

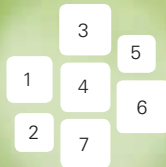
MEtech

INTERNATIONAL

2014 ANNUAL REPORT

DELIVERING ECO-RESPONSIBLE SOLUTIONS





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



CONTENTS

| | |
|--------------------------------|-----|
| Mission | 1 |
| CEO Message | 2 |
| Board of Directors | 4 |
| The Management Team | 6 |
| Corporate Governance Report | 9 |
| Report of the Directors | 22 |
| Statement by Directors | 27 |
| Independent Auditors' Report | 28 |
| Financial Statements | 30 |
| Statistics of Shareholdings | 90 |
| Statistics of Warrant Holdings | 92 |
| Corporate Information | ibc |

DEAR SHAREHOLDERS,

FY2014 has been an exciting year for METech International (“MIL”). It was a year of consolidation following from a year of transformation in FY2013. With the foundation firmly set in FY2013, FY2014 was the year for the Group to grow and forge ahead confidently with bold ideas and firm actions. I am glad to report that the Group has acquitted itself well.

Precious metals recovery and recycling of electronic waste and ferrous and non-ferrous metals remained MILs core business. The Group continued to grow with revenue rising 35% over the previous year while maintaining a slight profit. This revenue growth exceeded the Group’s annual target of 30%.

The US operation headed by METech Recycling Incorporated (“MRI”) with 5 recycling plants at Gilroy, Salt Lake City, Creedmoor, Worcester and Denver, managed to turn in a good performance despite the tough operating environment. Following the consolidation of operations, a new shredding and precious metals recycling facility has been set up at Worcester on the East in addition to the existing one at Gilroy on the West. This, coupled with additional shredder production lines and automation, allowed the plants to manage the increased volume of material handled and to report a 13% increase in turnover year-on-year.

Moving beyond recovery and recycling, the Group made its first venture into the reuse business. Gilroy had the privilege of hosting the Group’s first reuse facility. It made a promising start after just 4 months of operations when it moved into a new, larger building to accommodate the growing business.

Leveraging on the METech brand revamp in 2013, the Singapore operations embarked on a business development initiative to secure more corporate clients. Despite the stiff competition, the precious

metals recovery segment was successful in adding 5 more MNCs to its already commendable customer base. The newly added ferrous and non-ferrous metals segment also brought synergies to the Singapore operations.

Overall, contributions from Singapore to the Group’s revenue has grown. Its share has increased from 13% in the previous FY to 27% in FY2014. This is in line with the Group’s long-term plan to diversify its revenue base, both geographically and sector-wise, and the Group is determined to push ahead on this front.

BUSINESS CLIMATE

Generally the market conditions have been tough and competitive. Chief of all was the lacklustre metal prices, in particular that of gold and copper. The downward trends registered by both metals in FY2014 were congruent with the downward trend of most commodities which have been affected by the weak economy and falling demand in Europe and China. Falling prices have the effect of reducing the profitability of the recovery and recycling business especially when operating cost such as start-up and labour cost remain high.

Moreover, the electronic waste industry, particularly in the USA, was marked by overcapacity which has brought about intense competition. Good cost management and productivity improvement are key to survival in an intensely competitive arena, and MRI, through its nimbleness and sound management, was able to stand up to competition and benefit from the ensuing industry-wide consolidation.

STRATEGIES GOING FORWARD

The Group’s ambition is to continue to grow its revenue by 30% each year. This growth will be achieved through the **4R Strategy** – Recycling, Recovery, Reuse and Repair. The Group sees strategic partnerships as the way forward to spread its wings to soar higher.

Globally, the future of the electronic waste industry is bright, and the 4R Strategy will give us the edge to ride on the crest of this growth. Due to climate change, people have started to seriously rethink on the use of natural resources where the use-once-only mentality has been gradually accepted as unsustainable in the long run. Many governments have imposed targets to reduce waste and cut down on landfills. In Europe the target for recycling has been set at 70% by 2030, and for electronic waste specifically, at 85% by 2016. Coupled with the weak economy and the severe austerity measures in place in many countries, the spending power of a broad strata of individuals and organisations have also been depressed. All these developments point to more recovery and recycling, and even more repair and reuse in the years ahead.

The Group has started to make inroads into the reuse and repair business through its first reuse facility at Gilroy in the USA. With the success of that first venture, the Group hopes to replicate the same success in Singapore through its newly incorporated subsidiary METech Reverslog Pte Ltd. Through its strategic partnership with R-Logic International Pte Ltd, METech Reverslog will soon be able to enter the repair business in Singapore and the region.

OUR APPRECIATION

Lastly, it is time for me to accord my appreciation and give recognition to individuals and entities who have helped METech International to grow into what it is today.

Our appreciation goes to Mr Song Tang-Yih, the outgoing Chairman, for his past leadership and visionary stewardship of the Group. He resigned from the Executive Chairman and Non-executive Chairman role on 1st January 2014 and 28th February 2014 respectively. We wish him well in all his future endeavours.



On behalf of the Board of Directors, I would like to put on record our appreciation to all the stakeholders – shareholders, customers, business partners, financial institutions and government agencies – for their invaluable support.

For all in the METech International family – the Board, the management and the staff – I would like to thank them for their commitment, dedication and trust in the Company. Everyone has worked hard and tirelessly in one way or another to bring success to the Company and also elevate the Company higher on the growth path.

ANDREW ENG

Chief Executive Officer/Executive Director

BOARD OF DIRECTORS



MR ANDREW ENG
Executive Director and
Group CEO

Mr Andrew Eng was appointed in November 2011 as President and Executive Director of the company and was re-designated as Group Chief Executive Officer in May 2014. He is presently responsible for charting the growth of the Group, including its subsidiaries.

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. Prior to entering the financial advisory industry, he served in the Singapore Police Force till 1991.

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



MR FRANCIS LEE
Independent
Non-Executive Director

Mr Francis Lee is an Independent Non-Executive Director at Metech, and chairs the Group's Audit Committee and serves as a member of the Nominating and Remuneration Committees. Francis brings with him 20 years of experience in the financial sector, and provides the Group with advice in the matters of corporate governance and acts as a check and balance on the Board's management.

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 four 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.



MR 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. He presently serves as Chairman of the Nominating Committee, and as a member of the Audit and the Remuneration Committees of the company. 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.

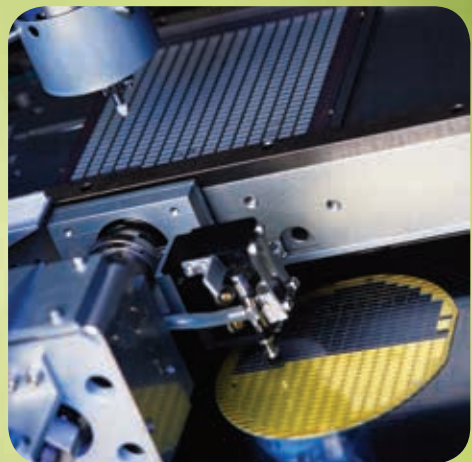
Mr Khor possesses a Master of Science in Computing from Imperial College, U.K., as well as a Master of Business Administration from the University of Strathclyde, U.K. He has also completed the General Management Programme from Harvard Business School.



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 as a member of the Audit and the Nominating Committees 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.





THE MANAGEMENT TEAM



ANDREW ENG
Group Chief Executive
Officer and
Executive Director

Mr Andrew Eng is the Group CEO and Executive Director of the company. He is presently responsible for the Group's business strategy and for charting the growth of the Group, including its subsidiaries.

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.

Prior to entering the financial advisory industry, he served in the Singapore Police Force till 1991.

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



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 CEO's strategic plans. As the Group's CFO, Mr Lim is also responsible for 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 Inc to map business plans and strategies to grow the US business.

With a decade 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 Certified Public Accountant of the Institute of Certified Public Accountants, Singapore.



USA OPERATIONS

RICHARD CHENOWETH
President



USA OPERATIONS

ANDREW MCMANUS
Chief Operations Officer

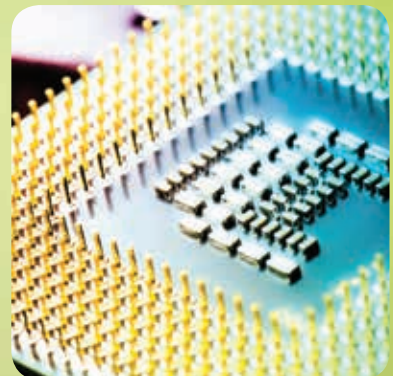
Mr. Chenoweth joined METech Recycling as Regional Vice-President, Business Development & Sales in 2013 and was redesignated as President in 2014. He has more than 30 years of experience in international sales and extensive knowledge in technical marketing, especially in the printed circuit board (“PCB”) and Electronics Manufacturing Services (“EMS”) industries and has extensive industry knowledge in North America and throughout Asia, particularly China.

Prior to joining METech, Mr. Chenoweth held senior management positions at Sanmina-SCI, GBM, Flextronics and his latest/last stint was with Foxconn. There he successfully built an effective global sales organization for Foxconn Advanced Technology.

Mr. Chenoweth graduated from the University of Michigan, Ann Arbor.

Mr. McManus joined METech Recycling as an Environmental Engineer in 2000. He established the initial quality management program and oversaw the transition from the company’s original site in Rhode Island to the current headquarters in Worcester. Previously he worked in environmental and operations positions at manufacturing facilities involving precious metals including Handy & Harman Electronic Materials, Poly-Flex Circuits, and Donald Bruce. Mr. McManus also spent over 30 years in the United States Army where he served in his final assignment as Battalion Commander and retired as a Lieutenant Colonel.

Mr. McManus graduated from the University of Rhode Island with a Bachelor of Science in Chemical Engineering and holds a Master of Business Administration degree in Operations Management from Bryant University.





THE MANAGEMENT TEAM



USA OPERATIONS

CHRIS RYAN

Corporate Advisor

Mr. Chris Ryan joined METech in 1998 as a member of the US East Coast sales team and developed its e-scrap recycling business. In 2010, he was appointed as President of METech Recycling Inc and in 2014, he was redesignated as Advisor to METech Recycling, providing advice to senior and executive management in consulting, operational support and business strategies, especially in the aspect of sales and marketing growth in the region.

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.



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 Group CEO 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:

| | | |
|----------------|---|------------------------------------|
| Andrew Eng | – | Executive Director and Group CEO |
| Derek Loh | – | Independent Non-Executive Director |
| Francis Lee | – | 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 Francis Lee (AC Chairman), Mr Derek Loh and Mr Khor Check Kim, all of whom, including the Chairman, are Independent Non-Executive Directors.
- *Nominating Committee (“NC”)*
The NC comprises Mr Khor Check Kim (NC Chairman), Mr Francis Lee and Mr Derek Loh, 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 (RC Chairman) with Mr Francis Lee, 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 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;
- (f) convening of shareholders' meeting; and
- (g) approval of acquisitions and disposals and funding of investments.

CORPORATE GOVERNANCE REPORT

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 2014.

| | Board | Audit | Committees | |
|----------------------------|-------|-------|---------------------------------|------------|
| | | | Remuneration | Nominating |
| No of Meetings Held | 4 | 4 | 1 | 1 |
| Directors | | | No. of Meetings Attended | |
| Song Tang Yih ¹ | 3 | NA | NA | NA |
| Andrew Eng | 4 | NA | NA | NA |
| Jen Shek Voon ² | 1 | 1 | 1 | 1 |
| Derek Loh | 4 | 4 | 1 | 1 |
| Francis Lee | 4 | 4 | 1 | 1 |
| Khor Check Kim | 4 | 3 | NA | NA |

¹ Song Tang Yih resigned with effect from 28 February 2014

² Jen Shek Voon resigned with effect from 24 October 2013

Board Composition and Guidance

Strong and independent Board exercising objective judgment (Principle 2)

The Board presently comprises a small but effective four member Board of Directors which comprise an Executive Director and the remaining 3 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.

CORPORATE GOVERNANCE REPORT

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)

Upon the resignation of Mr Song as Chairman of the Company on 28 February 2014, the Company has not appointed any Chairman, but shall be appointed in due course. The duties of the Chairman is currently being carried out by appointment by independent directors on rotation basis at each and every Board meetings to ensure a culture of openness and debate at the Board, encourage constructive relations within the Board and between the Board and management, facilitate the effective contribution of non-executive directors in particular and to promote high standards of corporate governance.

Mr Andrew Eng is the Executive Director who was redesignated in May 2014 as the Chief Executive Officer (“CEO”) of the Group. He is presently responsible for the Group’s business strategy and for charting the growth of the Group, including its subsidiaries.

As the 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 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 Eng has overall responsibility for the management and daily operations of the Group. He is supported by the Group CFO 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 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 meeting. All members of the NC, RC and AC are Independent Directors.

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;

CORPORATE GOVERNANCE REPORT

- 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:

- the geographical spread and diversity of the Groups' businesses;
- the strategic direction and progress of the Group;
- the current composition of the Board; and
- 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 Francis Lee is retiring by rotation and will all, submit himself for retirement and re-election by the shareholders at the forthcoming AGM.

Board Members

| Directors | Position | Date of first appointment | Date of last re-election | Nature of appointment |
|----------------|-----------|---------------------------|--------------------------|------------------------------|
| Andrew Eng | President | 1 September 2012 | 29 Oct '12 | Non-independent / Executive |
| Derek Loh | Director | 10 February 2010 | 24 Oct '13 | Independent / Non-executive |
| Francis Lee* | Director | 1 August 2012 | 29 Oct '12 | Independent / Non- executive |
| Khor Check Kim | Director | 5 July 2013 | 24 Oct '13 | Independent / Non- executive |

* Up for re-election

CORPORATE GOVERNANCE REPORT

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.

ACCESS TO INFORMATION

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

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 issued 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.

CORPORATE GOVERNANCE REPORT

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 Director 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 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.

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 Director. 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.

The CEO, as Executive Director, 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.

CORPORATE GOVERNANCE REPORT

Directors' fees totalled \$124,000 in 2014 (2013: \$100,000) and were derived using the following rates:

| Board of Directors | 2014 | 2013 |
|--|-------------|-------------|
| • Basic Fee | \$28,000 | \$24,000 |
| • Chairman's allowance | \$10,000 | \$10,000 |
| Board Committees | | |
| • 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 |

Breakdown of Directors' Remuneration (in %)

| Directors | Remuneration Band | Salary | Bonus | Fees | Other Benefits | Total |
|----------------------------|--------------------------|---------------|--------------|-------------|-----------------------|--------------|
| Song Tang Yih ¹ | Above \$250,000 | 69 | 21 | 2 | 8 | 100 |
| Andrew Eng | Above \$250,000 | 77 | 14 | – | 9 | 100 |
| Derek Loh | Below \$250,000 | – | – | 100 | – | 100 |
| Francis Lee | Below \$250,000 | – | – | 100 | – | 100 |
| Khor Check Kim | Below \$250,000 | – | – | 100 | – | 100 |

¹ Song Tang Yih resigned with effect from 28 February 2014

Breakdown of Top Management's Remuneration (in %)

| Name | Remuneration Band | Salary | Bonus/ Commission | Fees | Other Benefits | Total |
|------------------|--------------------------|---------------|------------------------------|-------------|-----------------------|--------------|
| Song Tang Yih | Above \$250,000 | 69 | 21 | 2 | 8 | 100 |
| Andrew Eng | Above \$250,000 | 77 | 14 | – | 9 | 100 |
| Benny Lim | Below \$250,000 | 78 | 11 | – | 11 | 100 |
| Sin Joo Siong | Below \$250,000 | 89 | – | – | 11 | 100 |
| Christopher Ryan | Below \$250,000 | 100 | – | – | – | 100 |

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

ACCOUNTABILITY

Present a balanced and understandable assessment of the company's performance, position and prospects (Principle 10)

The Board is accountable to the shareholders and other stakeholders while the management is accountable to the Board.

The Board aims at informing shareholders of the performance of the Group on a more frequent and timely manner. Also, the Board believes that this move will further enhance the Group's relationships with investors and the media.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

Governance of risk and sound system of internal controls (Principle 11)

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.

The Board has received assurance from the Group CEO and Group CFO that the financial records of the Company have been properly maintained and the Company's financial statements give a true and fair view of the Company's operations and finances and the Company's risk management and internal control systems are adequate and effective.

During the financial period, 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 the 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.

The Board and AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on the internal controls established and maintained, assessment of the work performed by the auditors, reviewed by management, the Board and AC are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, are adequate.

AUDIT COMMITTEE

Establishment of Audit Committee with written terms of reference (Principle 12)

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.

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

CORPORATE GOVERNANCE REPORT

The AC meets periodically with the Group's external auditors to review accounting, auditing and financial reporting matters. 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 their evaluation of the operating effectiveness of certain controls the external auditors intend to rely on that are relevant to the Group's preparation of its financial statements;
- (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 or 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 12 and 13 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.

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 also reviewed the performance of the external auditors. It recommended to the Board the re-appointment of Moore Stephen LLP as the Company's external auditors, after having been satisfied with the standard of audit, independence and objectivity of the auditors.

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

CORPORATE GOVERNANCE REPORT

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 Company, upon the recommendation of the AC, appointed BDO LLP as internal auditors whom had devised a three year internal audit plan for the Company.

The scope of internal audit is to:-

- (a) Review the effectiveness of the Group's material internal controls;
- (b) Provide assurance that key business and operational risks are identified and managed;
- (c) Internal controls are in place and functioning as intended; and
- (d) Operations are conducted in an effective and efficient manner.

The AC will on a regular basis review the activities of the internal auditor, oversee and monitor the implementation of required improvements on internal control weaknesses that are identified. The AC will also assess the adequacy and effectiveness of the internal audit function on an annual basis.

The internal auditors report directly to the Chairman of the AC on any material weaknesses and risks identified in the course of the audit which will also be communicated to management. Management would accordingly update the AC on the status of the remedial action plans.

COMMUNICATION WITH SHAREHOLDERS

Shareholder Rights (Principle 14)

Regular, effective and fair communication with shareholders (Principle 15)

Greater shareholder participation at annual general meetings (Principle 16)

All shareholders are treated fairly and equitably to facilitate their ownership rights. The Articles of Association allow a member of the Company, who is unable to attend the general meeting in person, to appoint one or two proxies to attend and vote at the meeting in place of the member.

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.

CORPORATE GOVERNANCE REPORT

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, Chairman 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.

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, there was no IPT which was more than S\$100,000 and the Company did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual.

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.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

(a) Use of Proceeds from Rights cum Warrants Issuance

During the financial year, the Group utilized the remaining S\$407,000 of the proceeds from the Rights cum Warrants Issue have been fully utilized for the expansion of the business in the US and Singapore during the period 1 November 2013 to 31 December 2013, purpose for which are in accordance with the OIS. Consequently, the proceeds from the Rights cum Warrants Issue have been fully utilized.

(b) Use of Proceeds from shares placement completed on 11 April 2013

During the period 12 April 2013 to 1 August 2014, the Group utilized S\$2,822,000 on expansion of business on deposits and prepayments on equipment leases and on the acquisition of refinery equipment and machinery, and S\$3,333,000 in working capital to purchase auxiliary equipment, supplies and materials. The use of proceeds stated above was in accordance with the stated purposes of the placement.

As at 1 August 2014, the Company has S\$900,000 in proceeds from the shares placement available for working capital purposes.

(c) Use of Proceeds from shares placement completed on 19 May 2014

The Company completed a shares placement on 19 May 2014, and net proceeds of S\$892,000 are available for business expansion and S\$1,337,000 available for working capital purposes. The proceeds are fully available and have not been used as at 1 August 2014.

REPORT OF THE DIRECTORS

30 JUNE 2014

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 2014 and the statement of financial position of the Company as at 30 June 2014.

1 Directors

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

| | | |
|----------------|----------------------|----------------------------|
| Andrew Eng | Executive Director | |
| Derek Loh | Independent Director | |
| Francis Lee | Independent Director | |
| 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, Chapter 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 |
| The Company | | |
| <i>Number of ordinary shares</i> | | |
| Andrew Eng | 378,174,619 | 114,656,893 |
| Francis Lee | 10,000,000 | – |

REPORT OF THE DIRECTORS

30 JUNE 2014

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 2014.

By virtue of Section 7 of the Act, Andrew Eng is 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 27 to the financial statements, since the end of the previous 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

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.

Unissued shares under options

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries.

REPORT OF THE DIRECTORS

30 JUNE 2014

6 Warrants

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

| Date of issue | Warrants outstanding at 01/07/2013 | Warrants issued | Warrants exercised | Warrants expired | Warrants outstanding at 30/6/2014 | Date of expiration |
|----------------------|---|----------------------------|-------------------------------|-----------------------------|--|-------------------------------|
| 28/06/2012 | 827,237,580 | – | 10,301 | – | 827,227,279 | 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:

| | |
|------------------------|--------------------------------------|
| Francis Lee (Chairman) | (Independent Non-Executive Director) |
| Derek Loh | (Independent Non-Executive Director) |
| Khor Check Kim | (Independent Non-Executive Director) |

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 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 2014

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 2014

8 Independent auditors

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

.....
Andrew Eng

Director

.....
Francis Lee

Director

Singapore

26 September 2014

STATEMENT BY DIRECTORS

30 JUNE 2014

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company, as set out on pages 30 to 89 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 2014 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

.....
Francis Lee
Director

Singapore
26 September 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF **METECH INTERNATIONAL LIMITED**

1. We have audited the accompanying financial statements of Metech International Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 30 to 89, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2014, 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

2. 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, Chapter 50 (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 sheet and to maintain accountability of assets.

Auditors' responsibility

3. 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.
4. 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF **METECH INTERNATIONAL LIMITED**

(cont'd)

Basis for qualified opinion

6. As disclosed in Note 13, the Company's investment in Tongji Environment (Asia) Pte. Ltd. (formerly known as Tonkin Recycling Pte. Ltd.) ("Tongji"), an associate company, is accounted for using the Equity Method and is carried at S\$2,224,000 in the Consolidated Statement of Financial Position as at 30 June 2014. The Group's share of Tongji's results of S\$19,000 are included in the consolidated statement of comprehensive income for the year then ended.
7. As further described in Note 13 to the financial statements, only unaudited management accounts of Tongji were made available to the Company. We were, however, unable to carry out audit procedures necessary to satisfy ourselves as to whether the unaudited management accounts of Tongji are in form and content appropriate and proper for the purpose of applying the equity method to account for the Group's investment in Tongji in the consolidated financial statements. Consequently, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the Group's investment in Tongji as at 30 June 2014 and the Group's share of Tongji's results for the year then ended. As a result, we were unable to determine whether adjustments, if any, to those amounts were necessary.

Qualified opinion

8. In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the 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 2014 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

9. 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
26 September 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

| | | Group | |
|--|------|-----------------|-----------------|
| | Note | 2014 S\$'000 | 2013 S\$'000 |
| Continuing Operations | | | |
| Revenue | 4 | 39,781 | 29,298 |
| Cost of sales | | (33,066) | (22,607) |
| Gross profit | | 6,715 | 6,691 |
| Other income | 5 | 1,342 | 1,168 |
| Distribution expenses | | (2,170) | (1,979) |
| Administrative expenses | | (5,726) | (4,393) |
| Finance costs | 6 | (65) | (93) |
| Share of results of associate | | 19 | – |
| Profit before income tax | 7 | 115 | 1,394 |
| Income tax | 8 | (13) | (15) |
| Profit from continuing operations, net of income tax | | 102 | 1,379 |
| Discontinued Operations | | | |
| Profit for the year from discontinued operations | 9 | – | 331 |
| Total profit for the financial year | | 102 | 1,710 |
| Other comprehensive income, net of income tax: | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| – Net gain on fair value changes on available-for-sale investment | | 486 | – |
| – Exchange differences on translating foreign operations | | (46) | (20) |
| Other comprehensive income, net of income tax | | 440 | (20) |
| Total comprehensive income for the financial year attributable to owners of the company | | 542 | 1,690 |
| Earnings per share | | | |
| Basic and diluted earnings per share (cents) | 10 | 0.005 | 0.093 |
| Basic and diluted earnings per share | | | |
| Continuing operations (cents) | 10 | 0.005 | 0.075 |
| Discontinued operations (cents) | 10 | – | 0.018 |

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2014

| | Note | Group | | Company | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 11 | 8,347 | 6,237 | - | - |
| Subsidiaries | 12 | - | - | 1,000 | - |
| Associate | 13 | 2,224 | 2,205 | 1,879 | 1,879 |
| Restricted cash held in trust | 14 | 299 | 680 | - | - |
| Intangible asset | 15 | - | - | - | - |
| Trade and other receivables | 16 | - | 138 | 9,244 | 4,916 |
| | | 10,870 | 9,260 | 12,123 | 6,795 |
| Current Assets | | | | | |
| Inventories | 17 | 2,445 | 600 | - | - |
| Trade and other receivables | 16 | 9,765 | 8,707 | 1,676 | 3,443 |
| Derivative financial instrument | 18 | 217 | - | 217 | - |
| Available-for-sale investment | 19 | 1,200 | - | 1,200 | - |
| Other financial asset | 20 | 397 | - | 397 | - |
| Cash and cash equivalents | 21 | 2,783 | 6,110 | 1,179 | 5,486 |
| | | 16,807 | 15,417 | 4,669 | 8,929 |
| Total Assets | | 27,677 | 24,677 | 16,792 | 15,724 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 22 | 170,513 | 168,284 | 170,513 | 168,284 |
| Other reserves | 23 | 3,250 | 2,810 | 2,933 | 2,447 |
| Accumulated losses | | (151,045) | (151,147) | (157,118) | (155,833) |
| Total Equity | | 22,718 | 19,947 | 16,328 | 14,898 |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Trade and other payables | 24 | 4,959 | 4,730 | 464 | 826 |
| Total Liabilities | | 4,959 | 4,730 | 464 | 826 |
| Total Equity and Liabilities | | 27,677 | 24,677 | 16,792 | 15,724 |

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

| | Share capital S\$'000 | Translation reserve S\$'000 | Warrants reserve S\$'000 | Fair value reserve S\$'000 | Accumulated losses S\$'000 | Total equity S\$'000 |
|---|-----------------------------|-----------------------------------|--------------------------------|----------------------------------|----------------------------------|----------------------------|
| Group | | | | | | |
| 2014 | | | | | | |
| At 1 July 2013 | 168,284 | 363 | 2,447 | – | (151,147) | 19,947 |
| Profit for the financial year | – | – | – | – | 102 | 102 |
| <i>Other comprehensive income, net of income tax</i> | | | | | | |
| Net gain on fair value changes on available-for-sale investment (Note 23) | – | – | – | 486 | – | 486 |
| Exchange differences on translating foreign operations (Note 23) | – | (46) | – | – | – | (46) |
| | – | (46) | – | 486 | 102 | 542 |
| Share placement (Note 22) | 2,304 | – | – | – | – | 2,304 |
| Exercise of warrants | –* | – | –* | – | – | –* |
| Share issue expenses | (75) | – | – | – | – | (75) |
| At 30 June 2014 | 170,513 | 317 | 2,447 | 486 | (151,045) | 22,718 |
| 2013 | | | | | | |
| At 1 July 2012 | 158,563 | 383 | 2,447 | – | (152,857) | 8,536 |
| Profit for the financial year | – | – | – | – | 1,710 | 1,710 |
| <i>Other comprehensive income, net of income tax</i> | | | | | | |
| Exchange differences on translating foreign operations (Note 23) | – | (20) | – | – | – | (20) |
| | – | (20) | – | – | 1,710 | 1,690 |
| Issue of shares – acquisition of a subsidiary (Note 22) | 2,635 | – | – | – | – | 2,635 |
| Share placement | 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 |

* 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 2014

| | | Group | |
|---|------|-----------------|-----------------|
| | Note | 2014 S\$'000 | 2013 S\$'000 |
| Cash Flows from Operating Activities | | | |
| Profit before income tax | | 115 | 1,394 |
| Adjustments for: | | | |
| Gain on disposal of property, plant and equipment | | –* | – |
| Gain on disposal of discontinued operations | 9 | – | (272) |
| Gain on bargain purchase | | – | (235) |
| Fair valuation gain on derivative instrument | 18 | (217) | – |
| Fair valuation gain on other financial asset | 20 | (161) | – |
| Profit guarantee income | | (177) | – |
| Property, plant and equipment written off | 11 | – | 33 |
| Reversal of impairment loss on receivables | | – | – |
| Write back of allowance for inventory obsolescence | 17 | (180) | – |
| Allowance for impairment loss on trade and other receivables | | 275 | – |
| Depreciation of property, plant and equipment | 11 | 728 | 644 |
| Interest expense | | 65 | 93 |
| Interest income | | (5) | – |
| Share of result of associate | | (19) | – |
| Gain on investments in futures contracts | | (42) | (85) |
| Unrealised foreign exchange loss | | 5 | 161 |
| Operating cash flows before changes in working capital | | 387 | 1,733 |
| Working capital changes: | | | |
| Trade and other receivables | | (3,344) | 1,025 |
| Inventories | | (1,665) | 138 |
| Cash encumbered | | 381 | (120) |
| Trade and other payables | | 258 | (4,939) |
| Cash used in operating activities | | (3,983) | (2,163) |
| Interest received | | 5 | – |
| Interest paid | | (65) | (93) |
| Income tax paid | | (13) | (15) |
| Net cash used in operating activities | | (4,056) | (2,271) |
| Cash Flows from Investing Activities | | | |
| Acquisition of subsidiaries | 12 | –* | (1,031) |
| Non-trade amount due from related parties | | – | (560) |
| Purchase of property, plant and equipment | 11 | (2,838) | (1,106) |
| Proceeds from sale of subsidiaries | | 2,295 | – |
| Net cash from sale of subsidiaries | 9 | – | (131) |
| Acquisition of available-for-sale investment | 19 | (714) | – |
| Acquisition of other financial asset | 20 | (236) | – |
| Net cash used in investing activities | | (1,493) | (2,828) |

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

(cont'd)

| | | Group | |
|--|------|----------------|---------|
| | Note | 2014 | 2013 |
| | | S\$'000 | S\$'000 |
| Cash Flows from Financing Activities | | | |
| Repayment of loan from shareholders | | – | (2,600) |
| Proceeds from share placement | | 2,304 | 7,204 |
| Share issue expenses | | (75) | (122) |
| Proceeds from exercise of warrants | | –* | 4 |
| Net cash generated from financing activities | | 2,229 | 4,486 |
| Net decrease in cash and cash equivalents | | | |
| Effect of exchange rate changes on balances held in foreign currencies | | (7) | 2 |
| Cash and cash equivalents at the beginning of the financial year | | 6,110 | 6,721 |
| Cash and cash equivalents at the end of the financial year | 21 | 2,783 | 6,110 |

* Amount less than S\$1,000

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

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 (Note 12).

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 2014 were authorised for issue by the Board of Directors on the date of the Statement by Directors.

2 Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(b) 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 2014 amounting to S\$151,045,000 (2013: S\$151,147,000) and its negative operating cash flows of S\$4,056,000 (2013: S\$2,271,000) from operating activities for the financial year ended 30 June 2014.

During the current financial year, the Group raised net proceeds of S\$2,304,000 by way of a share placement. 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 release their assets and discharge their liabilities in the normal course of business.

(c) Adoption of new/revised Singapore Financial Reporting Standards

Adoption of new/revised FRS

For the financial year ended 30 June 2014, 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:

FRS 113 *Fair value measurement*

FRS 113 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 establishes a fair value hierarchy for doing this. The application of FRS 113 has not materially impacted the fair value measurements carried out by the Group and the Company during the year.

FRS 32 (Amendment) *Offsetting Financial Assets and Financial Liabilities*

Amendments to FRS 32 clarify that an entity must currently have a legally enforceable right of set-off if that right of set-off is not contingent on a future event and 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. An entity shall apply those amendments retrospectively. The early adoption of this standard has no impact on the financial performance of the Group or the financial positions of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(c) Adoption of new/revised Singapore Financial Reporting Standards (cont'd)

Adoption of new/revised FRS (cont'd)

FRS 107 (Amendment) *Disclosures – Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with FRS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with FRS 32. These amendments have no impact on the financial performance of the Group or the financial positions of the Group and the Company.

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 2014 onwards:

FRS 27 (Revised) *Separate Financial Statements*

FRS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged and will not have any impact on the financial performance or the financial position of the Group on initial application.

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 will have no impact on the financial performance of the Group or the financial positions of the Group and the Company on initial application.

FRS 110 *Consolidated Financial Statements*

FRS 110 supersedes FRS 27 Consolidated and Separate Financial Statements and INT FRS 12 Consolidation – Special Purpose Entities. It 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. FRS 110 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 reassessed which entities the Group controls and expected no change.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(c) Adoption of new/revised Singapore Financial Reporting Standards (cont'd)

New or revised FRS issued but not yet effective (cont'd)

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 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. As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company on initial application.

FRS 103 (Amendment) *Business Combinations*

The amendment clarifies that contingent consideration of an acquirer in a business combination shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with FRS 39. The amendment has no impact on the financial performance of the Group or the financial positions of the Group and the Company on initial application.

FRS 108 (Amendment) *Operating Segments*

The amendment requires an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company on initial application.

FRS 24 (Amendment) *Related Party Disclosures*

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expense incurred for management services. As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company on initial application.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(d) Basis of consolidation (cont'd)

(i) *Subsidiaries* (cont'd)

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.

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.

Investments in associates in the consolidated statement of financial position includes goodwill (net of any accumulated impairment losses) identified on acquisition and is assessed for impairment.

Investments 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 2014

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 statement of financial position 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 associate are recognised in profit or loss.

Investment in associate 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 2014

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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income 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 2014

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:

| | <u>Years</u> |
|------------------------|------------------|
| Leasehold properties | 30 to 53.5 years |
| Plant and equipment | 2.5 to 10 years |
| Furniture and fixtures | 3 to 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 2014

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 associate

Investments in subsidiary companies and associate are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries and associate, 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 2014

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 associate*

Property, plant and equipment and investments in subsidiaries and an associated company are tested for impairment whenever there is any objective evidence or indications 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 2014

2 Significant accounting policies (cont'd)

(i) Impairment of non-financial assets (cont'd)

(ii) *Property, plant and equipment Investments in subsidiaries and an associate (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 2014

2 Significant accounting policies (cont'd)

(j) Offsetting financial instruments

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(k) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets carried at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the statement of financial position date.

Loans and receivables

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 for those expected to be realised later than 12 months after the statement of financial position date which are presented as non-current assets.

Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(k) Financial assets (cont'd)

(i) **Classification** (cont'd)

Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the statement of financial position date.

(ii) **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 derecognition of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

(iii) **Initial and subsequent measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit and loss, which are recognised at fair value.

Transaction cost for financial assets at fair value through profit and loss is recognised immediately as expenses.

(iv) **Subsequent measurement**

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(k) Financial assets (cont'd)

(iv) *Subsequent measurement (cont'd)*

Interest and dividend income on financial assets, available-for-sale are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve.

Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(v) *Impairment*

The Group assesses at each statement of financial position 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.

Loans and receivables

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

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. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(k) Financial assets (cont'd)

(v) Impairment (cont'd)

Financial assets, available-for-sale

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any objective evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(l) 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 statement of financial position 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'.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(m) 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.

(n) Inventories

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

Cost is determined on a weighted average cost method 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.

(o) 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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(p) Financial instruments (cont'd)

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.

(q) 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 statement of financial position 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.

(r) 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 the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(s) 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.

(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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(t) Revenue (cont'd)

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 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.

(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.

(v) Rental income

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight line basis over the lease term as set out in specific rental agreements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(u) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(u) Income taxes (cont'd)

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

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.

(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 statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(v) 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.

(w) 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.

(x) 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.

(y) 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').

- a. A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

2 Significant accounting policies (cont'd)

(y) Related parties (cont'd)

- b. An entity is related to a reporting entity if any of the following conditions applies:
- i. 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);
 - ii. 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);
 - iii. both entities are joint ventures of the same third party;
 - iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v. 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;
 - vi. the entity is controlled or jointly controlled by a person identified in (i); or
 - vii. 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).

(z) 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

3 Critical accounting estimates, assumptions and judgments

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.

The estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period and future periods if the revision affects both current and future periods.

(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.

During the financial year, there was an allowance for impairment loss amounting to S\$275,000 (2013: Nil) recognised on trade and other receivables (see Note 29(a)). Certain trade receivables amounting to S\$3,831,000 (2013: S\$753,000) were written off as management have deemed the amounts to be non-recoverable (see Note 29(a)).

The carrying amount of the Group's allowance for impairment of trade and other receivables as at 30 June 2014 was S\$378,000 (2013: S\$3,937,000) (Note 16) and the carrying amount of the Group's trade and other receivables was S\$9,298,000 (2013: S\$8,405,000) (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

3 Critical accounting estimates, assumptions and judgments (cont'd)

(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 2.5 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 2014 was S\$8,280,000 (2013: S\$5,708,000). 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\$72,800 (2013: S\$64,000).

4 Revenue

| | Group | |
|-----------------------|---------------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Sale of goods | 31,288 | 21,258 |
| Rendering of services | 8,493 | 8,040 |
| | 39,781 | 29,298 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

5 Other income

| | Group | |
|---|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Rental income | 732 | 1,029 |
| Gain on investment in future contracts, net | – | 85 |
| Interest income | 5 | – |
| Currency gain | – | 30 |
| Profit guarantee income | 177 | – |
| Fair value gain on financial assets carried at fair value through profit or loss (Note 18) | 217 | – |
| Fair value gain on financial assets classified as held for trading (Note 20) | 161 | – |
| Other miscellaneous income | 50 | 24 |
| | 1,342 | 1,168 |

6 Finance costs

| | Group | |
|--------------------------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Interest expense on borrowings | – | 78 |
| Other finance costs | 65 | 15 |
| | 65 | 93 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

7 Profit before income tax

| | Group | |
|--|---------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| In addition to the disclosures made elsewhere, this is arrived at after charging/(crediting): | | |
| Operating lease expense | | |
| – included in cost of sales | 2,227 | 1,557 |
| – included in administrative expenses | 672 | 902 |
| Depreciation of property, plant and equipment | | |
| – included in cost of sales | 464 | 352 |
| – included in administrative expenses | 264 | 292 |
| Property, plant and equipment written off | – | 33 |
| Allowance for impairment loss on trade and other receivables | 275 | – |
| Write back of allowance for inventory obsolescence (included in cost of sales) | (180) | – |
| Directors' remuneration – Directors of the Company | 663 | 320 |
| Directors' fees paid – Directors of the Company | 124 | 100 |
| Unrealised foreign exchange loss | 5 | 161 |
| Unrealised (gain)/loss on investments in future contracts | (42) | 166 |
| Realised loss on investment in future contracts | 174 | – |
| Fees on audit services payable/paid to: | | |
| – Auditors of the Company | 106 | 103 |
| – Other auditors | 50 | 112 |

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 30 June 2014 (2013: Nil).

8 Income tax

| | Group | |
|------------------------|---------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Continuing operations: | | |
| Current income tax | 13 | 15 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

8 Income tax (cont'd)

A reconciliation of the applicable tax rate to the Group's effective tax rate applicable to profit before income tax for the financial year is as follow:

| | Group | |
|--|----------------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Profit before income tax | 115 | 1,394 |
| | Group | |
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Tax rate at the applicable tax rate of 17% (2013: 17%) | 20 | 237 |
| Effect of different tax rates operating in other jurisdictions | (85) | 359 |
| Income not subject to taxation | (97) | (104) |
| Tax effect of non-deductible items* | 331 | 364 |
| Exempt income | (8) | (34) |
| Utilisation of tax benefits previously not recognised | (148) | (807) |
| | 13 | 15 |

* Mainly relates to expenses derived by those entities of the Group, whose principal activities are those of investment holding that, do not qualify for deduction/are not taxable as they are capital in nature, in accordance with the relevant tax regulation.

The applicable tax rate used for the reconciliations above is the corporate tax rate of 17% (2013: 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 34% (2013: 34%).

The remaining entities of the Group operating in jurisdictions other than the above have either no taxable income or are not material.

As at the statement of financial position date, the Group has unutilised tax losses of approximately S\$33,167,000 (2013: S\$34,589,000) that are available for offset against future taxable profits of those companies of the Group in which these tax losses arose, for which no deferred tax asset are recognised due to uncertainty of their recoverability. The use of these unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies of the Group operate. The unutilised tax losses have no expiry dates.

The deferred tax assets arising from these unutilised tax losses of approximately S\$8,884,000 (2013: S\$9,191,000) have not been recognised in accordance with the accounting policy in Note 2(u).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

9 Discontinued operations

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

During the financial year ended 30 June 2013, the Group entered into an agreement to dispose of its 81% shareholding 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 2013, the date of which control was passed to acquirer.

(b) Disposal of 51% shareholding in Tongji Environment (Asia) Pte. Ltd.

On 29 June 2013, the Group entered into a sale agreement to dispose of a 51% shareholding in its wholly-owned subsidiary, Tongji Environment (Asia) Pte. Ltd. (f.k.a. 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 | |
|--|----------------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Results of discontinued operations | | |
| Revenue | – | 1,717 |
| Cost of sales | – | (1,451) |
| Gross profit | – | 266 |
| Other operating income | – | 535 |
| Administration expenses | – | (703) |
| Finance costs | – | (6) |
| Other operating expenses | – | (72) |
| Profit before tax from discontinued operations | – | 20 |
| Income tax expense | – | (292) |
| Loss after tax from discontinued operations | – | (272) |
| Gain on disposal | – | 603 |
| Profit for the year | – | 331 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

9 Discontinued operations (cont'd)

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

| | Group | |
|--|----------------|---------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Cash flows from discontinued operations | | |
| Net cash from operating activities | – | (1,155) |
| Net cash from investing activities | – | – |
| Net cash from financing activities | – | 1,082 |
| Net cash from discontinued operations | – | (73) |

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 | 6,930 |
| Trade and other payables | (2,879) |
| Total liabilities | (2,879) |
| Net assets disposed | 4,051 |

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 | (131) |

[#] Consideration outstanding as at 30 June 2013 (see Note 16(b)).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

10 Earnings per share

The earnings per share is calculated by dividing the Group's net profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding in issue during the financial year.

| | Continuing operations | Group Discontinued operations | Total |
|--|--------------------------|-------------------------------------|-----------|
| 2014 | | | |
| Net profit attributable to owners of the Company (S\$'000) | 102 | – | 102 |
| Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share ('000) | 2,202,245 | 2,202,245 | 2,202,245 |
| Basic and diluted earnings per share (S\$ cents per share) | 0.005 | – | 0.005 |
| 2013 | | | |
| Net profit attributable to owners of the Company (S\$'000) | 1,379 | 331 | 1,710 |
| Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share ('000) | 1,846,378 | 1,846,378 | 1,846,378 |
| Basic and diluted earnings per share (S\$ cents per share) | 0.075 | 0.018 | 0.093 |

Diluted earnings per share are the same as basic earnings per share.

As at 30 June 2014, 827,227,279 (2013: 827,237,580) potential ordinary shares (see Note 23 (ii)) are not included in the calculation of diluted earnings per share because they are anti-dilutive for the period presented, but which could potentially dilute basic earnings per shares in the future.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

11 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 |
|---|------------------------------------|-----------------------------------|--------------------------------------|--|------------------|
| Group | | | | | |
| Cost | | | | | |
| At 1 July 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 |
| Reclassification | 146 | 457 | 22 | 5 | 630 |
| Additions | 2 | 2,337 | – | 499 | 2,838 |
| Written off | – | (42) | – | – | (42) |
| Transfer | 305 | 592 | 69 | (966) | – |
| At 30 June 2014 | 5,799 | 8,001 | 325 | 67 | 14,192 |
| Accumulated depreciation | | | | | |
| At 1 July 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 |
| Reclassification | 142 | 471 | 17 | – | 630 |
| Depreciation for the year | 182 | 510 | 36 | – | 728 |
| Written off | – | (42) | – | – | (42) |
| At 30 June 2014 | 1,292 | 4,329 | 224 | – | 5,845 |
| Net book value | | | | | |
| At 30 June 2014 | 4,507 | 3,672 | 101 | 67 | 8,347 |
| At 30 June 2013 | 4,378 | 1,267 | 63 | 529 | 6,237 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

11 Property, plant and equipment (cont'd)

| | Plant and equipment S\$'000 | Furniture and fixtures S\$'000 | Total S\$'000 |
|---------------------------------------|-----------------------------------|--------------------------------------|------------------|
| Company | | | |
| Cost | | | |
| At 1 July 2012, 30 June 2013 and 2014 | 1,261 | 36 | 1,297 |
| Accumulated depreciation | | | |
| At 1 July 2012 | 1,259 | 35 | 1,294 |
| Depreciation for the year | 2 | 1 | 3 |
| At 30 June 2013 | 1,261 | 36 | 1,297 |
| Depreciation for the year | – | – | – |
| At 30 June 2014 | 1,261 | 36 | 1,297 |
| Net book value | | | |
| At 30 June 2013 and 2014 | – | – | – |

12 Subsidiaries

| | Company | |
|--|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Equity investments, at cost | 1,000 | –* |
| Loans | 19,967 | 19,967 |
| | 20,967 | 19,967 |
| Impairment losses on loans | (19,967) | (19,967) |
| | 1,000 | – |
| Impairment losses on loans | | |
| At the beginning of the financial year | 19,967 | 55,131 |
| Amount written off | – | (35,164) |
| At the end of the financial year | 19,967 | 19,967 |

The loans to a subsidiary of S\$19,967,000 (2013: S\$19,967,000) as at 30 June 2014 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 the previous financial years.

* Amount less than S\$1,000

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

12 Subsidiaries (cont'd)

The details of the subsidiaries are as follow:

| Name of Company/ country of incorporation | Principal activities | Proportion of ownership interest | |
|---|--|-------------------------------------|-----------|
| | | 2014 % | 2013 % |
| Held by the Company | | | |
| Metech Recycling (Singapore) Pte. Ltd. ⁽¹⁾ 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. ⁽¹⁾ Singapore | Investment holding and those relating to the business of refining and recycling metals, used components of computers and peripherals | 100 | 100 |
| Metech Recycling (Malaysia) Pte. Ltd. ⁽¹⁾ Singapore | Investment holding and those relating to the business of refining and recycling metals, used components of computers and peripherals | 100 | – |
| Held by Metech Recycling (USA) Pte. Ltd. | | | |
| Metech Recycling, Inc. ⁽²⁾ 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 | 100 | 100 |
| Metech Metal, Inc. ⁽³⁾ United States of America | Purchase of metal commodity for recycling and smelting | 100 | – |
| Held by Metech Recycling (Malaysia) Pte. Ltd. | | | |
| Metech Recycling, (Malaysia) Sdn. Bhd. ⁽⁴⁾ Malaysia | 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 | – |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

12 Subsidiaries (cont'd)

- (1) Audited by Moore Stephens LLP Singapore
- (2) Audited by Fiondella, Milone & Lasaracina LLP, Connecticut, USA
- (3) Not required to be audited under the laws of the country of incorporation
- (4) Audited by Chan & Co, Malaysia

13 Associate

| | Group | |
|---------------------------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Beginning of the financial year | 2,205 | – |
| Investment during the year | – | 2,205 |
| Share of profit of associate | 19 | – |
| End of the financial year | 2,224 | 2,205 |

Details of the associate as at 30 June are as follows:

| Name of company and country of incorporation | Principal activities | Equity held by Group | | Cost of investment | |
|---|--|-------------------------|------|-----------------------|---------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | % | % | S\$'000 | S\$'000 |
| Tongji Environment (Asia) Pte. Ltd. ⁽¹⁾ (Formerly known as Tonkin Recycling Pte. Ltd.) Singapore | Investment holding and sludge treatment | 49 | 49 | 2,224 | 2,205 |
| | | | | 2,224 | 2,205 |

- (1) For the financial year ended 30 June 2014, unaudited management accounts of the associate were used to apply the equity method to account for the Group's investment in associate.

Summarised financial information in respect of the Group's associated company not adjusted for the proportion of ownership interest held by the Group is set out below:

| | 2014 S\$'000 | 2013 S\$'000 |
|---------------------|-----------------|-----------------|
| Total assets | 5,375 | 6,497 |
| Total liabilities | (2,442) | (2,215) |
| Net assets | 2,933 | 4,282 |
| Total revenue | 1,636 | 1,135 |
| Profit for the year | 39 | 86 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

13 Associate (cont'd)

As Tongji Environment (Asia) Pte. Ltd. (formerly known as Tonkin Recycling Pte. Ltd.) was accounted for as an associate as of 30 June 2013, no Group's share of profit was recorded during the previous financial year.

14 Restricted cash held in trust

| | Group | | Company | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| <u>Non-current</u> | | | | |
| Cash held in trust for closure costs | 299 | 680 | - | - |

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.

During the current financial year, MRI has ceased business activities in refinery of precious metal and has recovered a portion of the restricted cash held in trust amounting to S\$381,000. The remaining balance amounting to S\$299,000 is required to be maintained for environmental remediation liabilities.

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.

15 Intangible asset

| | Group | |
|--------------------------------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 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) |
| | - | - |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

15 Intangible asset (cont'd)

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 2014, 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 which use cashflow projections based on financial budgets approved by the management covering a five-year period. 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 previous financial years.

16 Trade and other receivables

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| Amounts due from subsidiaries (non-trade) (a) | - | - | 36,631 | 32,324 |
| Trade receivables | 5,656 | 7,190 | - | - |
| Amount due from related parties (non-trade) | 368 | 560 | 368 | 560 |
| Other receivables (b) | 1,053 | 2,967 | 270 | 2,289 |
| Future deposit margin account (c) | 563 | 285 | 144 | - |
| Deposits (d) | | | | |
| - Current | 2,036 | 1,202 | 922 | 552 |
| - Non-current | - | 138 | - | - |
| Loans and receivables | 9,676 | 12,342 | 38,335 | 35,725 |
| Allowance for impairment losses | (378) | (3,937) | (27,421) | (27,408) |
| | 9,298 | 8,405 | 10,914 | 8,317 |
| Prepayments | 467 | 440 | 6 | 42 |
| | 9,765 | 8,845 | 10,920 | 8,359 |
| Less: Current portion | (9,765) | (8,707) | (1,676) | (3,443) |
| Non-current portion | - | 138 | 9,244 | 4,916 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

16 Trade and other receivables (cont'd)

- (a) As at 30 June 2014, except for interest-bearing amounts due from a subsidiary of the Company of S\$11,570,000 (2013: S\$11,127,000), 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 (2013: 3.00% to 3.07% per annum). Interest rate reprices annually and are based on the United States of America bank prime rate plus 0.5% per annum.

During the current financial year ended 30 June 2014, management assessed for 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\$9,244,000 (2013: S\$4,916,000) have been classified as non-current as at 30 June 2014.

- (b) In the previous financial year, other receivables include the cash consideration receivable of \$2,295,000 arising from the disposal of 51% shareholding in Tongji Environment (Asia) Pte. Ltd. (f.k.a. Tonkin Recycling Pte Ltd.) (see Note 9(b)). The Group has received the cash consideration of S\$2,295,000 during the current financial year.
- (c) As at 30 June 2014, the Group holds future contracts with notional amounts amounting to S\$790,000 with unrealised fair value gain of approximately S\$42,000 (2013: unrealised fair value loss of S\$166,000).
- (d) As at 30 June 2014, deposits mainly relate to deposits paid by the Group for the leasing of the office and factory premises, and the leasing of refinery assets amounting to S\$881,000 (2013: S\$881,000) and S\$400,000 (2013: S\$462,000) respectively.
- (e) The financial assets and financial liabilities of the Company subject to offsetting and enforceable master netting arrangements are as follow:

| | Gross amounts of recognised financial assets S\$ | Gross amounts of recognised financial liabilities offset in the statement of financial position S\$ | Net amounts of financial assets recognised in the statement of financial position S\$ |
|---|---|---|--|
| 2014 | | | |
| Financial assets | | | |
| Amounts due from subsidiaries (non-trade) | 36,724 | (93) | 36,631 |
| Financial liabilities | | | |
| Amounts due to subsidiaries (non-trade) | (93) | 93 | - |
| 2013 | | | |
| Financial assets | | | |
| Amounts due from subsidiaries (non-trade) | 32,324 | - | 32,324 |
| Financial liabilities | | | |
| Amount due to subsidiaries (non-trade) | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

17 Inventories

| | Group | |
|---------------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| At cost: | | |
| Raw materials | 290 | – |
| Semi-finished goods | 1,207 | 600 |
| Finished goods | 948 | – |
| | 2,445 | 600 |

During the current financial year, raw materials and semi-finished goods recognised in cost of sales amounted to S\$14,256,000 (2013: S\$7,466,000).

An allowance of inventories obsolescence amounting to S\$180,000 (2013: Nil) was written back to profit or loss because of the change in the estimate of the future demand of the Company's products based on a review carried out by the management as at the financial year end.

18 Derivative financial instrument

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| Derivatives that are not designated in hedge accounting relationship | 217 | – | 217 | – |

During the current financial year, the Group entered into a "Put and Call Agreement" (the "Agreement") with a third party for the quoted equity shares held by the Group as at 30 June 2014 (see Note 19). The summary of the Agreement is as follows:

- (a) The Group has the right and option from 15 August 2014 up to 15 November 2014 (the "Put Option") to sell to the third party and to cause the third party to purchase from the Group up to 528,000,000 Shares and the sale price per Share shall equal S\$0.0025; and
- (b) The third party has the right and option from 15 August 2014 up to 15 November 2014 (the "Call Option") to buy from the Group and to cause the Group to sell up to 300,000,000 Shares and the purchase price per Share shall equal S\$0.0030.

As at 30 June 2014, the fair value of the put options and call options (collectively the "Options") is estimated using the Black-Scholes option valuation model and is affected by the stock price of the quoted equity shares as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the stock price volatility of the quoted equity shares over the term of the Options.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

19 Available-for-sale investment

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| Quoted investments, at fair value | 1,200 | – | 1,200 | – |
| At the beginning of the financial year | – | – | – | – |
| Addition | 714 | – | 714 | – |
| Fair value gain | 486 | – | 486 | – |
| At the end of the financial year | 1,200 | – | 1,200 | – |

Available-for-sale investment relates to equity securities listed on the Singapore Stock Exchange.

20 Other financial asset

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| Quoted investments, at fair value through profit or loss | 397 | – | 397 | – |
| At the beginning of the financial year | – | – | – | – |
| Addition | 236 | – | 236 | – |
| Fair value gain | 161 | – | 161 | – |
| At the end of the financial year | 397 | – | 397 | – |

Other financial asset comprised of financial assets carried at fair value through profit or loss and is in relation to equity securities listed on the Singapore Stock Exchange.

Changes in the fair value of financial assets through profit or loss are recorded in “Other Income” in the income statement (Note 5).

The fair value of the equity securities is based on the current bid price in an active market.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

21 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprised:

| | Group | | Company | |
|------------------------|--------------|---------|--------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash and bank balances | 2,783 | 6,110 | 1,179 | 5,486 |

22 Share capital

| | Group and Company | | | |
|--|--------------------|----------------|--------------------|----------------|
| | 2014 | | 2013 | |
| | No. of shares '000 | Amount S\$'000 | No. of shares '000 | Amount S\$'000 |
| Issued and fully paid: | | | | |
| At the beginning of the financial year | 2,183,388 | 168,284 | 1,654,692 | 158,563 |
| Acquisition of a subsidiary | – | – | 164,706 | 2,635 |
| Share placement | 160,000 | 2,304 | 363,881 | 7,204 |
| Exercise of warrants | 10 | –* | 109 | 4 |
| Share issue expenses | – | (75) | – | (122) |
| At the end of the financial year | 2,343,398 | 170,513 | 2,183,388 | 168,284 |

* Amount less than S\$1,000.

Ordinary shares of the Company have no par value.

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.

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

On 19 May 2014, the proposed placement shares exercise was completed whereby 160,000,000 new ordinary shares in the Company were issued at the issue price of S\$0.0144 per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

23 Other reserves

Movements in reserves for the Group is set out in the consolidated statements of changes in equity.

(i) Translation reserve

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

(ii) 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 2014, the number of outstanding warrants amounted to 827,227,279 (2013: 827,237,580).

(iii) Fair value reserve

The fair value reserve represents accumulated gains arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

24 Trade and other payables

| | Group | | Company | |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| Trade payables | 3,067 | 2,628 | – | – |
| Deposits | 381 | – | 140 | – |
| Accrued operating expenses | 757 | 1,000 | 101 | 166 |
| Sundry creditors | 144 | 295 | 43 | 167 |
| Accrual for | | | | |
| – professional fees | 127 | 154 | 103 | 120 |
| – staff costs | 483 | 653 | 77 | 373 |
| | 4,959 | 4,730 | 464 | 826 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

25 Commitments

Where the Group is a lessor

As at 30 June 2014, the future minimum lease receivables under non-cancellable operating lease on certain office and factory premises with terms of more than one year of the Group are as follows:

| | Group | |
|---------------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Within 1 year | 227 | 432 |
| Within 2 to 5 years | 45 | – |
| | 272 | 432 |

Where the Group is a lessee

The Group leases and subleases certain warehouse and factory facilities under operating leases. These leases have a tenure period of between 1 and 4 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 | |
|---------------------------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Within 1 year | 1,783 | 1,415 |
| After 1 year but within 5 years | 3,198 | 4,440 |
| | 4,981 | 5,855 |

26 Employee benefits

| | Group | |
|---|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| Employee benefits expense (including executive directors) | | |
| Salaries and bonuses | 10,080 | 10,584 |
| Central Provident Fund contributions | 109 | 88 |
| Other short-term employee benefits | 663 | 1,312 |
| | 10,852 | 11,984 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

27 Related parties transactions

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. In addition to the transactions and balances disclosed elsewhere in the financial statements, related party transactions include the following:

(a) Key management personnel compensation

| | Group | |
|--|--------------------------|-------------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| <hr/> | | |
| Key management personnel compensation comprised: | | |
| Short-term employee benefits | 1,236 | 1,024 |
| Central Provident Fund contributions | 45 | 29 |
| | <hr/> 1,281 <hr/> | <hr/> 1,053 <hr/> |

(b) Other related party transactions

During the previous 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 | |
|-------------------|----------------|-----------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| <hr/> | | |
| Professional fees | – | 6 |
| Rental income | – | 169 |
| | <hr/> – <hr/> | <hr/> 169 <hr/> |

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(v).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

28 Operating segments (cont'd)

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 2013, there are no significant differences in the basis of segmentation or in the basis of measurement of segment profit or loss presented above.

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 |
|-------------------------------------|--|----------------------|------------------|
| 2014 | | | |
| External revenues | 28,835 | 10,946 | 39,781 |
| Interest expense | (53) | (12) | (65) |
| Depreciation | (656) | (72) | (728) |
| Reporting segment profit before tax | 518 | 863 | 1,381 |
| Reportable segments assets | 12,933 | 7,699 | 20,632 |
| Capital expenditure | 845 | 1,993 | 2,838 |
| Reporting segment liabilities | 16,388 | 23,418 | 39,806 |
| 2013 | | | |
| External revenues | 25,472 | 3,826 | 29,298 |
| Interest expense | (93) | - | (93) |
| Depreciation | (644) | - | (644) |
| Reporting segment profit before tax | 1,564 | 1,519 | 3,083 |
| Reportable segments assets | 11,514 | 2,407 | 13,921 |
| Capital expenditure | 1,106 | - | 1,106 |
| Reporting segment liabilities | 15,686 | 19,988 | 35,674 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

28 Operating segments (cont'd)

Non-current assets

The Group's non-current assets for the financial years ended 30 June 2014 and 2013 mainly relate to the USA Segment.

| | 2014 S\$'000 | 2013 S\$'000 |
|---|-----------------|-----------------|
| Revenues | | |
| Total revenue for reportable segments | 39,781 | 31,015 |
| Elimination of discontinued operations | – | (1,717) |
| Consolidated revenue | 39,781 | 29,298 |
| Profit or loss | | |
| Total profit or loss for reportable segments | 1,381 | 3,083 |
| Corporate and other unallocated items | (1,532) | (3,324) |
| Elimination of inter-segment profit or loss items | 266 | 1,966 |
| Elimination of discontinued operations | – | (331) |
| Consolidated profit before income tax | 115 | 1,394 |
| Assets | | |
| Total assets for reportable segments | 20,632 | 13,921 |
| Corporate and other unallocated items | 17,500 | 16,012 |
| Elimination of inter-segment assets | (10,455) | (5,256) |
| Consolidated total assets | 27,677 | 24,677 |
| Liabilities | | |
| Total liabilities for reportable segments | 39,806 | 35,674 |
| Corporate and other unallocated items | 12,077 | 11,960 |
| Elimination of inter-segment liabilities | (46,924) | (42,904) |
| Consolidated total liabilities | 4,959 | 4,730 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

28 Operating segments (cont'd)

Other material items 2014

| | Total reportable segments S\$'000 | Adjustments S\$'000 | Consolidated total S\$'000 |
|------------------|--|------------------------|----------------------------------|
| Interest expense | 567 | (502) | 65 |
| Depreciation | 728 | – | 728 |

Other material items 2013

| | Total reportable segments S\$'000 | Adjustments S\$'000 | Consolidated total S\$'000 |
|------------------|--|------------------------|----------------------------------|
| Interest expense | 333 | (240) | 93 |
| Depreciation | 641 | 3 | 644 |

Products and services segments

| | 2014 S\$'000 | 2013 S\$'000 |
|--------------------------------------|-----------------|-----------------|
| Revenue | | |
| Precious metals | 4,024 | 853 |
| Trading | 6,922 | 2,973 |
| Recycling of end-of-life electronics | 28,835 | 25,472 |
| | 39,781 | 29,298 |

Major customer

Included in revenue arising from recycling of end-of-life electronics segment of S\$28,835,000 (2013: S\$25,472,000) are revenue of approximately S\$11,082,000 (2013: S\$9,334,000) which arose from sales to the major customer of the Group during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

29 Financial risk management

Financial risk management objectives and policies

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

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 statement of financial position date is as follows:

| | Group | |
|---|--------------|--------------|
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Trade and other receivables by country: | | |
| United States of America | 4,320 | 3,266 |
| Singapore | 4,978 | 5,139 |
| | 9,298 | 8,405 |

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 bank balances held by the Group are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history or default.

As at 30 June 2014, trade and other receivables which are neither past due nor impaired amounted to S\$3,813,000 (2013: S\$5,129,000).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

29 Financial risk management (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 statement of financial position date is as follows:

| | Group | | Company | |
|-----------------------------|--------------|--------------|----------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Trade receivables past due: | | | | |
| – Past due 0 – 30 days | 3,843 | 2,063 | – | – |
| – Past due 31 – 120 days | 1,387 | 1,213 | – | – |
| – More than 120 days | 255 | – | – | – |
| | 5,485 | 3,276 | – | – |

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 | |
|--------------------------------|---------|---------|----------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Trade and other receivables | 378 | 3,937 | 27,421 | 27,408 |
| Less: Allowance for impairment | (378) | (3,937) | (27,421) | (27,408) |
| | – | – | – | – |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

29 Financial risk management (cont'd)

(a) Credit risk (cont'd)

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

| | Group | | Company | |
|------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 | 2014 S\$'000 | 2013 S\$'000 |
| Balance at 1 July | 3,937 | 5,804 | 27,408 | 33,348 |
| Discontinued operation | - | (1,150) | - | - |
| Translation difference | (3) | 36 | - | - |
| Addition | 275 | - | 13 | - |
| Written off | (3,831) | (753) | - | (5,940) |
| Balance at 30 June | 378 | 3,937 | 27,421 | 27,408 |

Trade and other receivables which are impaired at the statement of financial position 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 2014

29 Financial risk management (cont'd)

(b) Foreign currency risk (cont'd)

| | 2014 | | 2013 | |
|--|----------------|----------------|----------------|----------------|
| | USD S\$'000 | SGD S\$'000 | USD S\$'000 | SGD S\$'000 |
| Group | | | | |
| Financial assets | | | | |
| Other financial asset | – | 397 | | |
| Trade and other receivables | 5,885 | 3,413 | 4,165 | 4,240 |
| Cash and cash equivalents | 924 | 2,158 | 1,005 | 5,785 |
| | 6,809 | 5,968 | 5,170 | 10,025 |
| Financial liabilities | | | | |
| Trade and other payables | (3,911) | (1,048) | (3,255) | (1,475) |
| | (3,911) | (1,048) | (3,255) | (1,475) |
| Net financial assets | 2,898 | 4,920 | 1,915 | 8,550 |
| Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies | 987 | (4,920) | 932 | (8,550) |
| Currency exposure | 3,885 | – | 2,847 | – |

If the following currencies strengthen by 5% (2013: 5%) against S\$ at the statement of financial position date, with all other variables being held constant, the effect arising from the net financial assets position will be as follows:

| | Group Increase/(decrease) in profit/loss before tax | |
|-----|---|-----------------|
| | 2014 S\$'000 | 2013 S\$'000 |
| USD | 194 | 143 |

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 2014

29 Financial risk management (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.

The financial liabilities of the Group and the Company as at 30 June 2014 and 2013 are repayable on demand or within one year from the statement of financial position date.

(d) Fair value of financial instruments

Fair value measurements recognised in the statement of financial position

The financial instruments that are measured subsequent to initial recognition at fair value are required disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

29 Financial risk management (cont'd)

(d) Fair value of financial instruments (cont'd)

The following table presents the assets and liabilities measured at fair value on a recurring basis as at the statement of financial position date:

| | Level 1 S\$'000 | Level 2 S\$'000 | Level 3 S\$'000 | Total S\$'000 |
|--|--------------------|--------------------|--------------------|------------------|
| Group and Company | | | | |
| <u>At 30 June 2014</u> | | | | |
| Financial assets | | | | |
| Derivative financial instrument | - | 217 | - | 217 |
| Available-for-sale instrument | 1,200 | - | - | 1,200 |
| Quoted investments, at fair value through profit or loss | 397 | - | - | 397 |
| <u>At 30 June 2013</u> | | | | |
| Financial assets | - | - | - | - |

The fair values of trading securities traded in active markets are based on quoted market prices at the statement financial position date. These financial assets are included in Level 1.

The fair value of the derivative financial instrument is estimated using Black-Scholes option valuation model and is affected by the underlying asset's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the underlying asset's expected stock price volatility over the term of the option and the compounded risk-free interest rate. These financial asset is classified in Level 2.

There was no transfer between Level 1 and 2 during the current and previous financial year.

Other financial assets and financial liabilities

The fair values of other financial assets and liabilities with a maturity of less than one year, which are primarily cash and cash equivalents, trade and other receivables, and trade and other payables are assumed to approximate their carrying amounts because of the short-term maturity of these financial instruments. Restricted cash held in trust are valued at amortised cost, which approximates the carrying amount as at the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

30 Capital management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital with reference to a net debt-to-equity ratio. The Group's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that are possible with greater leverage. The Group's overall strategy remains unchanged from the previous financial year.

The net debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as trade and other payables less cash and cash equivalents. Total equity includes all capital and reserves of the Group that are managed as capital.

| | 2014 | 2013 |
|--------------------------|----------------|---------|
| | S\$'000 | S\$'000 |
| Net debts | 2,176 | 1,380 |
| Total equity | 22,718 | 19,947 |
| Net debt to equity ratio | 9.6% | 6.9% |

STATISTICS OF SHAREHOLDINGS

AS AT 12 SEPTEMBER 2014

| | | |
|----------------------|---|------------------|
| No. of Shares issued | : | 2,343,398,871 |
| 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 | 667 | 5.32 | 254,898 | 0.01 |
| 1 – 10,000 | 5,959 | 47.53 | 26,822,006 | 1.14 |
| 1 – 1,000,000 | 5,710 | 45.55 | 571,446,510 | 24.39 |
| 1,000,001 AND ABOVE | 200 | 1.60 | 1,744,875,457 | 74.46 |
| TOTAL: | 12,536 | 100.00 | 2,343,398,871 | 100.00 |

Based on the information available to the Company as at 12 September 2014, approximately 72.99% 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. | WENG HUA YU @ SIMON ENG | 238,310,559 | 10.17 |
| 2. | TAN NG KUANG | 155,792,000 | 6.65 |
| 3. | SONG TANG YIH | 124,214,295 | 5.30 |
| 4. | DMG & PARTNERS SECURITIES PTE LTD | 83,648,500 | 3.57 |
| 5. | FORT CANNING (ASIA) PTE LTD | 72,958,944 | 3.11 |
| 6. | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 67,349,800 | 2.87 |
| 7. | LIM & TAN SECURITIES PTE LTD | 59,659,800 | 2.55 |
| 8. | DBS NOMINEES (PRIVATE) LIMITED | 51,654,552 | 2.20 |
| 9. | APZENITH CAPITAL PTE LTD | 36,402,882 | 1.55 |
| 10. | ENG WAH LEN ANDREW | 34,656,893 | 1.48 |
| 11. | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 33,766,031 | 1.44 |
| 12. | QUAH CHUNG MING | 31,000,000 | 1.32 |
| 13. | TAN HUAT | 31,000,000 | 1.32 |
| 14. | OCBC SECURITIES PRIVATE LIMITED | 30,081,780 | 1.28 |
| 15. | KIM LAY GEK | 28,418,000 | 1.21 |
| 16. | TAN JOON JAR | 25,949,760 | 1.11 |
| 17. | HSBC (SINGAPORE) NOMINEES PTE LTD | 25,769,500 | 1.10 |
| 18. | HOW HEE PENG (TAO QIBING) | 24,000,000 | 1.02 |
| 19. | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 18,585,155 | 0.79 |
| 20. | MAYBANK KIM ENG SECURITIES PTE. LTD. | 18,422,455 | 0.79 |
| | TOTAL: | 1,191,640,906 | 50.83 |

STATISTICS OF SHAREHOLDINGS

AS AT 12 SEPTEMBER 2014

Substantial Shareholders (as shown in the Register of Substantial Shareholding)

| | Direct Interest | | Deemed Interest | |
|-------------------------|-----------------|-------|-----------------|---|
| | No. of Share | % | No. of Share | % |
| WENG HUA YU @ SIMON ENG | 238,310,559 | 10.17 | – | – |
| TAN NG KUANG | 155,792,000 | 6.65 | – | – |
| SONG TANG YIH | 124,214,295 | 5.30 | – | – |

STATISTICS OF WARRANTHOLDINGS

AS AT 12 SEPTEMBER 2014

DISTRIBUTION OF WARRANTHOLDINGS

| SIZE OF WARRANTHOLDINGS | NO. OF WARRANTHOLDERS | | NO. OF WARRANTS | |
|-------------------------|-----------------------|--------|-----------------|--------|
| | | % | | % |
| 1 – 999 | 216 | 6.83 | 133,931 | 0.02 |
| 1 – 10,000 | 931 | 29.44 | 5,237,237 | 0.63 |
| 1 – 1,000,000 | 1,923 | 60.82 | 162,294,634 | 19.62 |
| 1,000,001 AND ABOVE | 92 | 2.91 | 659,561,477 | 79.73 |
| TOTAL: | 3,162 | 100.00 | 827,227,279 | 100.00 |

TWENTY LARGEST WARRANTHOLDERS

| NO. | NAME | NO. OF WARRANTS | % |
|-----|--|-----------------|-------|
| 1. | TAN NG KUANG | 77,896,000 | 9.42 |
| 2. | MAYBANK KIM ENG SECURITIES PTE. LTD. | 29,527,656 | 3.57 |
| 3. | PHILLIP SECURITIES PTE LTD | 26,213,495 | 3.17 |
| 4. | CHUA WEE CHONG | 24,000,000 | 2.90 |
| 5. | LIM & TAN SECURITIES PTE LTD | 23,025,000 | 2.78 |
| 6. | LOO BEE KENG | 22,000,900 | 2.66 |
| 7. | CHIONG SIEU HONG | 21,510,000 | 2.60 |
| 8. | TAN JUI YAK | 20,663,200 | 2.50 |
| 9. | TAN CHEE YUEN | 19,900,000 | 2.41 |
| 10. | TAN KIM SENG | 19,500,000 | 2.36 |
| 11. | OCBC SECURITIES PRIVATE LIMITED | 15,941,340 | 1.93 |
| 12. | LIM LIANG MENG | 14,201,600 | 1.72 |
| 13. | WONG CHIH WEI EDWIN (HUANG ZHIWEI) | 14,047,000 | 1.70 |
| 14. | ENG WAH YOUNG | 14,000,000 | 1.69 |
| 15. | LIM THIAM LAI | 13,000,000 | 1.57 |
| 16. | TAN JOON JAR | 12,974,880 | 1.57 |
| 17. | BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 12,900,000 | 1.56 |
| 18. | HSBC (SINGAPORE) NOMINEES PTE LTD | 12,018,900 | 1.45 |
| 19. | HENG WEE KIANG | 10,736,000 | 1.30 |
| 20. | EIO HOCK CHUAR | 10,000,000 | 1.21 |
| | TOTAL: | 414,055,971 | 50.07 |

CORPORATE INFORMATION

BOARD OF DIRECTORS

Andrew Eng
(Group Chief Executive Officer/
Executive Director)

Francis Lee
(Independent Non-Executive Director)

Derek Loh
(Independent Non-Executive Director)

Khor Check Kim
(Independent Non-Executive Director)

AUDIT COMMITTEE

Francis Lee (Chairman)

Derek Loh

Khor Check Kim

NOMINATING COMMITTEE

Khor Check Kim (Chairman)

Francis Lee

Derek Loh

REMUNERATION COMMITTEE

Derek Loh (Chairman)

Francis Lee

Khor Check Kim

COMPANY SECRETARY

Shirley Lim

REGISTERED OFFICE

65 Tech Park Crescent
Singapore 637787
Tel: 65 62644338
Fax: 65 68632035
Email: info@metechinternational.com
Website: www.metechinternational.com

AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Chris Johnson
Appointed since 2012

SHARE REGISTRAR/

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS

Overseas-Chinese Banking Corporation Limited
The Hong Kong and Shanghai Banking Corporation
Limited

ME1**ech** INTERNATIONAL

Company Registration No. : 199206445M

65 Tech Park Crescent
Singapore 637787
Telephone: +65 6264 4338
Fax: +65 6863 2035
Email: info@metechinternational.com
Website: www.metechinternational.com