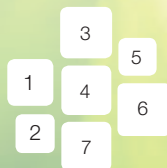


**METech**  
INTERNATIONAL

ANNUAL REPORT  
**2013**





1. Warehouse
2. Testing
3. Disassembly
4. Shredder Loading Worcester
5. Refurbishing
6. Laser Cutting CRT
7. Dismantling

# Mission

**To be a holistic provider of highly customized and flexible e-waste management solutions designed to fulfill environmental responsibilities of enterprises, manufacturers and local communities in North America and Asia.**

To achieve our mission, we create a synergistic value chain around:

- Recycle** – Disassembly and separation of e-waste into distinct materials
- Recover** – Extraction of precious metals
- Repair** – Restoration of useful electronic products
- Reuse** – Refurbishment for reselling to secondary electronics market

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# Chairman's Statement

## Metech – Making The Right Strides Forward

*“Despite the uncertainties in the global economic climate, I am pleased to share that we turned profitable in FY2013, reversing losses incurred since FY2009. I would like to thank everyone at Metech for contributing to that success and I expect our growth momentum to sustain through our ongoing business transformation efforts for FY2014.”*



### DEAR SHAREHOLDERS

FY2013 was a constructive and transformative year for Metech International Limited (“the Group” or “Metech”). We continued to build on our restructuring efforts and as a result, I am pleased to report that our resolve has started to pay off.

We recorded 11.2% growth in revenue to S\$29.3 million, led by our U.S. operations which accounted for 87% of the revenue. Net profit stood at S\$1.7 million for FY2013, reversing losses of S\$16.4 million in the previous corresponding year. In addition to posting a profitable fiscal year for the first time since FY2009, we also ended the year with a healthy net operating cash flow with no outstanding borrowings, and a cash position of S\$6.1 million.

This turnaround was largely due to operational restructuring, management reorganization, and the team’s ability to execute. Following these improvements in the Group’s financial metrics, Metech will be applying for removal from the SGX watch list.

### DRIVING THE TURNAROUND IN OUR U.S. OPERATIONS

A key area of focus was to build upon our restructured operations in the U.S.. Following our consolidation to the five facilities in that market, viz. Worcester

(Massachusetts), Creedmoor (North Carolina), Denver (Colorado), Salt Lake City (Utah) and Gilroy (California), we turned our attention to efforts that would lay the foundation for increased efficiency and improved profitability for our U.S. operations.

To increase automation, we invested in shredder production lines, allowing our plants to separate e-waste materials in a shorter time frame, therefore increasing overall processing capacity, while reducing labour costs. On the sales side, we stepped up efforts to grow existing anchored accounts, and began the year by setting clear goals for large multi-national accounts acquisition.

Through these initiatives, the Group saw an overall increase in the volume of electronic end-of-life (“EoL”) materials received and a better product mix of electronic materials which comprised better quality components, yielding higher recovery values.

Talent development was another area of investment during the course of the year. In the U.S., the position of Chief Operating Officer was created to optimise business operations by cascading best practices and improving operational controls.

### **CARVING AN ASIAN FOOTPRINT**

To align to the shifting global economic balance, we successfully created an Asian footprint to diversify our earnings stream. Metech Recycling Singapore recycles and recovers precious metals with the aim of offering comprehensive services ranging from the preliminary stages of e-waste collection to the trading of the recovered precious metals. Consequently, we also strengthened the management team to enhance competitiveness, streamline operations and deliver consistent and high customer services standard.

These strategic undertakings will enable Metech to further expand into the region.



### **“EXTENDING THE LIFE OF ALL ELECTRONICS”**

We firmly believe that the conservation of the Earth’s resources for future generations is a responsibility that we all bear. Metech’s new Vision, “Conserving Earth’s resources by extending the life of all electronics” reflects this sentiment.

As advocates for environmental sustainability, the Group will continue to help customers transform e-waste into reusable materials, while at the same time, focus on building a sustainable and profitable business that provides a synergistic value chain of e-waste management services.

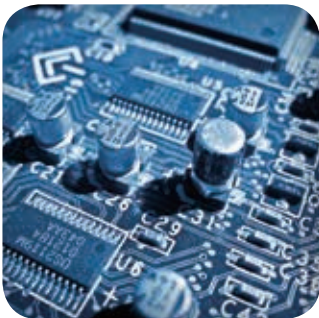
Looking ahead, the outlook for the e-waste management industry shows strong promise. Consumer preferences continue to shift towards green products, just as corporations continue to vigilantly pursue environmentally responsible practices, including reducing the use of raw materials. IDC estimated that the worldwide addressable market for electronic asset disposition amounted to US\$24 billion in 2012.

# Chairman's Statement

Leveraging on these trends, we plan to expand existing services and introduce new complementary offerings that revolve around the "4Rs" – Recycle, Recovery of precious metals, Reuse and Repair capabilities.

## PAVING THE PATH TO SUSTAINABILITY

With our presence across the U.S., we are confident of tapping on the multi-national companies and commercial entities that contribute to 74.1% of the electronics recycling market. We plan to scale up our operations in the high-tech centres of the West Coast, and we are also designing a major enterprise sales development program to enable our team to demonstrate greater strategic value to large enterprise accounts. At the same time, we will continue to increase the efficiency and processing capabilities of our plants through our mechanization initiative.



The U.S. economic recovery, though slow, has also seen a parallel increase in corporate profits, which could precipitate the next IT refresh cycle. In tandem with that, we are introducing a new business in Gilroy, California, to offer a reuse service that refurbishes electronic and electrical products bound for resale to secondary markets. Owing to our established presence in the U.S., we expect a low barrier to entry for this new reuse business, which should contribute to overall improved top and bottom-lines. Metech's Asian footprint also gives us the opportunity to explore Pan-Pacific trading to drive growth for this business unit.

On the back of the U.S. recovery, prospects in 2014 for Asia remains robust, with most economies expected to grow faster than in 2013. Metech's precious metals recovery facility in Singapore allows us to align the business to the next wave of growth in the region. The focus in the coming year will be to expand our base of multi-national enterprise customers and to explore new windows of opportunities presented by the Singapore government's recent announcement to make Singapore the next gold trading hub in Asia.

To keep pace with customer demands for more comprehensive value creation, another service that the Group is keen to add to its portfolio is repair capabilities that give new lease of life to electronic and electrical products that are damaged or defective. As a reflection of this intent, we are actively pursuing the relevant opportunities.

On the macro economic front, we continue to be wary of a few potential headwinds. The slow down of the growth in China, the tapering of Quantitative Easing in the U.S. and the increasingly volatile territorial disputes in the Asian waters – all these have the potential of triggering market uncertainty and diminishing corporate spending.

Barring these adverse turn of events, with a healthy balance sheet and a net cash position of S\$6.1 million, we are committed to guiding the Group towards sustainable growth and will enhance shareholder value by continuing to evaluate other business opportunities to develop additional revenue streams.

## OUR APPRECIATION

In support of the progressive refresh of the Board, Mr. Jen Shek Voon has cordially acceded to my request to step down at the upcoming AGM, and will not be offering himself for re-election. During his tenure with Metech, we have benefited greatly from his invaluable counsel and experience. We would like to thank Mr. Jen for his contributions and wish him all the best in his future endeavours.



On behalf of the Board of Directors, I would also like to record my appreciation to all shareholders, business partners, financial institutions and other key stakeholders who have worked closely with us on this journey. We look forward to their continued support in the year ahead.

At Metech, we believe that our people are the heart and soul of our turnaround story. I would like to thank the Board, management and staff whose tireless efforts have culminated in our success in the past year. I look forward to your continued dedication and contributions.

**Song Tang Yih**  
*Executive Chairman*

# Board of Directors



**SONG TANG YIH**  
Executive Chairman

Mr. Song Tang Yih joined the company in September 2012 as Non-Executive Chairman, and was subsequently re-designated as the Executive Chairman in November 2012. He is responsible for driving the growth of the company and increasing shareholder

value through well-executed strategic developments.

With 22 years of experience in the info-communication industry, he previously served as Vice President of Asia Pacific for Palo Alto Networks from 2010 to 2012, and before that, he had an eight-year stint at F5 Networks where he joined in 2002 and went on to lead as Vice President of Asia Pacific from 2007. Palo Alto Networks and F5 Networks are listed on NYSE and NASDAQ respectively. Mr. Song has a wealth of experience in bringing businesses to market across Asia Pacific through the expansion of offices and partners, as well as increasing their customer bases and profitability. His leadership in establishing a highly profitable business across nine markets in Asia Pacific for Palo Alto Networks helped the company achieve a successful IPO in 2012. Prior to that, he was instrumental in scaling F5 Networks to more than US\$125 million in sales and services in Asia Pacific.

Mr. Song started his career in this industry at IBM and Lotus Development which spanned for 10 years. He was also Vice President at OWW Capital Partners, a venture capital firm from 2000 to 2012.

Mr. Song graduated from the National University of Singapore with a Bachelor of Science degree.



**ANDREW ENG**  
President and  
Executive Director

Mr. Andrew Eng is the President and Executive Director of the company. He is presently responsible for the Group's business strategy and for steering the company's overall direction in electronics

waste and recycling management.

Prior to joining Metech, Mr. Eng was the CEO of Asia Pacific Metals Refiner Pte Ltd, which acquired the Singapore business of Centillion Environment & Recycling Limited, in March 2011. He successfully turned the company around in 9 months when the company returned to profitability in 2012.

Mr. Eng also has more than 20 years of experience in financial advisory, where the Premier Association of Financial Professionals consistently ranked him in the top 5% of the global financial industry. In addition, Mr. Eng was the chairman of an investment holding company that managed a portfolio of about S\$35 million for 4 years.

Preceding his entry into the financial advisory industry, he served in the Singapore Police Force till 1991. On the social service scene, Mr. Eng serves as the Vice-Chairman of Life Care Society, a charitable organization that provides financial assistance, education and support to the needy in Nepal and China. He previously led the same organization as Chairman for 4 years.

Mr. Eng graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical).



**JEN SHEK VOON**  
Deputy Chairman and  
Lead Independent  
Director

Mr. Jen joined the Board of Directors of the company in October 2006 and was subsequently appointed Deputy Chairman and Lead Independent Director. He is

responsible for the oversight of the organization in the matters of corporate governance and acts as a check and balance on the board's management.

With more than 30 years of experience in the field of accounting, Mr. Jen is a member of the Institute of Singapore Chartered Accountants. He leads the company's Audit Committee as Chairman and concurrently serves on the Nominating and Remuneration Committees. He has been managing his own accounting firm since 2003 and had previously accumulated 22 years of professional knowledge and experience at Ernst & Young where he left in 2002 as a Senior Partner. He is also Independent and Non-Executive Director of a number of companies listed on the various stock exchanges in Singapore, Malaysia and Hong Kong.

Mr. Jen graduated from the University of Singapore with a Bachelor of Accounting Honours degree and holds a Masters in Commerce from the University of New South Wales, Sydney, Australia, and is a Fellow of the Singapore Institute of Directors, the Institute of Chartered Accountants in Australia, Taxation Institute of Australia and the UK Association of Chartered Certified Accountants.



**KHOR CHECK KIM**  
Independent  
Non-Executive Director

Mr. Khor Check Kim is an Independent Non-Executive Director at Metech, and has 30 years of experience in the IT and telecommunication sectors. As a former IT Director at the Ministry of Defence, Mr Khor provides

connectivity to government sector and technology providers and offers valuable guidance in IT asset disposal, given his expertise in end-user IT systems and processes.

At the Ministry of Defence, Mr. Khor was responsible for in-house software development, implementation, operations and support. There, he was instrumental in the implementation of various IT systems as well as security policies and solutions. Mr Khor has also worked at Hewlett Packard where he headed the data centre outsourcing business unit.

Mr. Khor's knowledge in end-user IT systems and processes has been highly sought after, and he is currently serving as a consultant to Singapore Technologies Electronics Limited and PCS Security, two of the leading IT system integrators in Singapore.

Mr. Khor possesses a Master of Science in Computing from Imperial College, U.K., as well as a Master of Business Administration from the University of Strathclyde, U.K. He has also completed the General Management Programme from Harvard Business School.

# Board of Directors



**DEREK LOH**  
Independent  
Non-Executive Director

Mr. Derek Loh was first appointed as Non-Executive Director in February 2010 and was later re-designated as Independent Director in November 2011. He presently serves as Chairman of the Remuneration Committee

and is also part of the Nominating Committee of the company. His responsibilities include oversight of corporate affairs and participation in the process of appointment, assessment and remuneration of directors. Mr. Loh has been practising as an Advocate & Solicitor in Singapore for 20 years. He is also an Independent Director in other listed companies based in Singapore and Vietnam.



**FRANCIS LEE  
FOOK WAH**  
Independent  
Non-Executive Director

Mr. Francis Lee is an Independent Non-Executive Director at Metech, and chairs the Group's Nominating Committee. Francis brings with him 20 years of experience in the

financial sector, and provides the Group with strategic advice in the areas of appointment and assessment of directors.

Mr. Lee is a Director of Wise Alliance Investments Ltd, a foreign incorporated company focusing on investments in equities and fixed income instruments. Prior to this, he spent about five and a half years with Man Wah Holdings Ltd, a company listed on the Hong Kong Exchange, as its Chief Financial Officer where he oversaw the accounting functions, corporate regulatory compliance and reporting of the company. He was also the Finance and Executive Director of Man Wah Holdings Ltd. Apart from Metech, Mr. Lee is also an Independent Director of three other SGX listed companies.

Mr. Lee graduated from National University of Singapore with a Bachelor's Degree in Accountancy and holds a Master of Business Administration from University of Hull.



# The Management Team

## SENIOR EXECUTIVE MANAGEMENT

### GROUP



**SONG TANG YIH**  
Executive Chairman

Mr. Song Tang Yih joined the company in September 2012 as Non-Executive Chairman, and was subsequently re-designated as the Executive Chairman in November 2012. He is responsible for driving the growth of the company and

increasing shareholder value through well-executed strategic developments.

With 22 years of experience in the info-communication industry, he previously served as Vice President of Asia Pacific for Palo Alto Networks from 2010 to 2012, and before that, he had an eight-year stint at F5 Networks where he joined in 2002 and went on to lead as Vice President of Asia Pacific from 2007. Palo Alto Networks and F5 Networks are listed on NYSE and NASDAQ respectively. Mr. Song has a wealth of experience in bringing businesses to market across Asia Pacific through the expansion of offices and partners, as well as increasing their customer bases and profitability. His leadership in establishing a highly profitable business across nine markets in Asia Pacific for Palo Alto Networks helped the company achieve a successful IPO in 2012. Prior to that, he was instrumental in scaling F5 Networks to more than US\$125 million in sales and services in Asia Pacific.

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President and  
Executive Director

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in electronics waste and recycling management.

Prior to joining Metech, Mr. Eng was the CEO of Asia Pacific Metals Refiner Pte Ltd, which acquired the Singapore business of Centillion Environment & Recycling Limited, in March 2011. He successfully turned the company around in 9 months when the company returned to profitability in 2012.

Mr. Eng also has more than 20 years of experience in financial advisory, where the Premier Association of Financial Professionals consistently ranked him in the top 5% of the global financial industry. In addition, Mr. Eng was the chairman of an investment holding company that managed a portfolio of about S\$35 million for 4 years.

Preceding his entry into the financial advisory industry, he served in the Singapore Police Force till 1991. On the social service scene, Mr. Eng serves as the Vice-Chairman of Life Care Society, a charitable organization that provides financial assistance, education and support to the needy in Nepal and China. He previously led the same organization as Chairman for 4 years.

Mr. Eng graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical).

# The Management Team



**BENNY LIM**  
Group Chief Financial Officer

Mr. Benny Lim joined Metech in 2012 as the Group Financial Controller and was re-designated as Group Chief Financial Officer in 2013. As a key member of the Group's executive team, Mr. Lim sets and oversees

its overall financial objectives. He also provides business planning and forecasting to supplement the Chairman's strategic plans. His responsibilities also include treasury duties and investor relations. In addition, Mr. Lim is Executive Director of Metech Recycling Inc, the Principal subsidiary of the Group and part of the US executive management team. In this capacity, he assists the management team of Metech Recycling US to map financial plans and strategies to grow the US business.

With more than 10 years of experience in the assurance and business advisory industry, Mr. Lim led teams at PricewaterhouseCoopers, Deloitte & Touche on business advisory engagements for financial institutions and MNCs across South East Asia. He also managed the Financial Risk Management desk which provided advisory on financial and business risks to corporate treasuries.

Mr. Lim graduated from Nanyang Technological University with a Bachelor in Accountancy and is a member of the Institute of Singapore Chartered Accountants.



## ASIA OPERATIONS



**MARCUS SIN**  
Group Senior Vice President, Business Operations and Developments

Mr. Marcus Sin joined the Group in early 2013 as the Senior Vice President and is responsible for the business operations and developments of

the company. He concurrently manages the Group's Singapore operations as Managing Director of Metech Recycling (Singapore) Pte Ltd.

Prior to joining Metech, Mr. Sin spent ten years with Tetra Pak where he was posted to various countries such as Sweden, Taiwan and China. In his last role at the company, he was based in Singapore as the Global Senior Manager of Tetra Pak Global Information Management, and was responsible for driving SAP operations to support business strategies conformation, continuous IT improvements and process-oriented initiatives.

With 15 years of experience in SAP solutions, during his stint at TRW Systems Overseas Inc. he specialized in SAP R/3 and management consulting across America, Europe and Asia-Pacific. Groomed under the TRW management programme, Mr. Sin became its Consulting Manager responsible for the profitability of its operations.

In his personal time, he also lends his leadership experiences to Life Care Society, a charitable organization. As Chairman, he guides the organization's efforts in providing financial assistance, education and support to the needy in Nepal and China. Mr. Sin graduated from the Queensland University of Technology, Australia with a Bachelor of Information Technology.

## **U.S. OPERATIONS**



**CHRIS RYAN**  
President of Metech USA  
Operations

Mr. Chris Ryan joined Metech in 1998 as a member of the US East Coast sales team and developed its e-scrap recycling business. He was subsequently appointed as President of Metech Recycling in 2010

and currently manages the company's US operations. In leading the transition of Metech to a national, full service e-waste recycling company in the US, Mr. Ryan was responsible for doubling its top-end revenue and solidifying its position in the electronics recycling industry.

Prior to joining Metech, Mr. Ryan worked in the alternative energy systems, waste-to-energy, and plastics recycling industries. He was involved in the design and construction of several projects involving the pyrolytic conversion of mixed biomass wastes to fuel using fluidized bed gasification technology. In the plastics recycling field, while under contract with the (former) American Plastics Council, he conducted early research and development of technologies used for recycling of plastics from durable goods, including electronic equipment.

Mr. Ryan graduated from University of Massachusetts, Amherst with a Bachelor degree in Mechanical Engineering.

## **LEADERSHIP TEAM**

### ***Group***

**JANNIE TAM**  
Group Financial Controller

### ***Asia Operations***

**LAU CHIN GUAN**  
Director, Operations & Business Development

**CHAN MAY LENG**  
Controller

### ***U.S. Operations***

**ANDREW MCMANUS**  
Chief Operations Officer

**MARY JO LOCKBAUM**  
Senior Vice-President, Compliance, Quality, and Sustainability

**RICHARD CHENOWORTH**  
Regional Vice-President, Business Development & Sales

**MICHAEL MCMORROW**  
Controller

# Corporate Information

## BOARD OF DIRECTORS

Song Tang Yih  
(Executive Chairman)  
Andrew Eng  
(President and Executive Director)  
Jen Shek Voon  
(Deputy Chairman and Lead Independent Director)  
Derek Loh  
(Independent Non-Executive Director)  
Francis Lee Fook Wah  
(Independent Non-Executive Director)  
Khor Check Kim  
(Independent Non-Executive Director)

## AUDIT COMMITTEE

Jen Shek Voon (Chairman)  
Francis Lee Fook Wah  
Derek Loh

## NOMINATING COMMITTEE

Francis Lee Fook Wah (Chairman)  
Derek Loh  
Jen Shek Voon  
Khor Check Kim

## REMUNERATION COMMITTEE

Derek Loh (Chairman)  
Francis Lee Fook Wah  
Jen Shek Voon  
Khor Check Kim

## SECRETARY

Shirley Lim

## REGISTERED OFFICE

65 Tech Park Crescent  
Singapore 637787  
Tel: 65 62644338  
Fax: 65 68632035  
Email: [info@metechinternational.com](mailto:info@metechinternational.com)  
Website: [www.metechinternational.com](http://www.metechinternational.com)

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623  
Tel: 65 6536 5355  
Fax: 65 6536 1360

## AUDITORS

Moore Stephens LLP  
10 Anson Road #29-15  
International Plaza  
Singapore 079903

## AUDIT PARTNER-IN-CHARGE

Chris Johnson  
Appointed since 2012

## PRINCIPAL BANKERS

Hong Leong Finance Limited  
Oversea-Chinese Banking Corporation Limited  
The Hong Kong and Shanghai Banking Corporation Limited

# Corporate Governance Report

The Board of Directors of Metech International Limited (“Metech” or the “Group”) is committed to achieving and maintaining high standards of corporate governance within the Metech Group. Metech recognizes the importance of good corporate governance for continued growth and investors’ confidence. We continuously review and improve our principles and practices so as to ensure that they stay relevant.

We have adhered to the principles and guidelines of the Code of Corporate Governance 2012 (“Code”) and any deviances from the Code are explained in this report.

## BOARD MATTERS

### Board’s Conduct of Affairs

*Effective Board to lead and control (Principle 1)*

The key roles of the Board of Directors (the “Board”) are to protect and enhance long term shareholder value and returns, set the Group’s corporate strategies and directions, oversee management of the Group’s business affairs, financial performance and key operational initiatives, and implementations of risk management policies and practices.

The Board is also responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

The Executive Chairman plays an active role in the management of the Group and the formulation of corporate strategies and is also responsible for the day-to-day operations and administration of the Group.

The Board comprises the following directors:

Song Tang Yih	–	Executive Chairman
Andrew Eng	–	Executive Director and President
Jen Shek Voon	–	Deputy Chairman and Lead Independent Director
Derek Loh	–	Independent Non-Executive Director
Francis Lee Fook Wah	–	Independent Non-Executive Director
Khor Check Kim	–	Independent Non-Executive Director

To ensure efficient discharge of its duties and effective independent oversight of the Management, the Board has established the following board committees, primarily made up of independent and Non-Executive directors:

- *Audit Committee (“AC”)*  
The AC comprises Mr Jen Shek Voon (AC Chairman) Mr Francis Lee Fook Wah and Mr Derek Loh, all of whom, including the Chairman, are Independent Non-Executive Directors.
- *Nominating Committee (“NC”)*  
The NC comprises Mr Francis Lee Fook Wah (NC Chairman), Mr Derek Loh, Mr Jen Shek Voon and Mr Khor Check Kim, all of whom, including the NC Chairman, are independent. The NC Chairman is not directly associated with any substantial shareholder.

# Corporate Governance Report

- *Remuneration Committee ("RC")*  
The RC oversees the remuneration policy and is chaired by Mr Derek Loh with Mr Francis Lee Fook Wah, Mr Jen Shek Voon and Mr Khor Check Kim as its members. All members of the RC are Independent Non-Executive Directors.

These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board.

Dates of Board, Board Committee and Annual General Meetings are scheduled one year in advance in consultation with the Directors to assist them in planning their attendance. Directors can also take full advantage of telephonic attendance and conference via audio-visual communication at Board Meetings as permitted by the Company's Articles of Association. Decisions of the Board and Board Committees may also be obtained via circular resolutions.

The Board Meetings are held on a quarterly basis to review and approve the release of the quarterly results and discuss reports by Management on the performance of the Group, its plans and prospects. Additional meetings are also held to specifically consider other issues arising during the year. Directors are free to discuss and voice their concerns on proposals that are raised for the Board's consideration and approval. To ensure sound corporate governance and independent business judgment, all Board Meetings require at least one Independent Director to form a quorum.

The Company believes that the contributions of the Directors can be measured by means other than the attendance at such meetings. A Director is appointed on the strength of his caliber, knowledge and his ability to contribute to the proper guidance of the Company and its businesses. His contributions may be in many forms such as the Management's access to him for guidance or exchange of views outside the formal environment of Board Meetings and also his potential to bring relations, which are strategic to the interests of the Group.

The Group has adopted a set of internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Under the financial authorisation and approval limits, approval sub-limits are provided at management levels to facilitate operational efficiency.

The Company has in place internal guidelines on a number of corporate events and actions for which Board approval is required. They include the following:

- (a) approval of results announcement;
- (b) approval of the annual report and accounts;
- (c) declaration of interim and/or proposal of final dividends;
- (d) authorization of new banking facilities;
- (e) approval of change in corporate strategy;

# Corporate Governance Report

- (f) convening of shareholders' meeting; and
- (g) approval of acquisitions and disposals and funding of investments.

Newly appointed Directors are provided with relevant materials concerning the Company and informal sessions with the Executive Directors to acquaint themselves with the Group's history, strategic direction and industry-specific knowledge, business and governance practices. Directors also have the opportunity to visit the Group's operational facilities and meet the Management to gain a better understanding of the Group's business operations. All Directors are free to participate in seminars and/or discussion groups and are updated on developments in the operating environment, particularly on relevant new laws and regulations.

Newly appointed Directors have been advised of their statutory and other duties and responsibilities as Directors. The Company encourages the Directors to attend training courses organized by the Singapore Institute of Directors or other training institutions in connection with their duties.

## The Directors' Attendances at the meetings of the Board and Board Committee Meetings held for the year ended 30 June 2013.

	Committees			
	Board	Audit	Remuneration	Nominating
No of Meetings Held	5	4	1	1
<b>Directors</b>	<b>No. of Meetings Attended</b>			
Song Tang Yih <sup>1</sup>	4	NA	NA	NA
Simon Eng <sup>2</sup>	1	NA	NA	NA
Andrew Eng <sup>3</sup>	4	NA	NA	NA
Jen Shek Voon	5	4	–	–
Derek Loh	5	1	1	1
Li Ling Xiu <sup>4</sup>	3	3	NA	NA
(Alternate: Chow Hock Meng)				
Francis Lee Fook Wah <sup>5</sup>	4	3	1	1
Khor Check Kim <sup>6</sup>	NA	NA	NA	NA

<sup>1</sup> Song Tang Yih was appointed on 1 September 2012.

<sup>2</sup> Simon Eng resigned with effect from 1 September 2012.

<sup>3</sup> Andrew Eng ceased to be an alternate director to Simon Eng on 1 September 2012 and was appointed as Executive Director with effect from 1 September 2012.

<sup>4</sup> Li Ling Xiu resigned with effect from 26 March 2013.

<sup>5</sup> Francis Lee Fook Wah was appointed on 1 August 2012.

<sup>6</sup> Khor Check Kim was appointed on 5 July 2013.

# Corporate Governance Report

## **Board Composition and Guidance**

*Strong and independent Board exercising objective judgment (Principle 2)*

The Board presently comprises 6 Directors, two of whom are Executive Directors, with the remaining 4 directors being Independent Non-Executive Directors. The Board is able to exercise objective judgment on the Company's corporate affairs, as the Independent Directors are able to contribute their independent views and provide a strong and independent element to the Board. The Board has adopted the definition in the Code of what constitutes an Independent Director in its review of the independence of each Director. The Independent Directors are independent of substantial shareholders of the Company. Profiles of the Directors are set out in the Board of Directors section of the Annual Report.

The composition of the Board takes into consideration of the nature and scope of the Group's operations to facilitate effective decision-making. The NC is of the view that the current Board comprises business leaders, professionals with financial backgrounds and practicing lawyers who as a group, provides core competencies necessary to meet the Company's objectives. The Board will continually review its composition and size to determine its impact upon its effectiveness.

## **Chairman and Chief Executive Officer**

*Chairman and Chief Executive Officer to be two separate persons to ensure clear division of responsibilities and balance of power and authority (Principle 3)*

Mr Song Tang Yih is the Chairman and Executive Director who also assumes the role of the Chief Executive Officer ("CEO") of the Group. He bears both the responsibility for the workings of the Board as well as the executive responsibilities for the Group's business.

As the Chairman and Executive Director he ensures that board meetings are held when necessary to enable the Board to perform its duties and facilitates the Group's operations and sets the Board meeting agenda in consultation with the Directors. He reviews most board papers before they are presented to the Board and ensures that board members are provided with complete, adequate and timely information. As a general rule, board papers are sent to Directors in advance in order for Directors to be adequately prepared for the meetings. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the board meeting. The Chairman assists to ensure that procedures are introduced to comply with the Code.

Mr Song has overall responsibility for the management and daily operations of the Group. He is supported by the President and other management staff, none of whom is related to one another.

The Board is of the view that there is already sufficiently strong and independent elements on the Board to enable independent exercise of objective judgment on affairs and operations of the Group by members of the Board, taking into account factors such as the number of Independent Directors and Non-executive Directors on the Board, the appointment of a Lead Independent Director as well as the contributions made by each member at Board meetings. All members of the NC, RC and AC are Independent Directors.

In view of the above, the Board is of the opinion that the role of Mr Song as Chairman and Executive Director of the Group concurrently does not affect the independence of the Board.

# Corporate Governance Report

## Board Membership

*Formal and transparent process for the appointment and re-election of directors (Principle 4)*

One-third of the Directors are required to retire and subject themselves to re-election by shareholders at every Annual General Meeting (“AGM”) and they are required to retire once every three years. All Directors except for the CEO are subject to retirement in accordance with the provisions of the Company’s Articles of Association. The CEO would not be subject to retirement by rotation as he holds an important role in the success of the Company. The NC all of whom are independent non-executive directors, reviews and considers the retirement and re-election of directors prior to seeking shareholders’ approval at the AGM. It has adopted specific terms of reference and its principal function is as follow:

- establish the criteria and desirable attributes of new appointees to the Board and to make recommendations to the Board on all Board appointments;
- make recommendations on all nominations of Directors annually, guided by the independent guidelines contained on the Code; and
- assess the performance of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board.

In identifying new appointment of Directors, the Board considers the range of skills and experience required in the light of:

- (a) the geographical spread and diversity of the Groups’ businesses;
- (b) the strategic direction and progress of the Group;
- (c) the current composition of the Board; and
- (d) the need for independence.

Annually, the NC reviews and assesses the independence of each director based on the criteria in the Code. The directors are required to complete and return a questionnaire for review by the NC.

The NC is responsible for identifying and recommending to the Board new Board members, after considering the necessary and desirable competencies. Accordingly, in selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. In doing so, the NC will have regard to the results of the annual appraisal of the Board’s performance. The NC may engage consultants to undertake research on, or assess, candidates for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities.

Pursuant to the Company’s Articles of Association, Mr Jen Shek Voon, Mr Derek Loh and Mr Khor Check Kim are retiring by rotation and will all, except for Mr Jen, submit themselves for retirement and re-election by the shareholders at the forthcoming Annual General Meeting (“AGM”). Mr Jen has acceded to the Chairman’s request to step down at the date of the AGM in support of the progressive refreshing of the Board.

# Corporate Governance Report

## Board Members

Directors	Position	Date of first appointment	Date of last re-election	Nature of appointment
Song Tang Yih	Chairman	1 September 2012	29 October 2012	Non-independent / Executive
Andrew Eng	President	1 September 2012	29 October 2012	Non-independent / Executive
Jen Shek Voon*	Director	27 October 2006	28 October 2010	Independent / Non-executive
Derek Loh*	Director	10 February 2010	28 October 2010	Independent / Non-executive
Francis Lee Fook Wah	Director	1 August 2012	29 October 2012	Independent / Non-executive
Khor Check Kim*	Director	5 July 2013	–	Independent / Non-executive

\* Up for re-election

## Board Performance

*Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director (Principle 5)*

The Board, through the delegation of its authority to the NC, ensures that Directors appointed to the Board possess the background, experience and knowledge in disciplines and skills critical to the Group's business and that each Director, through his unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. The criteria for the appointment of a Director are driven by the need to position and shape the Board in line with the needs of the Company and its business.

The Board is of the view that the financial parameters recommended by the Code as performance criteria for the evaluation of Directors' performance may not fully measure the long term success of the Company and is less appropriate for the Non-Executive Directors and Board's performance as a whole.

The NC has decided, in consultation with the Board, on how the Board should be evaluated and has selected a set of performance criteria that is linked to long-term shareholder value, to be used for performance evaluation of the Board.

A formal process is adopted to assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board by taking into account the complementary and collective nature of the Directors' contribution and of each individual Director.

Though some of the Board members have multiple board representations, the NC is satisfied that the Directors have devoted sufficient time and attention to the Group.

# Corporate Governance Report

## **ACCESS TO INFORMATION AND ACCOUNTABILITY**

*Board members to have complete, adequate and timely information (Principle 6)*

*Board's accountability to the shareholders and Management's accountability to the Board (Principle 10)*

Directors are furnished with information on matters to be considered at Board meetings through the circulation of comprehensive Board papers to ensure that Directors are provided with timely and adequate information from the management. The Board papers include sufficient information on financial, business and corporate issues to enable the Directors to be properly briefed on issues considered at the Board meetings. Where necessary, senior members of the management staff or external consultants engaged on specific projects are available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings.

The Directors, in furtherance of their duties are allowed to seek and obtain legal and other independent professional advice, if necessary, at the Company's expense, concerning any aspect of the Group's operations or undertakings.

All Directors are, from time to time, furnished with information concerning the Company to enable them to be fully cognizant of the decisions and actions of the Company's executive management. The Board has unrestricted access to the Company's access records and information. The Directors may also liaise with the senior management as and when required to seek additional information. In addition, the Directors have separate and independent access to the Company Secretary, who is responsible to the Board for ensuring that established procedures and relevant statutes and regulations are complied with.

The Management provides the Executive Directors with detailed management accounts of the Group's performance, position and prospects on a monthly basis. The Management feels that this is sufficient and if there are any material deviations, the Non-Executive Directors will be informed immediately.

During the quarterly review of financial results, the Executive Chairman and Group Chief Financial Officer are also present to address any queries that the Board may have. Further, internal procedures have been put in place to enable each member of the Board reviewing the interim financial statements to immediately raise any material information known to him which may render the interim financial results to be false or misleading prior to their release to SGX. Should there be any significant adverse issue(s) raised by the AC or Board member which may affect the results in a material way, the scheduled date of the results announcement will be postponed to allow time for investigation or further review.

The Board is accountable to the shareholders. It is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects when presenting financial and other price sensitive public reports, and reports to regulators.

# Corporate Governance Report

## REMUNERATION MATTERS

### Procedure for Developing Remuneration Policies

*Formal and transparent procedure for fixing the remuneration packages of individual directors (Principle 7)*

### Level and Mix of Remuneration

*Remuneration of directors to be adequate and not excessive (Principle 8)*

### Disclosure of Remuneration

*Clear disclosure on remuneration policy, level and mix of remuneration, and the procedure for setting remuneration (Principle 9)*

The remuneration policy of the Group is to provide compensation packages at market rates, reward successful performance, and attract, retain and motivate managers and Directors. The remuneration packages take into account the performance of the Group and the individual Directors.

The RC recommends to the Board a framework of remuneration for the Directors and senior executives, and determines specific remuneration package for the Executive Directors. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC.

To enable it to carry out its duties, the RC has access to expert professional advice on human resource matters whenever there is a need to consult externally.

Both the Chairman and the President, as Executive Directors, do not receive any Director's fee. As lead members of the Management, their remuneration consists of a basic salary component and a variable component (annual bonus), which is based on the Group's performance and their individual performance.

Non-Executive Directors are remunerated via Director's fees, which is based on a scale of fees divided into basic retainer fees and service on Board committees. Directors' fees are subject to approval by shareholders at AGM.

Directors' fees totalled \$100,000 in 2013 (2012: \$100,000) and were derived using the following rates:

<b>Board of Directors</b>	<b>2013</b>	<b>2012</b>
• Basic Fee	\$24,000	\$24,000
• Chairman's allowance	\$10,000	\$10,000
<b>Board Committees</b>		
• Audit Committee Chairman's allowance	\$8,000	\$8,000
• Other Committee Chairman's allowance	\$2,000	\$2,000
• Committee member's allowance	\$1,000	\$1,000

# Corporate Governance Report

## Breakdown of Directors' Remuneration

Directors	Remuneration Band	Salary	Bonus	Fees	Other Benefits	Total
Song Tang Yih	Below \$250,000	91	–	–	9	100
Andrew Eng	Above \$250,000	91	–	–	9	100
Jen Shek Voon	Below \$250,000	–	–	100	–	100
Derek Loh	Below \$250,000	–	–	100	–	100
Francis Lee Fook Wah <sup>1</sup>	Below \$250,000	–	–	100	–	100
Khor Check Kim <sup>2</sup>	Below \$250,000	NA	NA	NA	NA	NA
Li Ling Xiu <sup>3</sup>	Below \$250,000	–	–	100	–	100
Simon Eng <sup>4</sup>	Below \$250,000	–	–	100	–	100

<sup>1</sup> Appointed on 1 August 2012

<sup>2</sup> Appointed on 5 July 2013

<sup>3</sup> Resigned with effect on 26 March 2013

<sup>4</sup> Resigned with effect on 1 September 2012

## Breakdown of Top Management's Remuneration

Name	Remuneration Band	Salary	Bonus	Fees	Other Benefits	Total
Song Tang Yih	Below \$250,000	91	–	–	9	100
Andrew Eng	Above \$250,000	91	–	–	9	100
Marcus Sin Joo Siong	Below \$250,000	94	–	–	6	100
Benny Lim	Below \$250,000	94	–	–	6	100
Christopher Ryan	Below \$250,000	93	–	–	7	100

No employee of the Group is an immediate family member of any Director whose remuneration exceeded S\$150,000 during the financial year.

## INTERNAL CONTROL AND AUDIT COMMITTEE

*Establishment of Audit Committee with written terms of reference (Principle 11)*

The AC is guided by its terms of reference that set out its duties and responsibilities to assist the Board to maintain a high standard of Corporate Governance, particularly by providing an independent review of the effectiveness of the financial reporting, management of financial and control risks, and monitoring of the internal control systems. The AC has power to conduct or authorise investigations into any matters within the AC's scope of responsibility. It has also been given reasonable resources to enable it to perform its function properly.

# Corporate Governance Report

The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities.

During the financial year, the AC held four meetings. The external auditors, Executive Directors and CFO were invited to attend the meetings of the committee.

The AC meets periodically with the Group's external auditors to review accounting, auditing and financial reporting matters so as to ensure that effective control environment is maintained in the Group. Specifically, the AC:

- (a) reviews and evaluates the financial and operating results and accounting policies;
- (b) reviews audit plans and scope of audit examination of the external audit and the auditors' evaluation of the system of internal accounting controls arising from the audit and audit reports and matters which the external auditors wish to raise;
- (c) reviews the annual and quarterly financial statements and announcements to shareholders before submission to the Board for adoption;
- (d) reviews the transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual ("Listing Manual"); and where necessary, reviews and seeks approval for interested person transactions;
- (e) reviews the non-audit services provided by the external auditors and whether the provision of such services affects their independence; and
- (f) considers the appointment/re-appointments of external auditors and matters relating to the resignation of dismissal of external auditors.

The AC has full access to the management and also full discretion to invite any Director or Executive Officer to attend its meetings, as well as reasonable resources to enable it to discharge its function properly. The AC meets with the external auditors, without the presence of the Company's management as recommended by the Code at least once a year.

The Company has appointed a suitable audit firm to meet its obligation, having regard to the adequate and experience of the auditing firm and the audit engagement partner assigned to the audit. The Company confirms that Rule 712 of the Listing Manual is complied with.

The auditors of the Company's subsidiaries and associates are disclosed in Notes 13 and 14 to the financial statements in this Annual Report. The Board and the AC have considered and confirmed that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company and the Group. Accordingly Rule 716 of the Listing Manual is complied with. The Board and the AC also noted that adequate information had been received by its auditors from these significant foreign subsidiaries for the purpose of its audit of the Group's financial statements.

# Corporate Governance Report

The AC has undertaken a review of all non-audit services provided by the auditors and noted during that during the financial year, there was no non-audit service provided by the auditors.

The AC has recommended to the Board the re-appointment of Moore Stephen LLP as the Company's external auditors at the forthcoming AGM.

## **INTERNAL CONTROLS**

*Sound system of internal controls (Principle 12)*

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, and can provide only reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives.

During the year, the AC, on behalf of the Board, has reviewed the reports of auditors relating to the effectiveness of the Group's material internal controls, including financial, operational and compliance controls, and risk management. It also reviews the effectiveness of the action taken by the Management on the recommendations made by auditors in this respect.

The AC has reviewed the Company's system of internal controls and is satisfied that the overall systems of controls are adequate to meet the needs of the Group in its current environment. Based on the reports by external auditors, the Board, with the concurrences of the AC, is satisfied that there are adequate internal controls in place for the Group to address financial, operational and compliance risks during the year.

The Company has also put in place a whistle blowing framework, which provides guidelines and a procedure for the staff of the Group to report concerns of complaints regarding matters of suspected fraud, corruption, dishonest practices or other similar breaches regarding accounting, financial and audit matters, as well as alleged irregularities and violation of a general, operational and financial nature against the Group or against any applicable law, and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions. All employees may address their report to the Chairman of the AC.

## **INTERNAL AUDIT**

*Independent Internal audit function (Principle 13)*

The Group has in place a business control and internal control ("BCIC") function that assumes the internal audit function within the Group. It is tasked to identify, analyse and manage the risks of the Group and promote continuous improvements to the operations.

The BCIC reports to the Chairman of the AC on any material non-compliance and internal control weaknesses. The AC will oversee and monitor the implementation of any improvements thereto. The AC reviews the adequacy of the BCIC function annually and its standing with the Company to ensure it is able to perform its function adequately and objectively. Based on the information provided to the AC, nothing has come to the AC's attention to cause the AC to believe that the system of internal controls and risk management is inadequate.

# Corporate Governance Report

The scope of the BCIC audit is to:

- assess if adequate systems of internal controls are in place to protect the funds and assets of the Group and ensure control procedures are complied with;
- assess if operations of the business processes under review are conducted efficiently and effectively and provide assurance that key operational risks are identified and managed; and
- identify and recommend improvement to internal procedures, where required.

## COMMUNICATION WITH SHAREHOLDERS

*Regular, effective and fair communication with shareholders (Principle 14)*

*Greater shareholder participation at annual general meetings (Principle 14)*

The Board believes in timely and accurate information to its shareholders. In line with continuous disclosure obligations of the Company pursuant to the Corporate Disclosure Policy of SGX-ST, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Company. The Company does not practise selective disclosure.

Pertinent information is communicated to shareholders on a timely basis. Communication is made through SGX-ST announcements and press releases on financial results and major developments of the Group, annual reports, notices of and explanatory circulars for the annual general meetings and extraordinary meetings and other disclosures and announcements to SGX-ST and the press, as well as through the Company's website <http://www.metechinternational.com> from which the shareholders can access information on the Company and the Group.

Annual reports are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Listing Manual, Companies Act and Singapore Financial Reporting Standards.

The AGM is the principal forum for dialogue with shareholders. The Company encourages its shareholders to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Articles of Association allow a shareholder to appoint one or two proxies to attend and vote in his/her stead.

The Board welcomes questions and views of shareholders on matters affecting the Company raised either informally or formally before or at an AGM. Board members, Chairmen of the AC, NC and RC and the external auditors are also available to address questions at an AGM.

## DEALING IN SECURITIES

The Company has issued a policy on dealings in the securities of the Company to its Directors and officers of the Group. It has adopted a Best Practices Guide on Dealings in Securities.

# Corporate Governance Report

Directors and officers are prohibited from dealing in the Company's securities for the period of two weeks before the announcement of the Company's first three quarters' results, and one month before the announcement of the Company's full year results and ending on the date of the announcement of the results, or when they are in possession of potentially price sensitive information.

Directors and officers are also not expected to deal in the Company's securities on considerations of a short-term nature.

## **INTERESTED PERSON TRANSACTIONS**

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions ("IPT").

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

During the financial period under review, the Company did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual.

The following IPT was reported to and reviewed by AC during the year:

The Company had entered into a sub-lease agreement with Advance SCT Limited ("ASCT") and Mapletree Singapore Industrial Trust for the rental of 65 Tech Park Crescent in 2011. The Chairman and CEO of ASCT, Mr Simon Eng, was also a controlling shareholder and a Director of the Company till his resignation on 1 September 2012. Accordingly the rental under the sub-lease agreement for the period 1 July 2012 to 31 August 2012 was termed an IPT. The rental charged by the Company to ASCT during the said period amounted to S\$169,000 (FY2012: S\$883,000).

The AC was of the view that these transactions were operated under normal commercial terms and were not prejudicial to the interests of the Company or its minority shareholders.

Apart from the above and excluding interested person transactions carried out by the Company which fell below S\$100,000, there was no other interested person transaction carried out or material contracts entered into the Group, as defined under the Listing Manual for FY2013.

Prior to entry by the Group into an IPT, the Board and AC will review such a transaction to ensure that the relevant rules under Chapter 9 of the Listing Manual are complied with.

## **MATERIAL CONTRACTS**

During the financial year, the Group did not enter into any material contracts involving the interests of any directors or any controlling shareholders of the Company or its associates.

# Report of the Directors

30 JUNE 2013

The directors present their report to the members together with the audited consolidated financial statements of Metech International Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2013 and the balance sheet of the Company as at 30 June 2013.

## 1 DIRECTORS

The Directors of the Company in office at the date of this report are:

Song Tang Yih	Executive Chairman	(Appointed on 1 September 2012)
Andrew Eng	Executive Director	
Jen Shek Voon	Independent Director	
Derek Loh	Independent Director	
Francis Lee Fook Wah	Independent Director	(Appointed on 1 August 2012)
Khor Check Kim	Independent Director	(Appointed on 5 July 2013)

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, share options, warrants and debentures of the Company and/or of related corporations (other than wholly-owned subsidiaries) were as follows:

Name of Directors	Shareholdings in which directors are deemed to have an interest	
	At the beginning of the financial year/date of appointment, if later	At the end of the financial year
<b>The Company</b>		
<i>Number of ordinary shares</i>		
Song Tang Yih	369,174,619	378,174,619
Andrew Eng	369,174,619	378,174,619
Francis Lee Fook Wah	6,500,000	10,000,000

# Report of the Directors

30 JUNE 2013

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2013.

By virtue of Section 7 of the Act, Andrew Eng and Song Tang Yih are deemed to have interests in the subsidiaries of the Company.

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

## 4 DIRECTORS' CONTRACTUAL BENEFITS

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 26 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## 5 SHARE OPTIONS

### Options granted

During the financial year, no options to take up unissued shares of the Company or its subsidiaries were granted.

### Options exercised

Except as disclosed in this report and in Note 22 to the financial statements, during the financial year, there were no shares of the Company or its subsidiaries issued by virtue of the exercise of options to take up unissued shares.

### Options outstanding

Except as disclosed in this report and in Note 22 to the financial statements, at the end of the financial year, there were no options to take up unissued shares of the Company or its subsidiaries.

# Report of the Directors

30 JUNE 2013

## 6 WARRANTS

During the financial year, details of the outstanding warrants of the Company are as follows:

<b>Date of issue</b>	<b>Warrants outstanding at 01/07/2012</b>	<b>Warrants issued</b>	<b>Warrants exercised</b>	<b>Warrants expired</b>	<b>Warrants outstanding at 30/6/2013</b>	<b>Date of expiration</b>
28/06/2012	827,346,380	–	108,800	–	827,237,580	27/06/2015

Each warrant entitles the warrant holder to subscribe for one new ordinary share of the Company at the exercise price of \$0.02 per share. The warrants do not entitle the holders of the warrants, by virtue of such holdings, to any rights to participate in any share issue of the Company.

The warrants will expire on 27 June 2015.

As at the end of the financial year, except as reported above, no other warrants to take up unissued shares of the Company were granted and no shares were issued by virtue of the exercise of warrants to take up unissued shares of the Company. Except for the abovementioned warrants, no other options to take up unissued shares of the Company were outstanding as at the end of the financial year.

## 7 AUDIT COMMITTEE

The members of the Audit Committee (“AC”) at the end of the financial year were as follows:

Jen Shek Voon (Chairman)	(Independent Non-Executive Director)
Francis Lee Fook Wah	(Independent Non-Executive Director)
Derek Loh	(Independent Non-Executive Director)

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- (a) Reviews the audit plans of the external auditors of the Company and the assistance given by the Company’s management to the external auditors;
- (b) Reviews the quarterly announcement of financial statements and annual financial statements and the auditors’ report on the annual financial statements of the Company before submission to the Board of Directors;
- (c) Reviews the scope of the business control and internal control function of the Company and evaluates any findings in respect of the adequacy of the Company’s system of internal accounting controls;

# Report of the Directors

30 JUNE 2013

## 7 AUDIT COMMITTEE (cont'd)

- (d) Reviews the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews as would be carried out by the Company's appointed internal auditors;
- (e) Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- (f) Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- (g) Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- (h) Reviews the nature and extent of non-audit services provided by the external auditors;
- (i) Recommends to the Board of Directors the external auditors to be nominated, and reviews the scope and results of the audit;
- (j) Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;
- (k) Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual; and
- (l) Undertakes such other functions and duties as may be agreed to by the AC and the Board of Directors.

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

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

The AC is satisfied with the independence and objectivity of the independent auditors and has recommended to the Board of Directors the nomination of Moore Stephens LLP for their reappointment as independent auditors of the Company at the forthcoming Annual General Meeting.

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

# Report of the Directors

30 JUNE 2013

## 8 INDEPENDENT AUDITORS

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

.....  
**Andrew Eng**  
Director

.....  
**Song Tang Yih**  
Director

Singapore  
23 September 2013

# Statement By Directors

30 JUNE 2013

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company, as set out on pages 34 to 93 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and of the results, changes in equity and cash flows of the Group for the year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they fall due.

On behalf of the Board of Directors,

.....  
**Andrew Eng**

Director

.....  
**Song Tang Yih**

Director

Singapore

23 September 2013

# Independent Auditors' Report to The Members of Metech International Limited

We have audited the accompanying financial statements of Metech International Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 34 to 93, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditors' Report to The Members of Metech International Limited

(cont'd)

## **Opinion**

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

## **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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

## **Moore Stephens LLP**

Public Accountants and  
Chartered Accountants

Singapore  
23 September 2013

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	Group	
		2013 S\$'000	2012 S\$'000
<b>Continuing Operations</b>			
<b>Revenue</b>	4	<b>29,298</b>	26,352
Cost of sales		<b>(22,607)</b>	(23,532)
<b>Gross profit</b>		<b>6,691</b>	2,820
Other income	5	<b>1,168</b>	883
Distribution expenses		<b>(1,979)</b>	(2,466)
Administrative expenses		<b>(4,393)</b>	(5,403)
Other expenses	6	<b>-</b>	(9,086)
Finance costs	7	<b>(93)</b>	(307)
<b>Profit/(Loss) before income tax</b>	8	<b>1,394</b>	(13,559)
Income tax expense	9	<b>(15)</b>	(1,671)
<b>Profit/(Loss) from continuing operations, net of tax</b>		<b>1,379</b>	(15,230)
<b>Discontinued Operations</b>			
Profit/(Loss) for the year from discontinued operations	10	<b>331</b>	(1,156)
<b>Total profit/(loss) for the financial year</b>		<b>1,710</b>	(16,386)
Other comprehensive (loss)/income:			
<i>Items reclassified subsequently to profit or loss</i>			
Change in fair value of cash flow hedge		<b>-</b>	84
Foreign currency translation difference - foreign operations		<b>(20)</b>	554
<b>Other comprehensive (loss)/income</b>		<b>(20)</b>	638
<b>Total comprehensive income/(loss) for the year attributable to owners of the company</b>		<b>1,690</b>	(15,748)
<b>Earnings/(Loss) per share</b>			
Basic and diluted earnings/(loss) per share (cents)	11	<b>0.093</b>	(0.217)
Basic and diluted earnings/(loss) per share			
Continuing operations (cents)	11	<b>0.075</b>	(0.202)
Discontinued operations (cents)	11	<b>0.018</b>	(0.015)

The accompanying notes form an integral part of these financial statements

# Balance Sheets

AS AT 30 JUNE 2013

	Note	Group		Company	
		2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	12	6,237	5,939	–	3
Subsidiaries	13	–	–	–	–
Associate	14	2,205	–	1,879	–
Restricted cash held in trust	15	680	560	–	–
Intangible asset	16	–	–	–	–
Deferred tax assets	17	–	–	–	–
Trade and other receivables	18	138	–	4,916	3,562
		<b>9,260</b>	6,499	<b>6,795</b>	3,565
<b>Current Assets</b>					
Inventories	19	600	738	–	–
Trade and other receivables	18	8,707	7,810	3,443	2,785
Cash and cash equivalents	20	6,110	6,721	5,486	6,628
		<b>15,417</b>	15,269	<b>8,929</b>	9,413
<b>Total Assets</b>		<b>24,677</b>	21,768	<b>15,724</b>	12,978
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	21	168,284	158,563	168,284	158,563
Other reserves	22	2,810	2,830	2,447	2,447
Accumulated losses		(151,147)	(152,857)	(155,833)	(152,472)
<b>Total Equity</b>		<b>19,947</b>	8,536	<b>14,898</b>	8,538
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Trade and other payables	23	–	164	–	–
<b>Current Liabilities</b>					
Loans and borrowings	24	–	2,600	–	2,600
Trade and other payables	23	4,730	10,468	826	1,840
		<b>4,730</b>	13,068	<b>826</b>	4,440
<b>Total Liabilities</b>		<b>4,730</b>	13,232	<b>826</b>	4,440
<b>Total Equity and Liabilities</b>		<b>24,677</b>	21,768	<b>15,724</b>	12,978

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Share capital S\$'000	Translation reserve S\$'000	Hedging reserve S\$'000	Share option reserve S\$'000	Warrants reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
<b>Group</b>							
<b>2013</b>							
At 1 July 2012	158,563	383	-	-	2,447	(152,857)	8,536
Profit for the year	-	-	-	-	-	1,710	1,710
<i>Other comprehensive income</i>							
Foreign currency translation differences for foreign operations	-	(20)	-	-	-	-	(20)
	-	(20)	-	-	-	1,710	1,690
Issue of shares – acquisition of subsidiary (Note 13(a))	2,635	-	-	-	-	-	2,635
Issue of shares	7,204	-	-	-	-	-	7,204
Exercise of warrants	4	-	-	-	-*	-	4
Share issue expenses	(122)	-	-	-	-	-	(122)
At 30 June 2013	168,284	363	-	-	2,447	(151,147)	19,947
<b>2012</b>							
At 1 July 2011	152,854	(171)	(84)	1,327	-	(137,798)	16,128
Loss for the year	-	-	-	-	-	(16,386)	(16,386)
<i>Other comprehensive income</i>							
Hedging reserve, reclassified to profit or loss	-	-	84	-	-	-	84
Foreign currency translation differences for foreign operations	-	554	-	-	-	-	554
	-	554	84	-	-	(16,386)	(15,748)
Issue of shares under share rights	5,791	-	-	-	-	-	5,791
Share issue expenses	(82)	-	-	-	-	-	(82)
Issue of warrants	-	-	-	-	2,482	-	2,482
Warrant issue expenses	-	-	-	-	(35)	-	(35)
Expired and forfeiture of share options (Note 22)	-	-	-	(1,327)	-	1,327	-
At 30 June 2012	158,563	383	-	-	2,447	(152,857)	8,536

\* Amount less than S\$1,000.

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		Group	
	Note	2013 S\$'000	2012 S\$'000
<b>Cash Flows from Operating Activities</b>			
Profit/(Loss) for the year		1,710	(16,386)
Adjustments for:			
Gain on disposal of property, plant and equipment		–	(2)
Gain on disposal of discontinued operations	10	(603)	–
Gain on bargain purchase	13	(235)	–
Impairment of intangible asset		–	9,086
Write off of property, plant and equipment	12	33	29
Reversal of impairment loss on receivables		–	(30)
Allowance for impairment loss on receivables		–	40
Depreciation of property, plant and equipment	12	644	688
Interest expense		93	476
Income tax expense		15	1,671
(Gain)/Loss on investments in futures contracts		(85)	43
Unrealised foreign exchange loss		161	285
<b>Operating cash flows before changes in working capital</b>		<b>1,733</b>	<b>(4,100)</b>
Working capital changes:			
Trade and other receivables		1,025	(3,212)
Inventories		138	337
Cash encumbered		(120)	(19)
Trade and other payables		(4,939)	4,157
<b>Cash used in operating activities</b>		<b>(2,163)</b>	<b>(2,837)</b>
Interest paid		(93)	(208)
Income tax paid		(15)	–
<b>Net cash used in operating activities</b>		<b>(2,271)</b>	<b>(3,045)</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of subsidiary	13	(1,031)	–
Non-trade amount due from related parties		(560)	–
Purchase of property, plant and equipment		(1,106)	(382)
Net cash outflow from sale of subsidiaries	10	(131)	–
Proceeds from sale of property, plant and equipment		–	34
<b>Net cash used in investing activities</b>		<b>(2,828)</b>	<b>(348)</b>

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

(cont'd)

		Group	
	Note	2013 S\$'000	2012 S\$'000
<b>Cash Flows from Financing Activities</b>			
Proceeds from loan from shareholders		-	3,000
Repayment of loan from shareholders		<b>(2,600)</b>	(400)
Repayment of borrowings		-	(2,688)
Proceeds from issuance of shares		<b>7,082</b>	5,791
Proceeds from exercise of warrant shares		<b>4</b>	-
Issuance of warrants		-	2,482
<b>Net cash generated from financing activities</b>		<b>4,486</b>	8,185
<b>Net increase in cash and cash equivalents</b>			
Effect of exchange rate changes on balances held in foreign currencies		<b>(613)</b>	4,792
Cash and cash equivalents at the beginning of the financial year		<b>2</b>	11
		<b>6,721</b>	1,918
<b>Cash and cash equivalents at the end of the financial year</b>	20	<b>6,110</b>	6,721

The accompanying notes form an integral part of these financial statements

# Notes to the Financial Statements

30 JUNE 2013

These notes form integral part of and should be read in conjunction with the accompanying financial statements.

## 1 CORPORATE INFORMATION

Metech International Limited (the "Company") is incorporated and domiciled in Singapore with its principal place of business and registered office at 65 Tech Park Crescent Singapore 637787. The Company is listed on the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are primarily the provision of a one-stop recycling and processing service centre for the electronics industry and the trading of plastics and non-precious metal materials.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group).

The financial statements for the financial year ended 30 June 2013 were authorised for issue by the Board of Directors on the date of the Statement by Directors.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Going Concern

The financial statements of the Group have been prepared on a going concern basis notwithstanding the Group's accumulated losses as at 30 June 2013 of S\$151,147,000 (2012: S\$152,857,000) and its negative operating cash flows of S\$2,271,000 (2012: S\$3,045,000) from operating activities for the financial year ended 30 June 2013.

During the current financial year, the Group raised net proceeds of S\$7,082,000 by way of a share issue. In addition, management is of the view that the Group and the Company will be able to generate sufficient positive cash flows from operations for at least the next twelve months to meet its obligations as and when they fall due.

In the event the Group and the Company were unable to continue as going concerns, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRSs"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in Note 3 Critical accounting estimates, assumptions and judgments.

### (c) Adoption of New/Revised Singapore Financial Reporting Standards

#### (i) *New or Revised FRS Effective for the Current Year*

For the financial year ended 30 June 2013, the Group and the Company have adopted the following new or revised FRS that are mandatory for application in the said year and which are relevant to the Group as follows:

Amendments to FRS 1      *Presentation of Items of Other Comprehensive Income*

The amendment to FRS 1 requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss. It is effective for annual periods beginning on or after 1 July 2012. The application of this standard did not have any impact on the financial position or financial performance of the Group.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Adoption of New/Revised Singapore Financial Reporting Standards (cont'd)

#### (ii) *New or Revised FRS Issued But Not Yet Effective*

At the date of authorisation of these financial statements, the Group and the Company have not applied the following new or revised FRS that have been issued and which are relevant to the Group and the Company but will only be effective for the Group for annual periods beginning 1 July 2013 onwards:

FRS 27 (Revised) *Separate Financial Statements*

FRS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged. It is effective for annual periods beginning on or after 1 January 2014 and will not have any impact on the financial position or financial performance of the Group when implemented.

FRS 28 (Revised) *Investments in Associates and Joint Ventures*

FRS 28 (Revised) changes in scope as a result of the issuance of FRS 111 *Joint Arrangements*. It continues to prescribe the mechanics of equity accounting. The changes are effective for accounting periods beginning on or after 1 January 2014, and will have no impact on the financial position or financial performance of the Group when implemented.

FRS 110 *Consolidated Financial Statements*

FRS 110 *Consolidated Financial Statements* supersedes FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities*, which is effective for annual periods beginning on or after 1 January 2014.

The standard changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. It requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The Group has reassessed which entities the Group controls and expects no change.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Adoption of New/Revised Singapore Financial Reporting Standards (cont'd)

#### (ii) *New or Revised FRS Issued But Not Yet Effective (cont'd)*

##### FRS 112 *Disclosures of Interests in Other Entities*

FRS 112 *Disclosures of Interests in Other Entities*, which is effective from 1 January 2014 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. FRS 112 specifies minimum disclosures that an entity must provide. It requires an entity to provide summarised financial information about the assets, liabilities, profit or loss and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity and to disclose the nature of its interests in unconsolidated structured entities and the nature of the risks it is exposed to as a result; a schedule of the impact on the parent entity is required for changes in the ownership interest in a subsidiary without a loss of control; details of any gain/loss recognised on loss of control, and the line item of the income statement in which it is recognised; year ends of subsidiaries, joint arrangements or associates if different from the parent's that are consolidated using different year ends and the reasons for using a different date. As this is a disclosure standard, it will not have any impact on the financial position or financial performance of the Group when implemented.

##### FRS 113 *Fair Value Measurement*

FRS 113 *Fair Value Measurement* provides guidance on how to measure fair values including those for both financial and non-financial items and introduces significantly enhanced disclosures about fair values. It does not address or change the requirements on when fair values should be used. When measuring fair value, an entity is required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. It requires disclosures of a fair value hierarchy for all assets and liabilities measured at fair value. This FRS is to be applied for annual periods beginning on or after 1 January 2013. The Group is in the process of assessing the impact on the financial statements.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Adoption of New/Revised Singapore Financial Reporting Standards (cont'd)

#### (ii) *New or Revised FRS Issued But Not Yet Effective (cont'd)*

Amendments to FRS 32 *Offsetting of Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify that an entity must currently have a legally enforceable right of set off that is:

- (a) not contingent on a future event; and
- (b) legally enforceable in all of the following circumstances:
  - (i) the normal course of business;
  - (ii) the event of default; and
  - (iii) the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendment to FRS 32 is effective for annual periods beginning on or after 1 January 2014. The Group is in the process of assessing the impact on the financial statements.

Amendments to FRS 107 *Disclosure of Offsetting of Financial Assets and Financial Liabilities*

Amendments to FRS 107 contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or are subject to master netting arrangements or similar agreements. Therefore, an entity needs to identify all financial assets and financial liabilities that fall within the two categories mentioned. The amendments explain that their scope includes financial assets and financial liabilities subject to similar agreements that cover similar financial instruments and transactions. It is effective for annual periods beginning on or after 1 January 2013. As this is a disclosure standard, it will not have any impact on the financial position or financial performance of the Group when implemented.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Basis of Consolidation

#### (i) *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity in the consolidated statement of financial position, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss in the consolidated statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Basis of Consolidation (cont'd)

#### (i) *Subsidiaries* (cont'd)

##### Disposal of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

#### (ii) *Associates*

Associates are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting.

Investment in associates in the consolidated balance sheets includes goodwill (net of any accumulated impairment losses) identified on acquisition and is assessed for impairment as part of the investment.

Investment in associates is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associates over the Group's share of the fair value of the identifiable net assets of the associates and is included in the carrying amount of the investment.

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Basis of Consolidation (cont'd)

#### (ii) Associates (cont'd)

These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as at the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Dilution gains and losses arising from investment in associates are recognised in profit or loss.

Investment in associates is derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Foreign Currency

#### (i) *Functional and presentation currency*

The financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to each entity (the "functional currency"). The financial statements are presented in Singapore dollar ("SGD" or "S\$"), which is the functional and presentation currency of the Company and all values are rounded to the nearest thousand (S\$'000) except when otherwise indicated.

#### (ii) *Transactions and balances*

In preparing the financial statements of the individual entities, transactions in a currency other than the entity's functional currency ("foreign currency") are translated using the exchange rates prevailing at the dates of such transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### (iii) *Translation of Group entities' financial statements*

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Foreign Currency (cont'd)

#### (iii) Translation of Group entities' financial statements (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is disposed of, such exchange differences are taken to profit or loss as part of the gain or loss on disposal.

### (f) Property, Plant and Equipment

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

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold properties	30 to 53.5 years
Plant and equipment	5 to 10 years
Furniture and fixtures	5 years

Plant under construction represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction-in-progress consists of construction costs including other attributable direct cost and finance costs incurred during the period of construction.

Plant under construction is classified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Property, Plant and Equipment (cont'd)

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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

Plant under construction is not depreciated as these assets are not available for use. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### (g) Intangible Assets

#### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

#### *Negative Goodwill*

Where the cost of an acquisition is less than the fair value of the Group's share of the identifiable net assets and contingent liabilities of the subsidiary acquired, the difference ("negative goodwill") is recognised directly in profit or loss.

### (h) Investments in Subsidiaries and Associates

Investments in subsidiary companies and associates are carried at cost less accumulated impairment losses in the balance sheet of the Company.

On disposal of investments in subsidiaries and associates, the difference between the new disposal proceeds and the carrying amount of the investments are recognised in the profit or loss.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Impairment of Non-Financial Assets

#### (i) *Goodwill*

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in an associated company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and its value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

#### (ii) *Property, plant and equipment Investments in subsidiaries and an associated company*

Property, plant and equipment and investments in subsidiaries and an associated company are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and investments in subsidiaries and associate to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Impairment of Non-Financial Assets (cont'd)

#### (ii) *Property, plant and equipment Investments in subsidiaries and an associated company (cont'd)*

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Financial Assets

#### *Classification*

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except those maturing later than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" at the balance sheet date.

#### *Recognition and Derecognition*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss.

#### *Initial and Subsequent Measurement*

Loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

#### *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Financial Assets (cont'd)

#### *Impairment (cont'd)*

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

### (k) Financial liabilities and Equity Instruments Issued by the Group

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Financial liabilities

An entity shall recognise a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial liability is recognised initially at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are derecognised, and through amortisation process.

Financial liabilities are classified as either financial liabilities at 'Fair Value Through Profit or Loss' or 'borrowings'.

### (l) Borrowing Costs

Borrowing costs are recognised in profit or loss as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a weighted average cost basis and comprises all costs of purchase and other related charges incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for obsolete, slow-moving and defective inventories.

### (n) Cash and Cash Equivalents

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

### (o) Financial Instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Fair value changes on derivatives that are not designated nor do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (p) Provisions

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

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

### (q) Employee Benefits

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contribution to national pension schemes are recognised as an expense in the period in which the related service is performed.

#### Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

#### Employee share option plans

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options (equity-settled transactions).

The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions), if applicable.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (q) Employee Benefits (cont'd)

#### *Employee share option plans (cont'd)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

For share-based options granted to employees of subsidiaries where the subsidiaries have no obligation to repay, the fair value of the option granted is recognised as an increase in the Company's investment in subsidiaries with a corresponding increase in equity over the vesting period.

Where the vesting conditions of a share-based compensation plan is not met, it shall be considered as forfeited. The expense shall be revised to reflect the best available estimate of the number of equity instruments expected to vest.

Where the share options are lapsed at the end of the share option's life, the employee share option reserve shall be written off in the retained earnings directly.

### (r) Leases

#### (i) As lessee

Leases of office premises and factory where substantially all the risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Contingent rents are recognised as an expense in profit or loss when incurred.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (r) Leases (cont'd)

#### (ii) *As lessor*

Leases of office building units where the Group retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

### (s) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

#### (i) *Sales of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Revenue is recognised net of sales commission, material claims, discounts and returns.

#### (ii) *Rendering of services*

Revenue from services is recognised upon receipt of materials from customers. Where the collection of materials is subjected to additional specific contractual terms such as completion of treatment and recovery processes, recognition of the processing fee is deferred until completion of such activities.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (s) Revenue (cont'd)

#### (iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

#### (iv) Commission income

Commission income is recognised when the Group's right to receive payment is established.

### (t) Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### (i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (t) Income Taxes (cont'd)

#### (ii) *Deferred tax (cont'd)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (t) Income Taxes (cont'd)

#### (iii) Sales tax

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

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

### (u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

### (v) Share Capital and Share Issue Expenses

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

### (w) Warrants Reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share capital upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (x) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

- (i) A person or a close member of that person's family is related to a reporting entity if that person:
  - (1) has control or joint control over the reporting entity;
  - (2) has significant influence over the reporting entity; or
  - (3) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  
- (ii) An entity is related to a reporting entity if any of the following conditions applies:
  - (1) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (2) one entity is an associated or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (3) both entities are joint ventures of the same third party;
  - (4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (5) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - (6) the entity is controlled or jointly controlled by a person identified in (i); or
  - (7) a person identified in (i) (1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# Notes to the Financial Statements

30 JUNE 2013

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (y) Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and;

- (i) represents a separate major line of business or geographical area of operations; or
- (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

In addition to Note 2(b) to the financial statements, the Group makes estimates, assumptions and judgments concerning the future. These affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. These estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results may ultimately differ from these estimates.

### (a) Critical judgments in applying accounting policies

The estimates and underlying assumptions that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

#### Impairment of trade and other receivables

Management reviews trade and other receivables for objective evidence of impairment on a periodic basis. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant adverse changes in the technology, market, economic or legal environment in which the debtor operates. Where there is objective evidence of impairment, management judge whether an impairment loss should be recorded against the receivable.

# Notes to the Financial Statements

30 JUNE 2013

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (cont'd)

### (a) Critical judgments in applying accounting policies (cont'd)

#### *Impairment of trade and other receivables (cont'd)*

During the financial year, there was no impairment loss on trade and other receivables (2012: S\$40,000) (see Note 29) and there were no receivables that were assessed to be non-recoverable in prior year that have been recovered (2012: S\$30,000) (see Note 29). Allowance for trade receivables amounting to S\$753,000 (2012: Nil) were written off as management have deemed the amounts to be non-recoverable (see Note 29).

The carrying amount of the Group's allowance for impairment of trade and other receivables as at 30 June 2013 was S\$3,914,000 (2012: S\$5,781,000) (Note 18) and the carrying amount of the Group's trade and other receivables was S\$8,405,000 (2012: S\$7,132,000) (Note 18).

### (b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 53.5 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment (excluding Plant under construction) at 30 June 2013 was S\$5,708,000 (2012: S\$5,914,000). If depreciation on property, plant and equipment increases/decreases by 10% from management's estimate, the Group's profit for the year will decrease/increase by approximately S\$64,000 (2012: S\$69,000).

# Notes to the Financial Statements

30 JUNE 2013

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (cont'd)

### (b) Key sources of estimation uncertainty (cont'd)

#### Income taxes

The Group has exposures to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses for each tax jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has recognised an income tax expense of S\$15,000 (2012: S\$1,671,000) (Note 9) for the financial year ended 30 June 2013.

## 4 REVENUE

	Group	
	2013	2012
	S\$'000	S\$'000
Sale of goods	21,258	20,748
Rendering of services	8,040	5,604
	<b>29,298</b>	<b>26,352</b>

## 5 OTHER INCOME

	Group	
	2013	2012
	S\$'000	S\$'000
Rental income	1,029	883
Gain on future contracts, net	85	-
Currency gain	30	-
Other miscellaneous income	24	-
	<b>1,168</b>	<b>883</b>

# Notes to the Financial Statements

30 JUNE 2013

## 6 OTHER EXPENSES

	Group	
	2013	2012
	S\$'000	S\$'000
Impairment loss of intangible asset (Note 16)	–	9,086
	–	9,086

## 7 FINANCE COSTS

	Group	
	2013	2012
	S\$'000	S\$'000
Interest expense on borrowings	78	243
Other finance costs	15	64
	93	307

## 8 PROFIT/(LOSS) BEFORE INCOME TAX

	Group	
	2013	2012
	S\$'000	S\$'000
<b>Continuing operations</b>		
In addition to the disclosures made elsewhere, this is arrived at after charging:		
Operating lease expense	2,459	3,067
Depreciation of property, plant and equipment	644	664
Write off of property, plant and equipment	33	29
Allowance for impairment loss on trade receivables	–	40
Directors' remuneration – Directors of the Company	320	240
Directors' fees paid – Directors of the Company	100	100
Unrealised foreign exchange loss	161	285
Unrealised loss on investments in future contracts	166	43
Fees on audit services payable/paid to:		
– Auditors of the Company	103	123
– Other auditors	112	146

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 30 June 2013 (2012: Nil).

# Notes to the Financial Statements

30 JUNE 2013

## 9 INCOME TAX

	Group	
	2013	2012
	S\$'000	S\$'000
Continuing operations:		
Current income tax	15	(77)
Deferred income tax (Note 17)	–	1,748
	<b>15</b>	<b>1,671</b>

The income tax expense for the year can be reconciled to the accounting profit/(loss) as follows:

	Group	
	2013	2012
	S\$'000	S\$'000
Profit/(Loss) from continuing operations	<b>1,394</b>	(13,559)
Income tax expense/(benefit) calculated at 17%	<b>237</b>	(2,305)
Effect of different tax rates in other countries	<b>359</b>	(601)
Income not subject to tax	<b>(104)</b>	(103)
Expenses not deductible for tax purposes	<b>364</b>	2,005
Exempt income	<b>(34)</b>	–
Deferred tax benefits not recognised	–	2,675
Utilisation of tax benefits previously not recognised	<b>(807)</b>	–
	<b>15</b>	<b>1,671</b>

The temporary differences where no deferred tax assets were recognised is disclosed in Note 17 to the financial statements.

The applicable tax rate used for the reconciliations above is the corporate tax rate of 17% (2012: 17%) payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction. The applicable tax rate for entities in the United States of America is of 34% (2012: 34%).

# Notes to the Financial Statements

30 JUNE 2013

## 10 DISCONTINUED OPERATIONS

### (a) Disposal of 81% shareholding in subsidiaries operating in Europe

During the current financial year, the Group entered into an agreement to dispose of its 81% shareholdings in its wholly-owned subsidiaries operating in the Europe segment for a total cash consideration of S\$2. The disposals will allow the Group to focus its resources on business units in the United States and Asia where chances of success are much higher, while still maintaining a global footprint through the Company's branding in Europe by retaining a residual 19% equity stake in the disposed entities. The disposals were completed on 28 December 2012, on which date control passed to the acquirer.

### (b) Disposal of 51% shareholding in Tonkin Recycling Pte. Ltd.

On 29 June 2013, the Group entered into a sale agreement to dispose of a 51% shareholding in its wholly-owned subsidiary, Tonkin Recycling Pte. Ltd. The disposal will not affect the operations of the Company or the nature of the Company's main business.

The combined results of the discontinued operations included in the consolidated statement of comprehensive income are set out below.

	Group	
	2013	2012
	S\$'000	S\$'000
<b>Results of discontinued operations</b>		
Revenue	1,717	3,267
Cost of sales	<b>(1,451)</b>	(3,084)
Gross profit	266	183
Other operating income	535	2
Administration expenses	<b>(703)</b>	(724)
Finance costs	<b>(6)</b>	(169)
Other operating expenses	<b>(72)</b>	(448)
Profit/(Loss) before tax from discontinued operations	20	(1,156)
Income tax expense	<b>(292)</b>	-
Loss after tax from discontinued operations	<b>(272)</b>	(1,156)
Gain on disposal	<b>603</b>	-
Profit/(Loss) for the year	<b>331</b>	(1,156)

# Notes to the Financial Statements

30 JUNE 2013

## 10 DISCONTINUED OPERATIONS (cont'd)

The impact of the discontinued operations on the cash flows of the Group is as follows:

	2013 S\$'000	Group 2012 S\$'000
<b>Cash flows from discontinued operations</b>		
Net cash from operating activities	(1,155)	(381)
Net cash from investing activities	-	-
Net cash from financing activities	1,082	222
Net cash from discontinued operations	<b>(73)</b>	<b>(159)</b>

Effect of disposal on the financial position of the Group is as follows:

	2013 S\$'000
Property, plant and equipment	109
Service concession receivables	3,704
Trade and other receivables	2,986
Cash and cash equivalents	131
Total assets	<b>6,930</b>
Trade and other payables	<b>(2,879)</b>
Total liabilities	<b>(2,879)</b>
Net assets disposed	<b>4,051</b>

The aggregate cash outflows arising from the disposal of the discontinued operations were:

	2013 S\$'000
Net assets disposed (as above)	4,051
Interest held as investment in associate	(2,205)
Cumulative exchange differences in respect of the net assets of the subsidiary	(154)
Gain on disposal	603
Cash consideration from disposal	2,295
Less: Other receivables*	(2,295)
Less: Cash and cash equivalents in subsidiaries disposed	(131)
Net cash outflow on disposal	<b>(131)</b>

\* Consideration outstanding as at 30 June 2013 (see Note 18(c)).

# Notes to the Financial Statements

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## 11 EARNINGS/(LOSS) PER SHARE

### From continuing and discontinued operations

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Continuing	Group Discontinued	Total
<b>2013</b>			
Profit attributable to owners of the Company (S\$'000)	1,379	331	1,710
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	1,846,378	1,846,378	1,846,378
Basic and diluted profit per share (S\$ cents per share)	0.075	0.018	0.093
<b>2012</b>			
Loss attributable to owners of the Company (S\$'000)	(15,230)	(1,156)	(16,386)
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	7,543,585	7,543,585	7,543,585
Basic and diluted loss per share (S\$ cents per share)	(0.202)	(0.015)	(0.217)

The Company has no dilutive potential ordinary shares as at 30 June 2013 and 30 June 2012.

# Notes to the Financial Statements

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## 12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties S\$'000	Plant and equipment S\$'000	Furniture and fixtures S\$'000	Plant under construction S\$'000	Total S\$'000
<b>Group Cost</b>					
At 1 July 2011	5,179	3,703	419	471	9,772
Translation differences on consolidation	181	50	1	34	266
Additions	–	269	55	58	382
Disposals	–	(16)	(18)	–	(34)
Written off	–	(82)	(27)	–	(109)
Transfers	–	538	–	(538)	–
At 30 June 2012	5,360	4,462	430	25	10,277
Translation differences on consolidation	18	11	3	–	32
Additions	38	551	–	517	1,106
Written off	(70)	–	–	(13)	(83)
Disposal of subsidiaries	–	(367)	(199)	–	(566)
At 30 June 2013	5,346	4,657	234	529	10,766
<b>Accumulated depreciation</b>					
At 1 July 2011	682	2,767	257	–	3,706
Translation differences on consolidation	13	11	2	–	26
Depreciation for the year	131	500	57	–	688
Disposals	–	(2)	–	–	(2)
Written off	–	(65)	(15)	–	(80)
At 30 June 2012	826	3,211	301	–	4,338
Translation differences on consolidation	3	47	–	–	50
Depreciation for the year	189	424	31	–	644
Written off	(50)	–	–	–	(50)
Disposal of subsidiaries	–	(292)	(161)	–	(453)
At 30 June 2013	968	3,390	171	–	4,529
<b>Net book value</b>					
At 30 June 2013	4,378	1,267	63	529	6,237
At 30 June 2012	4,534	1,251	129	25	5,939

# Notes to the Financial Statements

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## 12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Plant and equipment S\$'000	Furniture and fixtures S\$'000	Total S\$'000
<b>Company</b>			
<b>Cost</b>			
At 1 July 2011	1,342	63	1,405
Additions	1	–	1
Written off	(82)	(27)	(109)
At 30 June 2012 and 2013	1,261	36	1,297
<b>Accumulated depreciation</b>			
At 1 July 2011	1,310	31	1,341
Depreciation for the year	15	18	33
Written off	(66)	(14)	(80)
At 30 June 2012	1,259	35	1,294
Depreciation for the year	2	1	3
At 30 June 2013	1,261	36	1,297
<b>Net book value</b>			
At 30 June 2013	–	–	–
At 30 June 2012	2	1	3

## 13 SUBSIDIARIES

	Company	
	2013 S\$'000	2012 S\$'000
Equity investments, at cost	–*	35,164
Loans	19,967	19,967
	19,967	55,131
Impairment losses on		
– equity investments	–	(35,164)
– loan investments	(19,967)	(19,967)
	–	–
<b>Impairment losses</b>		
At the beginning of the financial year	55,131	35,148
Amount written off	(35,164)	–
– equity investments	–	16
– loan investments*	–	19,967
At the end of the financial year	19,967	55,131

# Notes to the Financial Statements

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## 13 SUBSIDIARIES (cont'd)

The loans to a subsidiary of S\$19,967,000 (2012: S\$19,967,000) as at the financial year ended 30 June 2013 are unsecured and non-interest bearing. The settlement of the loans was neither planned nor likely to occur in the foreseeable future. As these amounts were, in substance, a part of the Company's net investment in the subsidiary, they were stated at cost less impairment losses. The amount of S\$19,967,000 was impaired fully in prior year.

The Company's investments in subsidiaries had been fully impaired in prior years due to recorded consecutive losses by these subsidiaries in prior years.

\* Amount less than S\$1,000

Details of subsidiaries are as follows:

Name of Company/ country of incorporation	Principal activities	Proportion of ownership interest	
		2013 %	2012 %
<b>Held by the Company</b>			
Metech Recycling (Singapore) Pte. Ltd. <sup>(1)</sup> Singapore	Provision of a one-stop recycling and processing service centre for the electronics industry and the trading of plastics and non-precious metal materials	100	100
Metech Recycling (USA) Pte. Ltd. <sup>(1)</sup> Singapore	Investment holding and those relating to the business of refining and recycling metals, used components of computers and peripherals	100	100
Metech International (Europe) Pte. Ltd. <sup>(1)</sup> Singapore	Investment holding and those relating to the business of refining and recycling metals, used components of computers and peripherals	–	100
Centillion Environment & Recycling CZ s.r.o. <sup>(2)</sup> Czech Republic	Reprocessing used IT equipment and recovering precious metal content from the components	–	100

# Notes to the Financial Statements

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## 13 SUBSIDIARIES (cont'd)

Name of Company/ country of incorporation	Principal activities	Proportion of ownership interest	
		2013 %	2012 %
<b>Held by Metech International (Europe) Pte. Ltd.</b>			
Metech Recycling (UK) Ltd. <sup>(2)</sup> United Kingdom	Reprocessing used IT equipment and recovering precious metal content from the components	–	100
<b>Held by Metech Recycling (USA) Pte. Ltd.</b>			
Metech Recycling, Inc. <sup>(3)</sup> United States of America	Comprehensive end-of-life electronic equipment recycling of precious and non-precious metal scrap and other recyclable materials for subsequent reclamation	<b>100</b>	100

(1) Audited by Moore Stephens LLP Singapore

(2) Audited by member firms of Moore Stephens International Limited in the respective countries

(3) Audited by Fiondella, Milone & Lasaracina LLP, Connecticut, USA

### (a) Acquisition of Tonkin Recycling Pte. Ltd. (“Tonkin”)

During the current financial year, the Company entered into a Sale and Purchase Agreement to acquire 100% of equity interest in Tonkin Recycling Pte. Ltd. (“Tonkin”) from a third party for an aggregate consideration of approximately S\$3.8 million. Accordingly Tonkin became a wholly-owned subsidiary of the Company. The principal activity of Tonkin is that of investment holding and operation of sludge treatment plant in China.

# Notes to the Financial Statements

30 JUNE 2013

## 13 SUBSIDIARIES (cont'd)

### (a) Acquisition of Tonkin Recycling Pte. Ltd. ("Tonkin") (cont'd)

The fair value of the assets and liabilities relating to Tonkin and the impact of the acquisition on the cash flows of the Group are as follows:

	<b>2013</b> <b>S\$'000</b>
Property, plant and equipment	7
Cash and bank balances	169
Service concession receivables	3,647
Trade and other receivables	2,163
Other payables	(1,916)
Fair value of net assets	<u>4,070</u>
Share of fair value of net assets acquired	4,070
Gain on bargain purchase	(235)
Consideration for the acquisition of subsidiary companies	3,835
Issue of shares – acquisition of subsidiary	(2,635)
Cash and cash equivalent acquired	(169)
Net cash outflow on acquisition of subsidiary	<u>1,031</u>

On 29 June 2013, the Company sold 51% of its shareholdings in Tonkin for a consideration of S\$2,295,000. The remaining 49% shareholdings have been classified as investment in associate (Note 14) as at 30 June 2013.

## 14 ASSOCIATE

	<b>Group</b>	
	<b>2013</b> <b>S\$'000</b>	2012 S\$'000
Unquoted shares, at cost		
Balance at beginning of year	–	–
Investment during the year	<u>2,205</u>	–
Balance at end of year	<u>2,205</u>	–

# Notes to the Financial Statements

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## 14 ASSOCIATE (cont'd)

Details of the associated company as at 30 June are:

Name of company and country of incorporation	Principal activities	Equity held by Group		Cost of Investment	
		2013	2012	2013	2012
		%	%	S\$'000	S\$'000
Tonkin Recycling Pte. Ltd. <sup>(1)</sup> Singapore	Investment holding and sludge treatment	49	–	2,205	–
				<b>2,205</b>	<b>–</b>

(1) Audited by NACN International PAC

Summarised financial information in respect of the Company's associated company is set out below:

	2013 S\$'000	2012 S\$'000
Total assets	6,497	–
Total liabilities	(2,215)	–
Net assets	4,282	–
Group's share of net assets	2,098	–

As Tonkin Recycling Pte. Ltd. was accounted for as an associate as of 30 June 2013, no Group's share of profit was recorded for the financial year.

## 15 RESTRICTED CASH HELD IN TRUST

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
<u>Non-current</u>				
Cash held in trust for closure costs	680	560	–	–

# Notes to the Financial Statements

30 JUNE 2013

## 15 RESTRICTED CASH HELD IN TRUST (cont'd)

As a licensed TSD (Treatment, Storage and Disposal of hazardous waste) facility in the State of California in the United States of America, the subsidiary, Metech Recycling Inc ("MRI") is required to maintain a certain amount of funds in trust to cover potential environmental closeout costs of the MRI facility in California and Utah. The Trust Fund Agreement with the State of California Department of Toxic Substance Control provides assurance that funds will be available when needed for closure and/or post closure care of the facility. These funds are held in a separate trust account and are not available for routine operating expenses.

The restricted cash held in trust has been reclassified as a non-current asset due to additional obligations imposed and anticipated delay in its final release arising from changes in applicable regulations.

## 16 INTANGIBLE ASSET

	Group	
	2013	2012
	S\$'000	S\$'000
Goodwill arising on consolidation	19,289	19,289
Impairment losses	(17,720)	(17,720)
Effect of movement in exchange rates	(1,569)	(1,569)
	-	-

### Impairment test for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the related cash generating units ("CGU") identified. As at 30 June 2012, the goodwill is mainly allocated to the Group's operations in the United States of America.

The recoverable amount of the CGU was determined based on value-in-use calculations. The key assumptions for the value-in-use calculations were discount rates, growth rates and expected changes to selling prices and direct costs. Management estimated discount rates to reflect risks specific to the CGU. The growth rates used were based on industry growth forecasts and took into account the strategic direction of the CGU. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market.

The goodwill had been fully impaired in the prior year.

# Notes to the Financial Statements

30 JUNE 2013

## 17 DEFERRED TAX ASSETS

	Property, plant and equipment S\$'000	Tax benefits arising from tax- deductible goodwill S\$'000	Other items S\$'000	Total S\$'000
<b>Group</b>				
At 1 July 2011	23	1,194	472	1,689
Exchange differences	1	42	16	59
Written off (Note 9)	(24)	(1,236)	(488)	(1,748)
At 30 June 2012	-	-	-	-
Written off (Note 9)	-	-	-	-
At 30 June 2013	-	-	-	-

Tax benefits arising from tax-deductible goodwill relate to tax benefits arising on goodwill from the acquisition of Computer & Electronics Recycling, LLC. (GRX) during the financial year ended 30 June 2009. The goodwill was to be amortised over 15 years in accordance with relevant tax laws in the United States of America ("USA"). During the previous financial year, the Group had derecognised the deferred tax assets relating to this goodwill in accordance with the relevant tax laws in the USA.

At the balance sheet date, the following temporary differences have not been recognised:

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Tax losses	<b>34,589</b>	35,396	-	-

Deferred tax assets have not been recognised in respect of certain tax losses because it is not probable that future taxable profits will be available against which the Group can utilise these tax benefits. The tax losses are subject to agreement with the relevant tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

# Notes to the Financial Statements

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## 18 TRADE AND OTHER RECEIVABLES

		Group		Company	
		2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
<b>Non-current</b>					
Deposits	(a)	138	-	-	-
Amounts due from subsidiaries (non-trade)	(b)	-	-	32,324	36,165
<b>Current</b>					
Trade receivables		7,190	7,752	-	667
Amount due from related parties (non-trade)		560	-	560	-
Other receivables	(c)	2,967	3,708	2,289	1,961
Future deposit margin account	(d)	285	416	-	-
Deposits	(a)	1,179	1,037	552	871
Loans and receivables		12,319	12,913	35,725	39,664
Allowance for impairment losses		(3,914)	(5,781)	(27,408)	(33,348)
		8,405	7,132	8,317	6,316
Prepayments		440	678	42	31
		8,845	7,810	8,359	6,347
Less: Current portion		(8,707)	(7,810)	(3,443)	(2,785)
Non-current portion		138	-	4,916	3,562

- (a) On 14 May 2013, a subsidiary of the Group entered into an Assets Lease Agreement with a third party to lease a set of metal refinery assets for a period of 3 years beginning 1 July 2013 (See Note 25). A security deposit of S\$600,000 has since been paid and is included in the trade and other receivables.
- (b) As at 30 June 2013, except for an interest-bearing amount due from a subsidiary of the Company of S\$11,127,000 (2012: S\$11,859,000), the amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.
- The interest-bearing amounts due from a subsidiary bears interest of 3.00% to 3.07% per annum (2012: 3.00% to 7.38% per annum). Interest rate reprices annually, for USD loan based on the United States of America bank prime rate plus 0.5% and SGD loan based on the Singapore bank prime rate plus 2%.
- During the financial year ended 30 June 2013, management reassessed the repayment terms of the amount due from subsidiaries and determined that the amount is not likely to be repaid within the next 12 months. Accordingly, the amounts due from subsidiaries of S\$4,916,000 (2012: S\$3,562,000) include interest receivables of S\$1,427,000 (2012: S\$1,168,000) have been classified as non-current.
- (c) Other receivables include the cash consideration receivable of S\$2,295,000 arising from the disposal of 51% shareholding in Tonkin Recycling Pte Ltd. (see Note 10(b)).
- (d) As at 30 June 2013, the Group holds future contracts with notional amounts amounting to S\$1,728,000 with unrealised fair value losses of approximately S\$166,000 as at that date.

# Notes to the Financial Statements

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## 19 INVENTORIES

	Group	
	2013 S\$'000	2012 S\$'000
Raw materials	–	4
Semi-finished goods	600	734
	<b>600</b>	<b>738</b>

During the financial year, raw materials and semi-finished goods recognised in cost of sales amounted to S\$7,466,000 (2012: S\$6,288,000).

## 20 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Cash at bank and in hand	<b>6,110</b>	6,721	<b>5,486</b>	6,628

## 21 SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of shares '000	Amount S\$'000	No. of shares '000	Amount S\$'000
Issued and fully paid (no par value)				
At the beginning of the financial year	<b>1,654,692</b>	<b>158,563</b>	8,273,463	152,854
Share consolidation	–	–	(7,446,117)	–
Issue of shares under share rights	–	–	827,346	5,791
Acquisition of a subsidiary	<b>164,706</b>	<b>2,635</b>	–	–
Share placement	<b>363,881</b>	<b>7,204</b>	–	–
Exercise of warrant	<b>109</b>	<b>4</b>	–	–
Share issue expenses	–	(122)	–	(82)
At the end of the financial year	<b>2,183,388</b>	<b>168,284</b>	1,654,692	158,563

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

# Notes to the Financial Statements

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## 21 SHARE CAPITAL (cont'd)

On 25 October 2012, the acquisition of subsidiary was completed whereby 164,705,882 new ordinary shares of the Company were issued at the issue price of S\$0.016 a share.

On 12 March 2013, the proposed placement shares exercised was completed whereby 363,881,128 new ordinary shares in the Company were issued at the issue price of S\$0.0198.

## 22 OTHER RESERVES

### (i) Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

### (ii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

In prior year, the hedging instrument was terminated and the cumulative net change in the fair value previously recognised in hedging reserve amounting to S\$84,000 was recognised in profit or loss.

### (iii) Share option reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options.

In prior year, the share option reserve was written off due to the expiration and forfeiture of the granted employee share options (Note 26).

### (iv) Warrants reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve. Warrants reserve is non-distributable and will be transferred to share capital upon the exercise of warrants. Balance of warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

As at 30 June 2013, the number of outstanding warrants amounted to 827,237,580 (2012: 827,346,380).

# Notes to the Financial Statements

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## 23 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
<u>Non-current</u>				
Other payables	-	164	-	-
<u>Current</u>				
Trade payables	2,628	5,787	-	2
Accrued operating expenses	1,000	1,155	166	70
Sundry creditors	295	2,333	167	957
Accrual for				
- professional fees	154	495	120	156
- staff costs	653	698	373	655
	4,730	10,632	826	1,840
Less: Current portion	(4,730)	(10,468)	(826)	(1,840)
Non-current portion	-	164	-	-

## 24 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to foreign currency and liquidity risk, see Note 29.

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
<u>Unsecured</u>				
- Loan from shareholders	-	2,600	-	2,600
	-	2,600	-	2,600
Less: Current portion	-	(2,600)	-	(2,600)
Non-current portion	-	-	-	-

### Unsecured loans

Loan from shareholders had been fully repaid during the year. As at 30 June 2013, there are no unsecured, repayable on demand and interest bearing loan (2012: S\$2,600,000; 7% per annum).

# Notes to the Financial Statements

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## 25 COMMITMENTS

The Group leases and subleases certain warehouse and factory facilities under operating leases. These leases have a tenure period of between 1 and 8 years. There are no restrictions placed upon the Group or Company by entering into these leases.

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Within 1 year	1,415	2,979	1,115	1,008
After 1 year but within 5 years	4,440	7,973	3,840	4,235
After 5 years	–	2,530	–	1,580
	<b>5,855</b>	13,482	<b>4,955</b>	6,823

The total future minimum sublease payments expected to be received under non-cancellable subleases is S\$432,000 (2012: S\$409,000) as at 30 June 2013.

## 26 EMPLOYEE BENEFITS

	Group	
	2013 S\$'000	2012 S\$'000
Employee benefits expense (including executive directors)		
Salaries and bonuses	10,584	9,774
Central Provident Fund contributions	88	171
Other short-term benefits	1,312	3,409
	<b>11,984</b>	13,354

### Employee share option plans

The Centillion Share Option Scheme (the “CESOS”) was approved by the members of the Company at an Extraordinary General Meeting held on 13 June 2002 and amended by the Company on 14 May 2009. The CESOS was administered by the Company’s Remuneration Committee.

The CESOS expired in prior year. Accordingly, the share option reserve was written off in the same year.

# Notes to the Financial Statements

30 JUNE 2013

## 26 EMPLOYEE BENEFITS (cont'd)

Movements in the number of share options and their related weighted average exercise prices are as follows:

	2013		2012	
	Weighted average exercise price S\$'000	No. of options '000	Weighted average exercise price S\$'000	No. of options '000
At beginning of period	-	-	0.378	13,165
Forfeited	-	-	0.378	(13,165)
At end of period	-	-	-	-
Exercisable at balance sheet date	-	-	-	-

There are no options outstanding as at 30 June 2013.

## 27 RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### (a) Key management personnel compensation

	Group	
	2013 S\$'000	2012 S\$'000
Key management personnel compensation comprised:		
Short-term employee benefits	1,024	676
Central Provident Fund contributions	29	30
	<b>1,053</b>	<b>706</b>

# Notes to the Financial Statements

30 JUNE 2013

## 27 RELATED PARTIES (cont'd)

### (b) Other related party transactions

During the financial year, the Group entities entered into the following trading transactions with related parties that are not members of the Group as terms agreement between the parties:

	Group	
	2013	2012
	S\$'000	S\$'000
Commission	–	37
Professional fees	6	35
Rental income	169	883
Unsecured loan	–	1,000

## 28 OPERATING SEGMENTS

The Group has two reportable segments, United States of America and Singapore, which are the Group's strategic business units. The strategic business units offer similar products and services, being the provision of a one-stop recycling and processing service centre for the electronics industry and the trading of plastics and non-precious metal materials, and are managed separately based on their geographical locations/markets. For each of the strategic business units, the Group's Chief Executive Officer (CEO) reviews internal management reports on a monthly basis to make strategic decisions.

The accounting policies of the reportable segments are the same as described in Note 2.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

As compared to the financial year ended 30 June 2012, there are no significant differences in the basis of segmentation or in the basis of measurement of segment profit or loss presented above.

# Notes to the Financial Statements

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## 28 OPERATING SEGMENTS (cont'd)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	United States of America S\$'000	Singapore S\$'000	Total S\$'000
<b>2013</b>			
External revenues	25,472	3,826	29,298
Interest expense	(287)	-	(287)
Depreciation and amortisation	(641)	-	(641)
Reporting segment profit/(loss) before tax	1,710	1,042	2,752
Reportable segments assets	11,514	2,407	13,921
Capital expenditure	1,106	-	1,106
Reporting segment liabilities	15,686	19,988	35,674
<b>2012</b>			
External revenues	23,111	3,241	26,352
Interest expense	(868)	-	(868)
Depreciation and amortisation	(630)	-	(630)
Reporting segment profit/(loss) before tax	(3,190)	193	(2,997)
Other material non-cash items: Reversal of doubtful receivables	2	28	30
Reportable segments assets	19,809	1,579	21,388
Capital expenditure	354	-	354
Reporting segment liabilities	37,504	20,203	57,707

# Notes to the Financial Statements

30 JUNE 2013

## 28 OPERATING SEGMENTS (cont'd)

### Non-current assets

The Group's non-current assets for the financial years ended 30 June 2013 and 2012 mainly relate to the USA Segment.

	2013 S\$'000	2012 S\$'000
<b>Revenues</b>		
Total revenue for reportable segments	31,015	29,618
Elimination of discontinued operations	(1,717)	(3,266)
Consolidated revenue	<b>29,298</b>	26,352
<b>Profit or loss</b>		
Total profit or loss for reportable segments	3,083	(4,049)
Corporate and other unallocated items	(3,324)	(30,589)
Elimination of inter-segment profit or loss items	1,966	19,923
Elimination of discontinued operations	331	1,156
Consolidated profit/(loss) before income tax	<b>1,394</b>	(13,559)
<b>Assets</b>		
Total assets for reportable segments	13,921	21,891
Corporate and other unallocated items	16,012	12,978
Elimination of inter-segment assets	(5,256)	(13,101)
Consolidated total assets	<b>24,677</b>	21,768
<b>Liabilities</b>		
Total liabilities for reportable segments	35,674	64,924
Corporate and other unallocated items	11,960	4,440
Elimination of inter-segment liabilities	(42,904)	(56,132)
Consolidated total liabilities	<b>4,730</b>	13,232

# Notes to the Financial Statements

30 JUNE 2013

## 28 OPERATING SEGMENTS (cont'd)

### Other material items 2013

	Reported segment total S\$'000	Adjustments S\$'000	Consolidated total S\$'000
Interest expense	333	(240)	93
Depreciation and amortisation	641	3	644

### Other material items 2012

	Reported segment total S\$'000	Adjustments S\$'000	Consolidated total S\$'000
Interest expense	868	(561)	307
Depreciation and amortisation	630	34	664

### Products and services segments

	2013 S\$'000	2012 S\$'000
<b>Revenue</b>		
Precious metals	853	3,241
Trading	2,973	-
Recycling of end-of-life electronics	25,472	23,111
	<b>29,298</b>	26,352

### Major customer

Revenue from the top five customers of the USA segment represents approximately S\$15,343,000 (2012: S\$14,057,000) of the Group's total revenues.

# Notes to the Financial Statements

30 JUNE 2013

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Financial risk factors

The Group is exposed to financial risks arising from its operations. The key financial risks include credit risk, foreign currency risk and liquidity risk.

Financial risk management is carried out by management under policies approved by the Board of Directors. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management of the Group.

#### (a) Credit risk

The Group's exposure to credit risk arises primarily from its trade and other receivables. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade and other debtors at the balance sheet date is as follows:

	Group	
	2013 S\$'000	2012 S\$'000
<u>Trade and other receivables by country:</u>		
United States of America	3,266	2,950
Singapore	5,139	3,833
United Kingdom	-	193
Czech Republic	-	156
	<b>8,405</b>	<b>7,132</b>

#### Financial assets that are neither past due nor impaired

Trade and other debtors that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

As at 30 June 2013, trade and other receivables which are neither past due nor impaired amounted to S\$5,129,000 (2012: S\$5,701,000).

# Notes to the Financial Statements

30 JUNE 2013

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (a) Credit risk (cont'd)

#### *Financial assets that are past due but not impaired*

There is no other class of the Group's and the Company's financial assets that is past due but not impaired except for trade and other receivables as set out below. These trade and other receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Trade receivables past due:				
– Past due 0 – 30 days	2,063	893	–	–
– Past due 31 – 120 days	1,213	356	–	–
– More than 120 days	–	182	–	–
	<b>3,276</b>	1,431	–	–

#### *Financial assets that are past due and impaired*

The Group's and the Company's trade and other receivables that are determined to be individually impaired at the balance sheet date are as follows:

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Trade and other receivables	3,914	5,781	27,408	33,348
Less: Allowance for impairment	(3,914)	(5,781)	(27,408)	(33,348)
	–	–	–	–

# Notes to the Financial Statements

30 JUNE 2013

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (a) Credit risk (cont'd)

The movements in the allowance account used to record the impairment are as follows:

	Group		Company	
	2013 S\$'000	2012 S\$'000	2013 S\$'000	2012 S\$'000
Balance at 1 July 2012	5,781	5,583	33,348	24,315
Discontinued operation	(1,150)	-	-	-
Translation difference	36	207	-	-
Addition	-	40	-	9,033
Impairment loss reversed	-	(30)	-	-
Written off	(753)	(19)	(5,940)	-
Balance at 30 June 2013	3,914	5,781	27,408	33,348

Trade and other receivables which are impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted in payments. These trade and other receivables are not secured by any collateral.

### (b) Foreign currency risk

The Group operates in various countries. It is exposed to foreign exchange risk as it maintains its assets and liabilities in various currencies. Exposure to currency risk is monitored on an on-going basis and the Group endeavors to keep its net exposure at an acceptable level.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and US dollar ("USD").

To manage the foresaid foreign currency risk, the Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which are primarily used for payments of purchases in the same currency denomination.

# Notes to the Financial Statements

30 JUNE 2013

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (b) Foreign currency risk (cont'd)

	2013		2012	
	USD S\$'000	SGD S\$'000	USD S\$'000	SGD S\$'000
<b>Group</b>				
<b>Financial assets</b>				
Trade and other receivables	4,165	4,240	168	4,005
Cash and cash equivalents	1,005	5,785	96	6,592
	<b>5,170</b>	<b>10,025</b>	264	10,597
<b>Financial liabilities</b>				
Trade and other payables	(3,255)	(1,475)	(5,271)	(4,262)
	<b>(3,255)</b>	<b>(1,475)</b>	(5,271)	(4,262)
<b>Net financial assets/(liabilities)</b>	<b>1,915</b>	<b>8,550</b>	(5,007)	6,335
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	932	(8,550)	4,807	(6,317)
<b>Currency exposure</b>	<b>2,847</b>	<b>-</b>	(200)	18

If the following currencies strengthen by 5% (2012: 5%) against S\$ at the balance sheet date, with all other variables being held constant, the effect arising from the net financial assets/(liabilities) position will be as follows:

	Group Increase/(decrease) in profit/loss after tax	
	2013 S\$'000	2012 S\$'000
USD	143	10

A 5% strengthen of S\$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

# Notes to the Financial Statements

30 JUNE 2013

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

	Carrying amount S\$'000	Total S\$'000	Cash flows		
			One year or less S\$'000	One to five years S\$'000	Over five years S\$'000
<b>Group</b>					
<u>As at 30 June 2013</u>					
Financial liabilities					
Borrowings	-	-	-	-	-
Trade and other payables	4,730	(4,730)	(4,730)	-	-
	<b>4,730</b>	<b>(4,730)</b>	<b>(4,730)</b>	-	-
<u>As at 30 June 2012</u>					
Financial liabilities					
Borrowings	2,600	(2,782)	(2,782)	-	-
Trade and other payables	10,459	(10,459)	(10,459)	-	-
	13,059	(13,241)	(13,241)	-	-

### (d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the dividend payment, issue new shares or obtain new borrowings. The Group's overall strategy remains unchanged from 2012.

# Notes to the Financial Statements

30 JUNE 2013

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (d) Capital management (cont'd)

The Group monitors capital based on a gearing ratio, which is borrowings divided by total shareholders' equity.

	Group	
	2013	2012
	S\$'000	S\$'000
Borrowings	–	2,600
Equity	19,947	8,536
Gearing (gross)	N.M.	30.5%

## 30 DETERMINATION OF FAIR VALUE

### (a) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair value of borrowings approximated their carrying amounts as at 30 June 2012 given its short maturity period.

### (b) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other non-current financial assets and liabilities, where material, are discounted to determine their fair values based on the estimated future cash flows. The discount rate used was based on market value of similar instruments at reporting date. The fair value approximates the carrying value as at balance sheet date.

# Statistics of Shareholdings

AS AT 13 SEPTEMBER 2013

No. of Shares issued	:	2,183,388,570
Voting Rights	:	1 Vote per share
Class of shares	:	Ordinary shares
Treasury shares	:	NIL

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	661	5.09	250,898	0.01
1,000 – 10,000	6,142	47.26	27,874,869	1.28
10,001 – 1,000,000	6,031	46.40	562,279,279	25.75
1,000,001 AND ABOVE	163	1.25	1,592,983,524	72.96
<b>TOTAL</b>	<b>12,997</b>	<b>100.00</b>	<b>2,183,388,570</b>	<b>100.00</b>

Based on information available to the Company as at 13 September 2013, approximately 75.08% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## TWENTY LARGEST SHAREHOLDERS

No	Name	No. of Shares	%
1	ASIA DYNAMIC PTE LTD	378,174,619	17.32
2	TAN NG KUANG	155,792,000	7.14
3	HAU CHAN YEN	103,085,128	4.72
4	NEO SAY YONG (LIANG SHIRONG)	74,446,000	3.41
5	FORT CANNING (ASIA) PTE LTD	71,887,944	3.29
6	QUAH CHUNG MING	62,000,000	2.84
7	OCBC SECURITIES PRIVATE LTD	31,678,600	1.45
8	TAN HUAT	28,494,000	1.31
9	DBS NOMINEES PTE LTD	26,521,159	1.21
10	TAN JOON JAR	25,949,760	1.19
11	HSBC (SINGAPORE) NOMINEES PTE LTD	24,833,000	1.14
12	APZENITH CAPITAL PTE LTD	24,831,882	1.14
13	TEO HAW YN GWENDOLINE	22,000,000	1.01
14	PHILLIP SECURITIES PTE LTD	21,914,640	1.00
15	NG SWEE OON	21,762,000	1.00
16	ANG BOON KUAN	18,500,000	0.85
17	LEE SAI TEOW ALICE	17,515,000	0.80
18	UNITED OVERSEAS BANK NOMINEES PTE LTD	17,454,801	0.80
19	OCBC NOMINEES SINGAPORE PTE LTD	17,271,955	0.79
20	TAN CHEE BENG	14,149,000	0.65
		<b>1,158,261,488</b>	<b>53.06</b>

# Statistics of Shareholdings

AS AT 13 SEPTEMBER 2013

## SUBSTANTIAL SHAREHOLDERS (as shown in the Register of Substantial Shareholding)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of shares	%
SONG TANG YIH	–	–	378,174,619 <sup>(1)</sup>	17.32
ENG WAH LEN ANDREW	–	–	378,174,619 <sup>(1)</sup>	17.32
SIN JOO SIONG	–	–	378,174,619 <sup>(1)</sup>	17.32
ASIA DYNAMIC PTE LTD	378,174,619 <sup>(1)</sup>	17.32	–	–
TAN NG KUANG	155,792,000	7.14	–	–

### Notes:

- (1) The indirect interests arise through the relevant individual being a controlling shareholder of Asia Dynamic Pte Ltd

# Statistics of Warrant Holdings

AS AT 13 SEPTEMBER 2013

## DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant holders	%	No. of Warrants	%
1 – 999	190	5.60	125,063	0.02
1,000 – 10,000	1,006	29.64	5,704,393	0.69
10,001 – 1,000,000	2,119	62.43	165,984,912	20.06
1,000,001 AND ABOVE	79	2.33	655,423,212	79.23
<b>TOTAL</b>	<b>3,394</b>	<b>100.00</b>	<b>827,237,580</b>	<b>100.00</b>

## TWENTY LARGEST WARRANT HOLDERS

No	Name	No. of Warrants	%
1	HAU CHAN YEN	215,582,000	26.06
2	TAN NG KUANG	77,896,000	9.42
3	WONG CHIH WEI EDWIN (HUANG ZHIWEI)	41,511,000	5.02
4	LIM TEE CHYOU	19,000,000	2.30
5	FORT CANNING (ASIA) PTE LTD	14,475,346	1.75
6	SUKUMARAN SUBBIAH	14,338,000	1.73
7	ENG WAH YOUNG	14,000,000	1.69
8	PHILLIP SECURITIES PTE LTD	13,889,260	1.68
9	TAN KIM SENG	13,500,000	1.63
10	TAN JOON JAR	12,974,880	1.57
11	HSBC (SINGAPORE) NOMINEES PTE LTD	12,078,900	1.46
12	EIO HOCK CHUAR	10,000,000	1.21
13	NG SWEE OON	10,000,000	1.21
14	OCBC SECURITIES PRIVATE LTD	7,967,300	0.96
15	CHANG CHEE KOK	7,800,000	0.94
16	TAN JUI YAK	6,933,200	0.84
17	LIM LIANG MENG	6,502,600	0.79
18	TAN CHEE YUEN	6,000,000	0.73
19	CHIA KAR SOCK	5,900,000	0.71
20	HENG WEE KIANG	5,150,000	0.62
		<b>515,498,486</b>	<b>62.32</b>



# METech

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