,511	15,368
	18,166	1,752	19,918
	(2,297)	1,250	(1,047)
	12	-	12
	(2,285)	1,250	(1,035)

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 28. Financial instruments: information on financial risks (cont'd)

### 28C. Foreign currency risk (cont'd)

The following table demonstrates the sensitivity of the Group's and Company's net profit after tax and equity to changes in foreign currency movement (assuming all other variables are consistent):

	2023		2022	
	Loss after tax \$'000	Equity attributable to the equity holders of the company \$'000	Profit after tax \$'000	Equity attributable to the equity holders of the company \$'000
<u>Group</u>				
USD: strengthen by 1%	44	(51)	(25)	(35)
USD: weaken by 1%	(44)	51	25	35
<u>Company</u>				
USD: strengthen by 1%	10	(10)	(19)	(19)
USD: weaken by 1%	(10)	10	19	19

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against USD. The sensitivity rate used is the reasonably possible change in foreign exchange rates. The effect of changes in the exchange rate of other non-functional currencies are not expected to be material.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year.

### 28D. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bills payable to banks and short term bank loans at floating interest rates. The Group manages its interest rate risk by keeping bills payable and short term bank loans to the minimum required to sustain the operations of the Group.

The floating rate debt instruments are with interest rates that are re-set at regular intervals. The interest rates are disclosed in the respective notes.



**28. Financial instruments: information on financial risks (cont'd)**

**28D. Interest rate risk (cont'd)**

The following table demonstrates the sensitivity of the Group's and Company's net loss or profit after tax and equity to changes in interest rates movement (assuming all other variables are consistent):

	2023		2022	
	Increase/(Decrease)			
	Loss after tax \$'000	Equity attributable to the equity holders of the company \$'000	Profit after tax \$'000	Equity attributable to the equity holders of the company \$'000
<u>Group</u>				
Increased by 1-percentage point	235	(232)	(297)	(290)
Decreased by 1-percentage point	(235)	232	297	290
<u>Company</u>				
Increased by 1-percentage point	188	(188)	(217)	(217)
Decreased by 1-percentage point	(188)	188	217	217

**28E. Credit risk on financial assets**

Financial assets are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credit limits are subject to the same review process.

Note 21 discloses the maturity of the cash and cash equivalents balances. Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position except for corporate guarantees provided to banks (Note 29).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 28. Financial instruments: information on financial risks (cont'd)

### 28F. Liquidity risk – financial liabilities maturity analysis

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2022: 60 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The following table analyses the Group's and the Company's non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

<u>Group</u>	Not later than one year \$'000	Later than one year and not later than five years \$'000	Later than five years \$'000	Total \$'000
As at 31 December 2023				
Trade and other payables	15,092	-	-	15,092
Gross borrowing commitments	28,288	420	-	28,708
Gross lease liabilities	400	1,075	3,570	5,045
	<b>43,780</b>	<b>1,495</b>	<b>3,570</b>	<b>48,845</b>
As at 31 December 2022				
Trade and other payables	15,077	-	-	15,077
Gross borrowing commitments	35,774	932	-	36,706
Gross lease liabilities	456	812	3,614	4,882
	<b>51,307</b>	<b>1,744</b>	<b>3,614</b>	<b>56,665</b>
<u>Company</u>	Not later than one year \$'000	Later than one year and not later than five years \$'000	Later than five years \$'000	Total \$'000
As at 31 December 2023				
Trade and other payables	9,035	-	-	9,035
Gross borrowing commitments	23,323	420	-	23,743
Gross lease liabilities	169	621	1,770	2,560
	<b>32,527</b>	<b>1,041</b>	<b>1,770</b>	<b>35,338</b>
As at 31 December 2022				
Trade and other payables	9,260	-	-	9,260
Gross borrowing commitments	26,910	932	-	27,842
Gross lease liabilities	69	275	1,787	2,131
	<b>36,239</b>	<b>1,207</b>	<b>1,787</b>	<b>39,233</b>

**28. Financial instruments: information on financial risks (cont'd)**

**28F. Liquidity risk – financial liabilities maturity analysis (cont'd)**

The following table analyses the Group's derivative financial instruments for which contractual maturities are essential for understanding of the timing of cash flows by remaining contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group	
	2023 \$'000	2022 \$'000
Gross settled currency forwards		
- Receipts	2,453	4,273
- Payments	<b>(2,504)</b>	(4,374)

Financial guarantee contracts – At the end of the reporting year, no claims on the financial guarantee are expected. All the corporate guarantees provided are disclosed in Note 29. The underlying bank facilities mature within 1 year (2022: 1 year).

The Group and Company manage the liquidity risk by maintaining sufficient cash balances and the availability of funding through an adequate amount of committed credit facilities.

**28G. Capital risk**

The Group's objectives when managing capital are to safeguard the Group's ability to continue its business operations as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or reduce borrowings.

Under loans granted by a bank to a subsidiary, the Group is required by bank to observe certain financial covenants such as a minimum consolidated tangible networth of \$30 million and a maximum consolidated leverage ratio of 1.0. The Group monitors its capital regularly to ensure these covenants are not breached. In addition, the Group seeks to maintain maximum gearing ratio of 0.6 internally to minimise financial risks.

The bank defines leverage ratio as total bank borrowings divided by total tangible networth and shareholders' networth as aggregate of paid up capital and revenue reserves.

	Group	
	2023	2022
Total borrowings (\$'000)	28,489	36,357
Total tangible networth (\$'000)	49,962	58,594
Leverage ratio	<b>0.57</b>	0.62

The Group and the Company are in compliance with all externally imposed capital requirements for the reporting years ended 31 December 2023 and 31 December 2022.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 29. Contingent liabilities

The Company has provided an undertaking to provide continuing financial support to the subsidiaries, Megachem Australia Pty Ltd and Megachem Specialty Chemicals (I) Private Limited, to enable the subsidiaries to meet their obligations as and when they fall due. As at 31 December 2023, the net liabilities of Megachem Australia Pty Ltd and Megachem Specialty Chemicals (I) Private Limited amounted to \$2,392,000 (2022: \$2,422,000) and \$1,080,000 (2022: \$342,000) respectively.

The Company has also provided corporate guarantees to banks for subsidiaries' loans. The corporate guarantees are as follows:

	Company	
	2023 \$'000	2022 \$'000
Corporate guarantees provided to banks on subsidiaries' loans payable	<u>4,919</u>	<u>8,794</u>

Fair value of the corporate guarantee was not recognised by the Company.

## 30. Capital commitments

At the reporting date the capital commitments are as follows:

	Group		Company	
	2023 \$	2022 \$	2023 \$	2022 \$
Purchase of property, plant and equipment	<u>1,404,282</u>	<u>669,669</u>	<u>1,404,282</u>	<u>430,888</u>

## 31. Related party relationships and transactions

### 31A. Related companies and related parties

SFRS(I) 1-24 defines a related party as an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The definition includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

Related companies in these financial statements include the members of the Company's group of companies.

There are transactions and arrangements between the Group and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any significant non-current balances and significant financial guarantees, an interest or charge is charged or imputed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

**31. Related party relationships and transactions (cont'd)**

**31A. Related companies and related parties (cont'd)**

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, significant transactions that took place between the Group and related parties during the reporting year are as follows:

	Group	
	2023	2022
	\$	\$
<u>Associated companies</u>		
Sale of inventories	243,050	510,546
Purchases of inventories	<u>(36,482)</u>	<u>(97,514)</u>
<u>Related parties</u>		
Purchases of inventories	<u>(586,714)</u>	<u>(709,756)</u>

The above related parties transactions are with Chori Co., Ltd, a controlling shareholder of the Company, and its related companies.

**31B. Compensation of directors and key management**

	Group		Company	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and other short-term employee benefits of key management	<u>4,060,558</u>	5,029,760	<u>1,902,140</u>	2,679,349
Remuneration of directors of the Company	<u>643,746</u>	1,337,049	<u>643,746</u>	1,337,049
Fees to directors of the Company	<u>202,000</u>	202,000	<u>202,000</u>	202,000

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

**32. Financial information by operating segments**

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS (I) 8 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Managing Director, the Chief Financial Officer and the Group Finance Manager.

The Exco considers the business from geographic segment perspective. The Group operates in five main geographical segments (Singapore, Malaysia, United Kingdom, China and Middle East) by location of revenue and assets. Other geographical areas mainly comprise the Philippines, Vietnam, India, Australia, and Indonesia, none of which constitute a separately, reportable segment. All geographic locations are engaged in the trading in chemical and chemical-related products. In addition, the segment in Singapore also derives revenue from blending.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 32. Financial information by operating segments (cont'd)

As the revenue and assets for blending becomes a significant portion of the Singapore segment, the Exco considers it beneficial to review it as a separate business segment from the distribution activities of the Group.

The Exco assesses the performance of the operating segments based on net profit before tax.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

There are no customers with revenue transactions of over 10% of the Group revenue.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

### Profit or loss and reconciliations for geographical segments

	Singapore \$'000	Malaysia \$'000	United Kingdom \$'000	China \$'000	Middle East \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2023</b>								
<b>Sales</b>								
Total sales by segment	60,211	13,320	20,677	10,987	10,665	23,122	-	138,982
Inter-segment sales	(8,856)	(268)	(2,884)	(3,616)	(49)	(300)	-	(15,973)
	<u>51,355</u>	<u>13,052</u>	<u>17,793</u>	<u>7,371</u>	<u>10,616</u>	<u>22,822</u>	<u>-</u>	<u>123,009</u>
<b>Segment result</b>	<b>(5,603)</b>	<b>839</b>	<b>253</b>	<b>336</b>	<b>(98)</b>	<b>(286)</b>	<b>-</b>	<b>(4,559)</b>
Interest income								
- banks	-	-	-	-	-	-	85	85
Finance costs	-	-	-	-	-	-	(2,037)	(2,037)
Share of profit of associated companies	-	-	-	-	-	-	1,171	1,171
(Loss)/profit before income tax	<u>(5,603)</u>	<u>839</u>	<u>253</u>	<u>336</u>	<u>(98)</u>	<u>(286)</u>	<u>(781)</u>	<u>(5,340)</u>
Income tax expense	-	-	-	-	-	-	(455)	(455)
<b>Net (loss)/profit</b>	<b>(5,603)</b>	<b>839</b>	<b>253</b>	<b>336</b>	<b>(98)</b>	<b>(286)</b>	<b>(1,236)</b>	<b>(5,795)</b>
<b>Other segment items</b>								
Capital expenditure	1,064	411	17	8	8	100	-	1,608
Depreciation	676	288	98	69	138	176	-	1,445

## 32. Financial information by operating segments (cont'd)

## Assets and liabilities and reconciliations for geographical segments

	Singapore \$'000	Malaysia \$'000	United Kingdom \$'000	China \$'000	Middle East \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2023</b>								
<b>Segment assets</b>	<b>37,790</b>	<b>16,771</b>	<b>5,568</b>	<b>4,160</b>	<b>6,726</b>	<b>16,828</b>	<b>-</b>	<b>87,843</b>
Associated companies	-	-	-	-	-	-	8,386	8,386
Deferred tax assets	-	-	-	-	-	-	805	805
Interest earning cash balances	-	-	-	-	-	-	3,210	3,210
<b>Consolidated total assets</b>	<b>37,790</b>	<b>16,771</b>	<b>5,568</b>	<b>4,160</b>	<b>6,726</b>	<b>16,828</b>	<b>12,401</b>	<b>100,244</b>
<b>Segment liabilities</b>	<b>(10,782)</b>	<b>(1,305)</b>	<b>(1,840)</b>	<b>(933)</b>	<b>(928)</b>	<b>(2,327)</b>	<b>-</b>	<b>(18,115)</b>
Borrowings	-	-	-	-	-	-	(28,488)	(28,488)
Current income tax liabilities	-	-	-	-	-	-	(62)	(62)
Deferred tax liabilities	-	-	-	-	-	-	(419)	(419)
<b>Consolidated total liabilities</b>	<b>(10,782)</b>	<b>(1,305)</b>	<b>(1,840)</b>	<b>(933)</b>	<b>(928)</b>	<b>(2,327)</b>	<b>(28,969)</b>	<b>(47,084)</b>

## Profit or loss and reconciliations for geographical segments

	Singapore \$'000	Malaysia \$'000	United Kingdom \$'000	China \$'000	Middle East \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2022</b>								
<b>Sales</b>								
Total sales by segment	69,049	13,990	23,707	12,322	12,066	29,562	-	160,696
Inter-segment sales	(9,960)	(224)	(2,346)	(4,297)	(16)	(132)	-	(16,975)
	<u>59,089</u>	<u>13,766</u>	<u>21,361</u>	<u>8,025</u>	<u>12,050</u>	<u>29,430</u>	<u>-</u>	<u>143,721</u>
<b>Segment result</b>	<b>3,554</b>	<b>1,881</b>	<b>633</b>	<b>262</b>	<b>622</b>	<b>1,091</b>	<b>-</b>	<b>8,043</b>
Interest income - banks	-	-	-	-	-	-	45	45
Finance costs	-	-	-	-	-	-	(1,377)	(1,377)
Share of profit of associated companies	-	-	-	-	-	-	1,119	1,119
Profit before income tax	3,554	1,881	633	262	622	1,091	(213)	7,830
Income tax expense	-	-	-	-	-	-	(1,763)	(1,763)
<b>Net profit</b>	<b>3,554</b>	<b>1,881</b>	<b>633</b>	<b>262</b>	<b>622</b>	<b>1,091</b>	<b>(1,976)</b>	<b>6,067</b>
<b>Other segment items</b>								
Capital expenditure	803	738	13	5	-	106	-	1,665
Depreciation	683	205	78	75	157	154	-	1,352

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 32. Financial information by operating segments (cont'd)

### Assets and liabilities and reconciliations for geographical segments

	Singapore \$'000	Malaysia \$'000	United Kingdom \$'000	China \$'000	Middle East \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2022</b>								
<b>Segment assets</b>	49,253	17,026	8,474	5,308	7,919	19,433	-	107,413
Associated companies	-	-	-	-	-	-	7,901	7,901
Deferred tax assets	-	-	-	-	-	-	398	398
Interest earning cash balances	-	-	-	-	-	-	1,373	1,373
<b>Consolidated total assets</b>	49,253	17,026	8,474	5,308	7,919	19,433	9,672	117,085
<b>Segment liabilities</b>	(10,751)	(433)	(2,861)	(701)	(771)	(2,664)	-	(18,181)
Borrowings	-	-	-	-	-	-	(36,357)	(36,357)
Current income tax liabilities	-	-	-	-	-	-	(591)	(591)
Deferred tax liabilities	-	-	-	-	-	-	(216)	(216)
<b>Consolidated total liabilities</b>	(10,751)	(433)	(2,861)	(701)	(771)	(2,664)	(37,164)	(55,345)

### Profit or loss and reconciliations for business segments

	Distribution \$'000	Manufacturing \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2023</b>				
<b>Sales</b>				
Total sales by segment	119,354	4,429	-	123,783
Inter-segment sales	(57)	(717)	-	(774)
	119,297	3,712	-	123,009
<b>Segment result</b>	(4,312)	(247)	-	(4,559)
Interest income – banks	-	-	85	85
Finance costs	-	-	(2,037)	(2,037)
Share of profit of associated companies	-	-	1,171	1,171
Loss before income tax	(4,312)	(247)	(781)	(5,340)
Income tax expense	-	-	(455)	(455)
<b>Net loss</b>	(4,312)	(247)	(1,236)	(5,795)
<b>Other segment items</b>				
Capital expenditure	1,562	46	-	1,608
Depreciation	1,126	321	-	1,447



32. Financial information by operating segments (cont'd)

Assets and liabilities and reconciliations for business segments

	Distribution \$'000	Manufacturing \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2023</b>				
<b>Segment assets</b>	<b>81,438</b>	<b>6,405</b>	<b>-</b>	<b>87,843</b>
Associated companies	-	-	8,386	8,386
Deferred tax assets	-	-	805	805
Interest earning cash balances	-	-	3,210	3,210
<b>Consolidated total assets</b>	<b>81,438</b>	<b>6,405</b>	<b>12,401</b>	<b>100,244</b>
<b>Segment liabilities</b>	<b>(15,733)</b>	<b>(2,382)</b>	<b>-</b>	<b>(18,115)</b>
Borrowings	-	-	(28,488)	(28,488)
Current income tax liabilities	-	-	(62)	(62)
Deferred tax liabilities	-	-	(419)	(419)
<b>Consolidated total liabilities</b>	<b>(15,733)</b>	<b>(2,382)</b>	<b>(28,969)</b>	<b>(47,084)</b>

Profit or loss and reconciliations for business segments

	Distribution \$'000	Manufacturing \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2022</b>				
<b>Sales</b>				
Total sales by segment	139,821	4,694	-	144,515
Inter-segment sales	(60)	(734)	-	(794)
	139,761	3,960	-	143,721
<b>Segment result</b>	<b>7,565</b>	<b>478</b>	<b>-</b>	<b>8,043</b>
Interest income – banks	-	-	45	45
Finance costs	-	-	(1,377)	(1,377)
Share of profit of associated companies	-	-	1,119	1,119
Profit before income tax	7,565	478	(213)	7,830
Income tax expense	-	-	(1,763)	(1,763)
<b>Net profit</b>	<b>7,565</b>	<b>478</b>	<b>(1,976)</b>	<b>6,067</b>
<b>Other segment items</b>				
Capital expenditure	1,392	273	-	1,665
Depreciation	1,048	304	-	1,352

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

## 32. Financial information by operating segments (cont'd)

### Assets and liabilities and reconciliations for business segments

	Distribution \$'000	Manufacturing \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2022</b>				
<b>Segment assets</b>	100,719	6,694	-	107,413
Associated companies	-	-	7,901	7,901
Deferred tax assets	-	-	398	398
Interest earning cash balances	-	-	1,373	1,373
<b>Consolidated total assets</b>	<b>100,719</b>	<b>6,694</b>	<b>9,672</b>	<b>117,085</b>
<b>Segment liabilities</b>	(16,279)	(1,902)	-	(18,181)
Borrowings	-	-	(36,357)	(36,357)
Current income tax liabilities	-	-	(591)	(591)
Deferred tax liabilities	-	-	(216)	(216)
<b>Consolidated total liabilities</b>	<b>(16,279)</b>	<b>(1,902)</b>	<b>(37,164)</b>	<b>(55,345)</b>

## 33. Items in the statement of profit or loss and other comprehensive income

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	2023 \$'000	2022 \$'000
Fees on audit services to independent auditors:		
- Company's independent auditor	126	120
- Other independent auditors	99	98
Total	225	218
Other fees to independent auditors:		
- Company's independent auditor	19	19
- Other independent auditors	28	5
Total	47	24

## 34. Changes and adoption of financial reporting standards

For the current reporting year the ASC issued amendment to SFRS(I) 1 and Practice Statement 2 on disclosures of material accounting policy and other explanatory information. Immaterial information need not be disclosed. Disclosures should not obscure material accounting policy information (such as material information being obscured, or information regarding a material item, transaction or other event is scattered throughout the financial statements, etc). In addition, the ASC issued certain new or revised financial reporting standards. None had material impact on the Group.

**35. New or amended standards in issue but not yet effective**

For the future reporting years, the ASC issued certain new or revised financial reporting standards. Those applicable to the reporting entity for future reporting years are listed below.

<b>SFRS (I) No.</b>	<b>Title</b>	<b>Effective date for periods beginning on or after</b>
SFRS(I) 1-1	Presentation of Financial Statements- amendment relating to Classification of Liabilities as Current or Non-current	1 January 2024
SFRS(I) 1- 1	Presentation of Financial Statements- amendment relating to Non-current Liabilities with Covenants	1 January 2024
SFRS(I) 1-21	The Effects of Changes in Foreign Exchange Rates (amendment) Lack of Exchangeability	1 January 2025

The transfer to the applicable new or revised standards from the effective dates is not expected to result in any material modification of the measurement methods or the presentation in the financial statements for the following reporting year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

**36. Reclassification and comparative figures**

Certain reclassifications were made in the "Cash flows from operating activities" in the Consolidated Statement of Cash Flows for year ended 31 December 2022 to align to the current year's presentation.

# STATISTICS OF SHAREHOLDING

As At 8 March 2024

Number of Issued Shares	: 133,300,000
Class of Shares	: Ordinary
Voting Rights	: One vote per share
Number of Treasury Shares	: Nil
Number of Subsidiary Holdings	: Nil

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 8 MARCH 2024

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.57	143	0.00
100 – 1,000	36	10.29	27,068	0.02
1,001 – 10,000	168	48.00	1,027,300	0.77
10,001 – 1,000,000	133	38.00	8,156,624	6.12
1,000,001 AND ABOVE	11	3.14	124,088,865	93.09
<b>TOTAL</b>	<b>350</b>	<b>100.00</b>	<b>133,300,000</b>	<b>100.00</b>

## TWENTY-ONE LARGEST SHAREHOLDERS AS AT 8 MARCH 2024

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	39,995,670	30.00
2	CHEW CHOON TEE	38,449,716	28.84
3	RAFFLES NOMINEES (PTE) LIMITED	15,491,583	11.62
4	TAN BOCK CHIA	10,000,000	7.50
5	HONG LEONG FINANCE NOMINEES PTE LTD	9,005,000	6.76
6	HSBC (SINGAPORE) NOMINEES PTE LTD	2,794,000	2.10
7	CHONG SIEW LEE MICHELE (ZHANG SHULI MICHELE)	2,323,600	1.74
8	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,200,000	1.65
9	FUNG KOON YAU	1,428,000	1.07
10	CGS INTERNATIONAL SECURITIES SINGAPORE PTE. LTD.	1,340,007	1.01
11	YEO KAI HOE	1,061,289	0.80
12	DBS NOMINEES PTE LTD	836,000	0.63
13	OCBC NOMINEES SINGAPORE PTE LTD	496,000	0.37
14	LIAU BIN BIN	444,296	0.33
15	LEE SIEW TIONG	352,000	0.26
16	LIM AND TAN SECURITIES PTE LTD	300,000	0.23
17	CHAN KHAI LEONG	299,000	0.22
18	OCBC SECURITIES PRIVATE LTD	251,000	0.19
19	TAN KIM HEOH	207,000	0.16
20	ONG AH INN	200,000	0.15
21	LIM HIANG LAN	200,000	0.15
	<b>TOTAL</b>	<b>127,674,161</b>	<b>95.78</b>

## STATISTICS OF SHAREHOLDING

As At 8 March 2024

### SUBSTANTIAL SHAREHOLDERS AS AT 8 MARCH 2024

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
CHEW CHOON TEE	47,449,716	35.60	444,296	0.33
TAN BOCK CHIA	25,435,083	19.08	-	-
CHORI CO., LTD	39,976,670	29.99	-	-
TORAY INDUSTRIES, INC	-	-	39,976,670	29.99

#### Notes:

- 1) Chew Choon Tee is deemed to have an interest in the 444,296 shares held in the name of his spouse, Liau Bin Bin, by virtue of Section 7 of the Companies Act 1967.
- 2) 9,000,000 shares of Chew Choon Tee are held through nominees.
- 3) 15,435,083 shares of Tan Bock Chia are held through nominees.
- 4) 39,976,670 shares of Chori Co., Ltd are held through nominees.
- 5) Deemed interest arising from 39,976,670 shares held by Chori Co., Ltd. Toray Industries, Inc owns 51.25% of the issued share capital of Chori Co., Ltd.

### PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

14.92% of the Company issued paid-up capital is held in the hands of public. Accordingly, the Company had complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“AGM”) of the Company will be held at 11 Tuas Link 1, Singapore 638588 on Friday, 19 April 2024 at 10.00 a.m. to transact the following business:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Statement by Directors and Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To approve Directors’ fees of S\$202,000 for the financial year ending 31 December 2024 (2023: S\$202,000). **(Resolution 2)**
3. To note the retirement of the following Directors who are retiring pursuant to Regulation 117 of the Company’s Constitution and will not be seeking re-election as Directors of the Company:
  - (i) Mr Lee Bon Leong [*See Explanatory Note (i)*]
  - (ii) Mr Chan Kam Loon [*See Explanatory Note (ii)*]
  - (iii) Dr Tay Kin Bee [*See Explanatory Note (iii)*]
4. To re-appoint Messrs RSM SG Assurance LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 3)**

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

5. Authority to allot and issue shares and convertible securities **(Resolution 4)**
  - (a) “That pursuant to Section 161 of the Companies Act 1967, and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
    - (i) issue and allot shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise;
    - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued or other transferable rights to subscribe for or purchase Shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares;
    - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
  - (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

## NOTICE OF ANNUAL GENERAL MEETING

provided always that

- (i) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares of the Company.

For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this resolution is passed, after adjusting for;

- (a) new shares arising from the conversion or exercise of convertible securities, or
  - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and
  - (c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier."

*[See Explanatory Note (iv)]*

6. To approve the renewal of Interested Person Transactions Mandate

**(Resolution 5)**

"That:-

- (a) approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules ("Chapter 9"), for the Company, its subsidiaries and associated companies (if any) that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company's Letter to Shareholders dated 28 March 2024 (the "Letter"), with any party who is of the class of interested persons described in the Appendix to the Letter provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and in accordance with the Company's review procedures for such interested person transactions (the "IPT Mandate");
- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier; and

# NOTICE OF ANNUAL GENERAL MEETING

- (c) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or each of them may consider expedient, necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.”
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Kwok Hwee Peng  
Hon Wei Ling  
Company Secretaries

28 March 2024

## Explanatory Notes:-

- (i) Mr Lee Bon Leong will not be seeking re-election and will retire as Director of the Company on 19 April 2024 at the close of the AGM. Upon the retirement of Mr Lee Bon Leong as a Director of the Company, he will cease to be an Independent Director of the Company and will relinquish his position as Chairman of the Nominating Committee and as a member of the Audit and Remuneration Committees. The Board is cognizant of the requirements of Rule 704(7) of the Catalist Rules and will release the announcement regarding the appointment of the new Independent Director in due course.

*Key information on Mr Lee Bon Leong is found on page 19 of the Company's 2023 annual report.*

- (ii) Mr Chan Kam Loon will not be seeking re-election and will retire as Director of the Company on 19 April 2024 at the close of the AGM. Upon the retirement of Mr Chan Kam Loon as a Director of the Company, he will cease to be an Independent Director of the Company and will relinquish his position as Chairman of the Audit Committee and as a member of the Nominating and Remuneration Committees. The Board is cognizant of the requirements of Rule 704(7) of the Catalist Rules and will release the announcement regarding the appointment of the new Independent Director in due course.

*Key information on Mr Chan Kam Loon is found on page 21 of the Company's 2023 annual report.*

- (iii) Dr Tay Kin Bee will not be seeking re-election and will retire as Director of the Company on 19 April 2024 at the close of the AGM. Upon the retirement of Dr Tay Kin Bee as a Director of the Company, he will cease to be an Independent Director of the Company and will relinquish his position as Chairman of the Remuneration Committee and as a member of the Audit Committee. The Board is cognizant of the requirements of Rule 704(7) of the Catalist Rules and will release the announcement regarding the appointment of the new Independent Director in due course.

*Key information on Dr Tay Kin Bee is found on page 22 of the Company's 2023 annual report.*

- (iv) The ordinary resolution in item no. 5 is to authorise the Directors of the Company from the date of this Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100% of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 50% of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.



## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

1. The members of the Company (the **"Members"**) are invited to attend physically at the AGM. There will be no option for the Members to participate virtually.
2. Printed copies of this Notice of AGM, Proxy Form and the Request Form (to request for printed copy of the Annual Report) have been despatched to the Members and are also available on the Company's website at <http://megachem.listedcompany.com/newsroom.html> and SGX website at <https://www.sgx.com/securities/company-announcements>.
3. The Annual Report has been published and is available for download or online viewing by the Members on the Company's website at <http://megachem.listedcompany.com/newsroom.html> and SGX website at <https://www.sgx.com/securities/company-announcements>. Printed copies of the Annual Report will not be sent to the Members unless requested by the Members via the submission of the Request Form. Members who wish to receive a printed copy of the Annual Report are required to complete the Request Form and return it to the Company by **12 April 2024** by post to the Company's registered office at 11 Tuas Link 1, Singapore 638588; or if by email enclosing a clear scanned completed and signed Request Form, be received by Kwok Hwee Peng via email at [hpkwok@sg.megachem.com](mailto:hpkwok@sg.megachem.com).
4. Members (including investors who hold shares through the Relevant Intermediaries, including Central Provident Fund (**"CPF"**) Investment Scheme (**"CPF Investors"**) and/or Supplementary Retirement Scheme (**"SRS Investors"**) may participate in the AGM by:
  - (a) attending the AGM in person;
  - (b) raising questions at the AGM or submitting questions in advance of the AGM; and/or
  - (c) voting at the AGM (i) themselves personally; or (ii) through their duly appointed proxy(ies).

CPF Investors and SRS Investors who wish to appoint the Chairman of the AGM (and not third-party proxy(ies)) as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **10.00 a.m. on 8 April 2024**, being seven (7) working days prior to the date of the AGM.

To attend the AGM, please bring along your NRIC/passport so as to enable the Company to verify your identity. Members are requested to arrive early to facilitate the registration process.

5. A Member, who is not a Relevant Intermediary, is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her/its behalf at the AGM. A Member, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a Member.

Where such Member appoints two (2) proxies, the proportion of his/her/its shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her/its name in the Depository Register and any second named proxy as an alternate to the first named.

A Member, who is a Relevant Intermediary, is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

**"Relevant intermediary"** has the meaning ascribed to it in Section 181 of the Companies Act 1967.

6. A Member can appoint the Chairman of the AGM as his/her/its proxy but this is not mandatory.

If a Member wishes to appoint the Chairman of the AGM as proxy, such Member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the AGM as proxy. If no specific direction is given as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

# NOTICE OF ANNUAL GENERAL MEETING

7. The instrument appointing a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must be deposited in the following manner:

- (a) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619; or
- (b) if submitted electronically, be submitted via email to [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com).

in either case, by no later than **10.00 a.m. on 16 April 2024**, being at least 72 hours before the time appointed for holding the AGM. Members are strongly encouraged to submit the completed proxy forms electronically by email.

The instrument appointing the proxy(ies) must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the proxy(ies) is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

The Company shall be entitled to reject the instrument appointing the as proxy 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 instrument appointing the proxy (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the proxy).

In addition, in the case of Shares entered in the Depository Register maintained by The Central Depository (Pte) Limited, the Company may reject any instrument appointing the Chairman of the AGM 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 AGM.

8. Members may raise questions at the AGM and/or submit questions related to the Ordinary Resolutions to be tabled for approval at the AGM, in advance of the AGM. All questions, together with the members' full names, identification numbers, contact numbers and email addresses and manner in which they hold shares in Company (e.g. via CDP, CPF or SRS), must be submitted no later than **10.00 a.m. on 8 April 2024** via email to Kwok Hwee Peng at [hpkwok@sg.megachem.com](mailto:hpkwok@sg.megachem.com) or by post to the registered office of the Company at 11 Tuas Link 1, Singapore 638588.

The Company will endeavour to address all substantial and relevant questions submitted by the Members prior to 10.00 a.m. on 8 April 2024 via SGXNet by 12 April 2024 after 5.00 p.m. or during the AGM. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed. The Company will publish the responses made during the AGM to such questions together with the minutes of the AGM on the SGX website at <https://www.sgx.com/securities/company-announcements> and the Company's website <http://megachem.listedcompany.com/newsroom.html> within one (1) month after the date of the AGM.

## NOTICE OF ANNUAL GENERAL MEETING

### Personal Data Privacy

"**Personal data**" in this Notice of AGM has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes the Member's name and its proxy's and/or representative's name, address, email address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Member (i) consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the purpose of processing, administration and analysis by the Company (or its agents or service providers) of the proxies and representatives appointed for 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, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty. The Member's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared for the AGM. Accordingly, the personal data of a Member or its proxy and/or representative (such as his/her name, his/her presence at the AGM and any questions he/she may raise or motions he/she proposes/seconds) may be recorded by the Company for such purpose.

This page has been intentionally left blank

# MEGACHEM LIMITED

(Company Registration No.: 198803293M)  
(Incorporated in the Republic of Singapore)

## IMPORTANT

1. The Annual General Meeting ("AGM") will be held physically at the registered office of the Company. **Members have no option to participate virtually.**
2. For CPF Investors/SRS Investors who have used their CPF/SRS monies to buy the Company's shares, this Proxy Form is not valid to use by CPF Investors/SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF Investors/SRS Investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

## PROXY FORM

I/We \_\_\_\_\_ (Name) NRIC/Passport No \_\_\_\_\_  
of \_\_\_\_\_ (Address)  
being a member/member of Megachem Limited (the "Company"), hereby appoint:-

Name	Address	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy	
			No. of shares	(%)

\*and/or

Name	Address	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy	
			No. of shares	(%)

or failing the person, or either or both of the persons referred to above, the Chairman of the Annual General Meeting ("AGM") of the Company as \*my/our \*proxy/proxies to attend, speak and vote for \*me/us on \*my/our behalf at the AGM of the Company to be held at 11 Tuas Link 1, Singapore 638588 on 19 April 2024 at 10.00 a.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for, against or abstain the Resolutions proposed at the AGM as indicated hereunder.

No.	Resolutions	For*	Against*	Abstain*
<b>Ordinary Business</b>				
1.	To receive and adopt the Statement by Directors and Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Auditor's Report thereon.			
2.	To approve Directors' fees of S\$202,000 for the financial year ending 31 December 2024.			
3.	To re-appoint Messrs RSM SG Assurance LLP as auditors of the Company and to authorise the Directors to fix their remuneration.			
<b>Special Business</b>				
4.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act 1967.			
5.	To approve the renewal of Interested Person Transactions Mandate.			

\*If you wish to exercise all your votes "For", "Against" or "Abstain", please indicate with a "/" in the box provided. Alternatively, please indicate the number of shares as appropriate. If no specific direction as to voting is given, the proxy/proxies (except where the Chairman of the AGM is appointed as my/our proxy) will vote or abstain from voting at his/her/their discretion on any matter arising at the AGM and at any adjournment thereof. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as my/our proxy for that resolution will be treated as invalid.

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2024

**Total Number of Shares Held**

\_\_\_\_\_  
Signature(s) of Member(s) or  
Common Seal of Corporate Member

\*Delete accordingly

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company (other than a Relevant Intermediary\*) is entitled to attend and vote at the AGM or is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary\*) appoints two proxies, the proportion of his/her/its shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her/its name in the Depository Register and any second named proxy as an alternate to the first named.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by it. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in this Proxy Form.
5. Subject to note 10, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
6. This Proxy Form is not valid for use by investors who hold shares through Central Provident Fund ("CPF") Investment Scheme ("CPF Investors") and/or Supplementary Retirement Scheme ("SRS Investors") and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF and SRS Investors: (a) may vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or (b) may appoint the Chairman of the AGM as proxy to vote on their behalf at AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 10.00 a.m. on 8 April 2024, being at least seven working days prior to the date of the AGM.
7. The instrument appointing the proxy, together with the letter or power of attorney or other authority under which it is signed or a duly certified copy thereof (if applicable), must be submitted either:-
  - (a) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619; or
  - (b) if submitted electronically, be submitted via email to [sg.is.proxy@sg.tricorglobal.com](mailto:sg.is.proxy@sg.tricorglobal.com)in either case, by **10.00 a.m. on 16 April 2024**, being not less than seventy-two (72) hours before the time appointed for holding the Meeting (or any adjournment thereof) and in default the instrument of proxy shall not be treated as valid. Members are strongly encouraged to submit the completed proxy forms electronically by email.  
A member can appoint the Chairman of the Meeting as his/her/its proxy, but this is not mandatory.
8. The Proxy Form must be 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 either under its seal or under the hand of an officer or attorney duly authorised. Where a Proxy Form is signed on behalf of the appointor by an attorney, the letter or power of attorney 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.
9. The Company shall be entitled to reject the Proxy Form 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 Proxy Form. In addition, in the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company shall be entitled to reject any Proxy Form lodged if such members are not shown to have Shares entered against their names 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.
10. A CPF Investor or SRS Investor may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their respective CPF Agent Banks or SRS Operators to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.  
A Relevant Intermediary means:
  - (a) a banking corporation licensed under the Banking Act 1970 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;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, 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 a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 28 March 2024.

AFFIX  
STAMP

The Company Secretary  
**MEGACHEM LIMITED**  
c/o Tricor Barbinder Share Registration Services  
9 Raffles Place, #26-01 Republic Plaza,  
Singapore 048619

This page has been intentionally left blank

This page has been intentionally left blank







COMPANY REGISTRATION NO.: 198803293M  
11 TUAS LINK 1 SINGAPORE 638588  
TEL: (65) 6933 9999 FAX: (65) 6863 2818  
[www.megachem.com](http://www.megachem.com)