



[www.metax.com](http://www.metax.com)

# Preserving precious resources

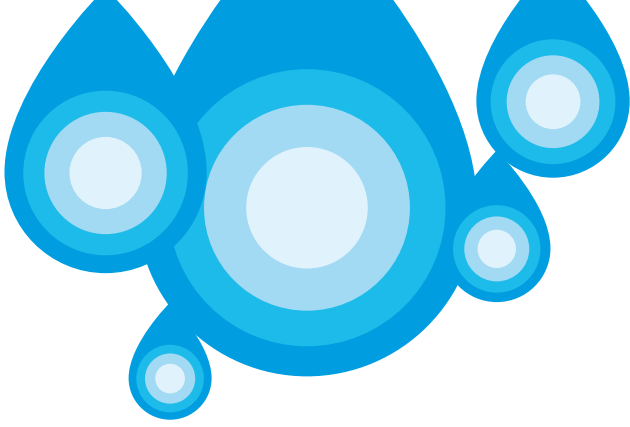
**METAX ENGINEERING  
CORPORATION LIMITED**

**annual report 2010**

The document has been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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## CORPORATE PROFILE

*We aim to*  
**protect the  
environment**  
for the benefit of our shared future.

Listed on the Singapore Exchange (SGX) in 2006, **Metax Engineering Corporation Limited (“Metax Engineering”)** is an environmental engineering company which has accumulated over 35 years of experience in providing engineering, procurement and construction (“EPC”) services for water and wastewater treatment and hydro-engineering projects.

Metax Engineering and its subsidiaries (the “Group”) is now well-established in the South East Asia region and has attained the ME11 L6 and SY08 L6 gradings by the Singapore Building and Construction Authority which allows it to tender for Singapore government contracts of unlimited value.

In 2008, Metax Engineering extended its EPC arm into the palm oil refining industry with the acquisition of WS

Bioengineering Pte Ltd (“WS Bio”), a Singapore-incorporated company whose principal business is the engineering and construction of palm and biofuel refining facilities. WS Bio also owns a majority controlling stake in Oiltek Sendirian Berhad.

In order to further deepen its foothold in the palm oil refining industry, the Group had in June 2010, formed a joint venture company, Oiltek Nova

Bioenergy Sdn. Bhd., with Novaviro Technology Sdn. Bhd., and has begun to market its engineering services for the design, development and supply of biogas recovery systems to palm oil mill effluent plants in Malaysia and Indonesia.

The Group foresees opportunities in this emerging technology and will look at actively exploring potential project opportunities in this area.

*For more information, please visit Metax Engineering’s website*  
**<http://www.metax.com>**

# OUR BUSINESS AND TRACK RECORD

## Our principal business activity

involves the provision of EPC services for the following:

- Palm Oil Solutions Business
- Green Energy Business
- Water Solutions Business



### THE PALM OIL SOLUTIONS BUSINESS

Incorporated in Malaysia since 1980, our key associate company, Oiltek Sendirian Berhad is well-established in the market with over 28 years of experience in providing total solutions to the palm oil sector throughout the emerging markets. Currently, the plants that we have supplied to are in operation in worldwide countries, in ASIA (in countries such as Malaysia, Singapore, Indonesia, Thailand, Philippines, Bangladesh, Vietnam, Pakistan and China), in AFRICA (in countries such as Nigeria, Kenya, Egypt, Tanzania, Cameroon and Zaire), in CENTRAL AMERICA (in countries such as Costa Rica and Honduras) and in EUROPE (specifically, in Italy).

We engineer, procure and construct facilities meant to refine palm oil. Specifically, we provide a full range of customised solutions, which include complete edible oil refining plants, improvement to production system in existing refining operations as well as individual components of refining plants, such as heat exchangers, heating system and tower packing.

#### Our customised solutions and processing systems supplied to the following:

- Palm Biodiesel Plant
- Dry Fractionation Plant
- Neutralisation Plant
- Interesterification Plant
- Process Equipment
- Continuous Physical Refining Plant
- Split Column Physical Plant
- Chemator
- Hydrogenation Plant

### THE GREEN ENERGY BUSINESS Biogas Recovery and Utilisation

In 2010, the Group formed an important alliance with Novaviro Technology Sdn. Bhd., a leading provider of palm oil mill effluent ("POME") biogas and methane recovery systems. A joint-venture company, Oiltek Nova Bioenergy Sdn. Bhd. was formed, which will take on a leading role in providing consultancy, design, engineering, procurement and construction services for palm oil mills seeking to recover and utilise methane as a source of renewable energy for power generation.

One of the main technologies which the company possesses is the Novaviro-KS Anaerobic Digester System, which aims to recover methane from palm oil mills across two leading palm oil producing countries, namely, Malaysia and Indonesia. This technology

comprises a Continuous Flow Stirred Tank Reactor which optimises the capital expenditure as it requires low operational and maintenance cost. It is also highly efficient in terms of the amount of methane recovered, poses no fire risk and has a proven track record of long-term operation with no shutdown.

Beyond the recovery of biogas, the future of methane lies in its utilisation for a wide range of industrial and commercial purposes. Methane can be used as direct displacement for boiler fuel such as fuel oil, diesel and even biomass. Thermal and electricity generation, as well as hydrogen plant can be fitted to utilise methane gas. Prospective use of biogas after upgrading include taking in biogas as a Compressed Natural Gas equivalent, feeding biogas through natural gas pipelines and also bottling and transporting biogas for industrial uses.

As a Clean Development Mechanism ("CDM") consultant, the company also assist in designing, reviewing, submitting and supporting POME biogas recovery projects to achieve the Certified Emission Reduction ("CER") registration, commonly known as carbon credits. The additional financial support from a CDM project can further help defray some of the capital expenditure related to starting a POME biogas recovery plant. With 12 projects currently submitted or successfully registered, we have demonstrated significant capabilities in the field of CDM project consultancy.

## THE WATER SOLUTIONS BUSINESS

With more than 35 years of track record in the water solutions business, Metax Engineering has delivered many water and wastewater treatment and hydro-engineering projects in countries such as Singapore, Indonesia, Malaysia, Thailand, the Philippines and India for both government institutions and private corporations. The most prominent projects completed include the Marina Barrage and the Changi Water Reclamation Plants.

Water and wastewater treatment Projects: Providing the process, engineering, equipment design, fabrication, supply, installation, testing and commissioning of mechanical and electrical equipment used in water and wastewater treatment plants. In addition, we also provide the instrumentation and control systems used in these plants.

Hydro-engineering Projects: Designing and supplying the equipment mainly used to control the flow of water, including gates, valves and pump systems.

# OUR BUSINESS AND TRACK RECORD (CONT'D)

## Palm Oil Project Track Record

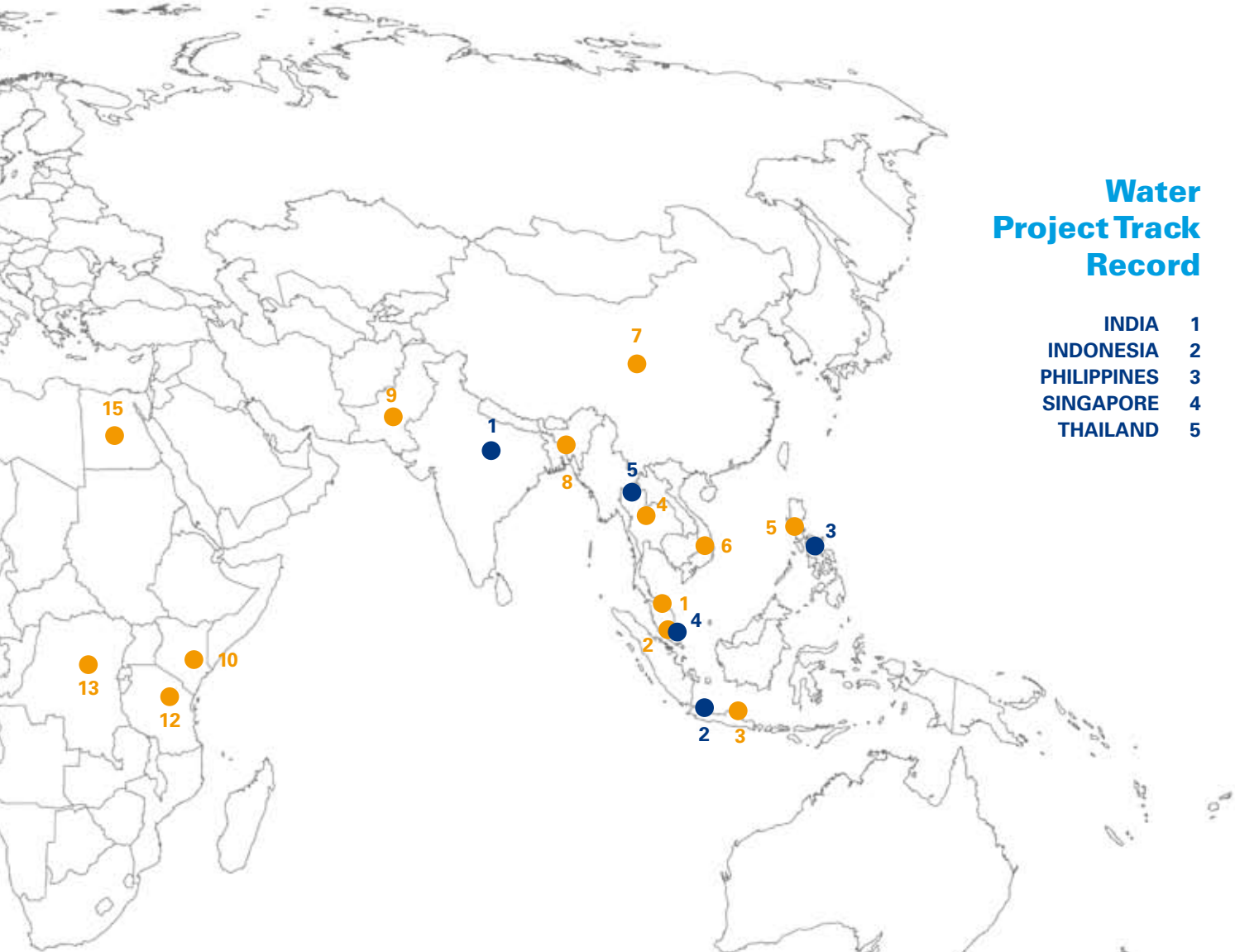
- ASIA
- 1 MALAYSIA
  - 2 SINGAPORE
  - 3 INDONESIA
  - 4 THAILAND
  - 5 PHILIPPINES
  - 6 VIETNAM
  - 7 CHINA
  - 8 BANGLADESH
  - 9 PAKISTAN

- AFRICA
- 10 KENYA
  - 11 NIGERIA
  - 12 TANZANIA
  - 13 ZAIRE
  - 14 CAMEROON
  - 15 EGYPT

- CENTRAL AMERICA
- 16 HONDURAS
  - 17 COSTA RICA

- EUROPE
- 18 ITALY





**Water  
Project Track  
Record**

INDIA	1
INDONESIA	2
PHILIPPINES	3
SINGAPORE	4
THAILAND	5

*our*  
**project  
track record**



# CHAIRMAN'S STATEMENT



I am pleased to present to you our financial and operating results for the 12 months ended 30 June 2010 ("FY2010"). 2010 marked our 35th year anniversary as a company and we are happy to report positive performances on several fronts.

In terms of financial performance, we have turned the tide from a loss attributable to equity holders of S\$5.05 million in the 12 months ended 30 June 2009 ("FY2009") to a profit attributable to equity holders of S\$1.08 million in FY2010. This was substantially driven by a full-year consolidated revenue contribution from our palm-oil related engineering subsidiary, WS Bioengineering Pte. Ltd. ("WS Bio"), versus an approximately six month period of contribution from the year before (from December 2008 to June 2009), when we successfully acquired a stake in this subsidiary. In FY2009, the Group had incurred a one-time cost of approximately S\$3.8 million, associated with the terminated maintenance contract for the reverse-osmosis plant at the Mangalam and Eastern Common Effluent Treatment Plants in India, which impacted the year's overall financial performance.

In terms of strengthening our corporate management, we were pleased to welcome new strategic investors who showed confidence by investing in Metax Engineering. Their investments boosted our coffers while their valuable strategic guidance to our management will put us in good stead for the future.

For FY2010, we were able to continue winning and delivering important contracts in both our water and palm oil engineering divisions in Singapore

and the countries in the region. We also entered into a joint venture with an engineering firm specialising in methane (or biogas) extraction from POME. This move will enable us to expand our capabilities to cover a broader range of engineering services targeted at the palm oil refining and nutrient extraction industry.

## RETURNING TO PROFITABILITY

Our much improved financial results for FY2010 can be attributed to the consolidation of a full year's contribution by WS Bio and its subsidiaries versus an approximately six month period of contribution from FY2009.

In brief, our Group revenue rose by 65.8% to approximately S\$4727 million for FY2010 from approximately S\$28.51 million for FY2009. Higher revenue was generated from projects in the palm oil refining and nutrients extraction industry, as well as projects in water and wastewater treatment for FY2010.

Our gross profit increased by 391.7% to approximately S\$9.16 million in FY2010 from approximately S\$1.86 million in FY2009. Projects from the palm oil refining and nutrients extraction industry contributed to majority of the gross profit whilst water and wastewater treatment and hydro-engineering projects contributed to the remaining gross profit.

Selling and distribution expenses, and administrative expenses declined by 9.7% and 6.0% respectively. Thus, with stronger revenue and gross profit coupled with lower operating expenses, we registered a profit before tax of approximately S\$2.70 million in FY2010, reversing a loss before tax of approximately S\$4.78 million in FY2009. Net profit attributable to equity holders was approximately S\$1.08 million, reversing a net loss attributable to equity holders is approximately S\$5.05 million the year before.

In terms of financial position, the Group's net asset value increased by 105.2% from approximately S\$9.84 million as at 30 June 2009 to approximately S\$20.20 million as at 30 June 2010. Non-current assets decreased by 0.4% to approximately S\$16.29 million due to some decreases in investments in subsidiaries whilst current assets increased by 13.7% to approximately S\$27.57 million due mainly to more contract work-in-progress and higher levels of inventory. Our non-current liabilities decreased by 48.7% to approximately S\$2.66 million as at 30 June 2010, whilst current liabilities declined by 26.8% to approximately S\$15.82 million as at 30 June 2010. We were able to reduce the amounts owing to financial institutions, directors and other trade creditors.

As at 30 June 2010, the Group's cash and bank balances stood at approximately S\$5.24 million.

## STRENGTHENING OUR COFFERS, BUILDING A STRONGER TEAM

On 11 Jan 2010, we were pleased to welcome new strategic investors. This helped to boost our coffers and enabled us to retire a substantial portion of our loans and bank borrowings, improve our working capital and finance some of our ongoing projects. The stronger capital position also enabled us to build up a team of experienced financial and management personnel to bolster Metax Engineering's overall management capabilities.

Mr Andrew Bek who is an experienced investment and finance professional joined us as our Executive Director on 20 May 2010 and he has provided much advice and stewardship in the management of our finance and business requirements. We certainly look forward to his continued participation in our Group's journey. We also reconstituted our Board and added Dr Zhuo Zefan to our Board as an Independent Director. Their experience and guidance will add dynamism, diversity and freshness of views to our Board.

## OUTLOOK

In the coming 12 months, we shall continue to witness opportunities for the two key business segments, namely the palm oil and water sectors.

Although the prices of palm oil has declined in recent months, consumption for palm oil remained strong and the demand for engineering work for processing of palm oil continues unabated.

In our case, regional opportunities for palm oil related engineering in Malaysia and Indonesia will provide a good flow of business to the Group's subsidiary, WS Bio. Our team has continued and will continue to secure projects which will see milestone completion being gradually recognised over the next 12 months. Barring unforeseen circumstances, we look forward to their positive contributions to our performance in the coming year.

Via our newly formed joint venture company, Oiltek Nova Bioenergy Sdn. Bhd., we have begun to market our engineering services for the design, development and supply of biogas recovery systems to POME plants in Malaysia and Indonesia. Biogas in the form of methane is an emerging source of alternative energy, especially for agricultural heartlands where regular energy supply is difficult to secure. The capture and utilisation of methane from POME plants is an emerging field which we intend to explore and develop as one of the Group's long term pillar of growth.

In the water sector, our outlook for both the hydro-engineering and water and wastewater treatment segment is largely positive. Upgrading and enhancement of Singapore's public water infrastructure continues to generate opportunities for us and we have been actively participating in bidding exercises. Beyond Singapore, we have also submitted bids in Indonesia (Bintan Island) and in Saudi Arabia. Within our portfolio of current projects, particularly those in Singapore, a substantial portion of the outstanding work-in-progress is expected to be delivered within the next 12 months and these projects are also expected to

make a positive impact on the revenue performance of the Group, barring unforeseen circumstances.

## IN APPRECIATION

Metax Engineering celebrates its 35th anniversary this year and we would not have arrived at this milestone without the support and contribution of many parties both within and beyond the Group.

I would thus like to express my gratitude to all members of the Board for the invaluable advice on strategy, business and finance matters over the past year. I would also like to offer a special note of thanks to our strategic investors as well as all other shareholders for continuing to show faith and confidence in our Board and management. Last but not least, our employees continue to be our most fundamental asset and I would like to thank them for their service and trust in the organisation.

The year ahead continues to be a challenging one but with all your well wishes and support, I believe Metax Engineering will continue to prosper as a reputable company within our industry.

Thank you.

**Tan Tze Wen**

Chairman & Managing Director  
Metax Engineering Corporation  
Limited

# FINANCIAL AND OPERATIONS REVIEW



The financial and operating performance for FY2010 comprises mainly the consolidation of a full year's contribution from WS Bio and its subsidiaries, whose engineering projects are in the palm oil refining and nutrients extraction industry, into the Group's results. In comparison, for FY2009, the Group only consolidated the contribution from WS Bio and its subsidiaries for six months and nine days from 23 December 2008 when the Group initially obtained control over these entities.

## REVENUE ANALYSIS

Revenue increased by 65.8% from approximately S\$28.51 million in FY2009 to approximately S\$47.27 million in FY2010. The increase in revenue was mainly due to an increase in revenue generated from the palm oil refining and nutrients extraction and water and wastewater treatment projects.

Higher revenue from these projects was generated on the back of more milestone completion. The water and wastewater treatment projects saw a significant revenue leap from S\$2.15 million in FY2009 to S\$6.99 million in FY2010. The above increase in revenue was however partially offset by the hydro-engineering segment having registered lower revenue of S\$2.35

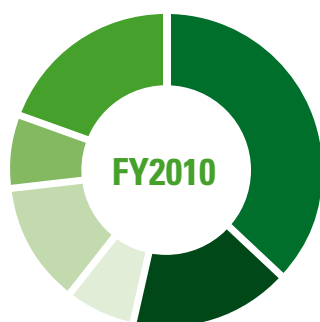
million in FY2010 compared to S\$3.59 million in FY2009. Nonetheless, the Group witnessed strong performance in our projects in the palm oil industry segment which resulted in revenue rising to S\$37.93 million in FY2010 from S\$22.77 million the year before, representing an increase of 66.6% year-on-year.

Geographically, the Group received its largest revenue contribution from Malaysia, due to the concentration of projects in the palm oil processing and nutrient extraction industry there. Revenue from Malaysia contributed S\$17.44 million in FY2010 compared to S\$9.76 million in FY2009. Singapore, where we received a majority of the water and wastewater treatment and hydro-engineering contracts, is our second largest source of revenue with

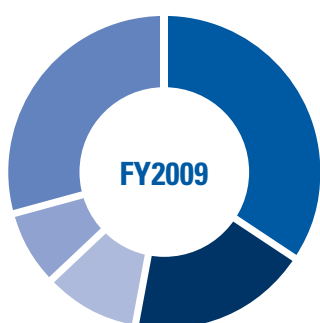
S\$7.95 million registered in FY2010 compared to S\$5.38 in FY2009.

Africa contributed S\$3.24 million in revenue in FY2010 compared to S\$2.82 million in FY2009 mainly from projects in palm oil refining and nutrient extraction. For the same reason, revenue from America rose to S\$5.92 million in FY2010 compared to S\$2.31 million in FY2009. Middle East saw its maiden contribution in the palm oil refining and nutrient extraction industry, with a revenue contribution of S\$3.67 million in FY2010. Other regions where we received income from the palm oil refining and nutrient extraction industry include Thailand, Bangladesh, China, Myanmar, Pakistan, Vietnam and Indonesia. Revenue was also generated in India from ongoing projects in water and wastewater treatment.

## REVENUE BY GEOGRAPHICAL SEGMENT



	FY2010 S\$'000	%
● Malaysia	17,438	36.9
● Singapore	7,952	16.8
● Africa	3,239	6.9
● America	5,916	12.5
● Middle East	3,670	7.7
● Others	9,056	19.2
<b>Total</b>	<b>47,271</b>	<b>100.0</b>



	FY2009 S\$'000	%
● Malaysia	9,755	34.2
● Singapore	5,379	18.9
● Africa	2,824	9.9
● America	2,307	8.1
● Middle East	-	-
● Others	8,247	28.9
<b>Total</b>	<b>28,512</b>	<b>100.0</b>

## PROFITABILITY

Gross profit increased by 391.7% from approximately S\$1.86 million in FY2009 to approximately S\$9.16 million in FY2010. For the year under review, gross profit contribution from the palm oil refining and nutrients extraction industry amounted to approximately S\$6.43 million, while the contribution from water and wastewater treatment projects and hydro-engineering projects amounted to approximately S\$2.26 million and S\$0.47 million respectively.

Selling and distribution expenses decreased by 9.7% from approximately S\$1.15 million in FY2009 to approximately S\$1.04 million in FY2010 as a result of a decrease in commission amounting to S\$0.11 million paid to sales personnel and third parties for sales secured. Administrative expenses decreased 6.0% from approximately S\$6.18 million in FY2009 to approximately S\$5.81 million in FY2010 mainly due to (a) the decrease in bad debts written off; (b) the decrease in allowance for doubtful receivables; (c) the decrease in management fees; and (d) the decrease in other operating expenses. The decreases were offset against the increases in CPF and SDL, directors' remuneration and staff salaries.

As a result, the Group recorded a profit before income tax of approximately S\$2.70 million in FY2010 as compared to a loss before income tax of approximately S\$4.78 million in FY2009, attributable to the higher revenue and profit margins achieved as well as the decrease in allowance for doubtful work-in-progress and the decrease in bad debts written off.

## REVIEW OF FINANCIAL POSITION

The Group's net asset value increased by 105.2% from approximately S\$9.84 million as at 30 June 2009 to approximately S\$20.20 million as at 30 June 2010, mainly due to the issuance of new shares for S\$8.86 million (after deducting expenses of approximately S\$0.13 million) and the issuance of warrants for S\$0.20 million.

Non-current assets decreased by 0.4% to approximately S\$16.29 million as at 30 June 2010 as a result of the decrease in property, plant and equipment of S\$0.15 million which was offset against the increase in investments in associates of S\$0.09 million. Current assets increased by 13.7% to approximately S\$27.57 million as at 30 June 2010 mainly due to an increase in contract work-in-progress of S\$5.94 million and inventories of S\$0.08 million. These were however offset against the decreases in cash and cash equivalents of S\$1.65 million and trade and other receivables of S\$1.05 million.

Non-current liabilities decreased by 48.7% to approximately S\$2.66 million as at 30 June 2010. The decrease was mainly due to the repayment of amount owing to a director of S\$1.19 million and decrease in non-current portion of amount owing to financial institutions of S\$1.27 million. Current liabilities decreased by 26.8% to approximately S\$15.82 million as at 30 June 2010. The decrease was mainly due to the decreases in trade and other payables of S\$7.09 million, and obligation under

## FINANCIAL AND OPERATIONS REVIEW (CONT'D)

The Group will continue to focus on enlarging its scope of activities both in the water-related arena as well as in the palm oil-related field.

finance lease and amount owing to shareholders of S\$0.72 million. These were offset against the increases in obligations under financial institutions of S\$1.58 million, excess of progress billings over work-in-progress and income tax payable of S\$0.43 million.

### REVIEW OF CASH FLOW

Net cash used in operating activities was recorded at approximately S\$8.95 million in FY2010 as compared to approximately S\$4.65 million in FY2009.

The increase was attributable to a decrease in trade and other payables of S\$7.09 million, work-in-progress/progress billings of S\$5.63 million, income tax paid of S\$0.57 million and inventories of S\$0.08 million. These were partially offset against the increase in trade and other receivables of S\$1.14 million and operating profit before working capital changes of approximately S\$3.28 million.

Net cash generated from investing activities was approximately S\$0.03 million in FY2010, mainly due to the proceeds from disposal of a subsidiary, proceeds from disposal of property, plant and equipment and interest received of approximately S\$0.08 million. These were offset against the purchase of property, plant and equipment of approximately S\$0.05 million.

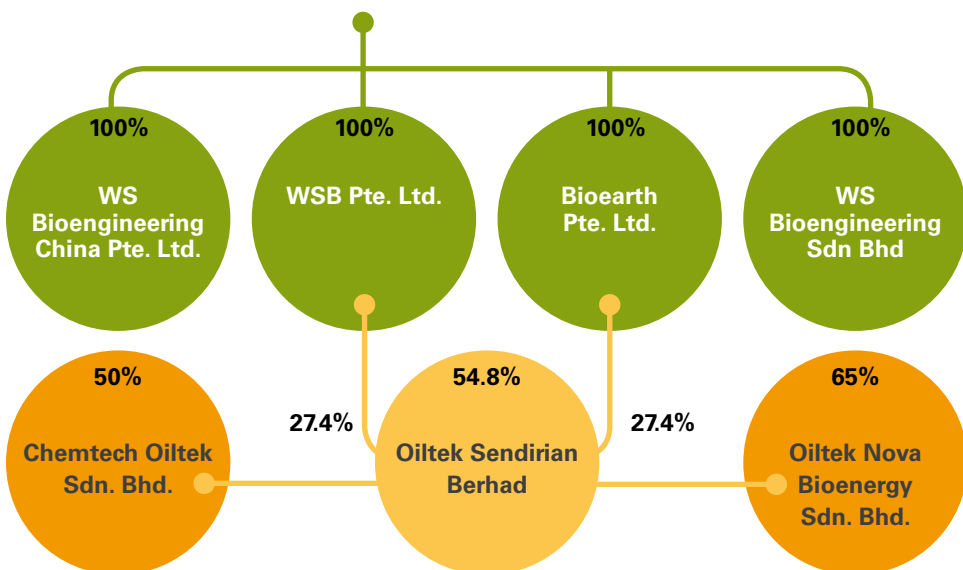
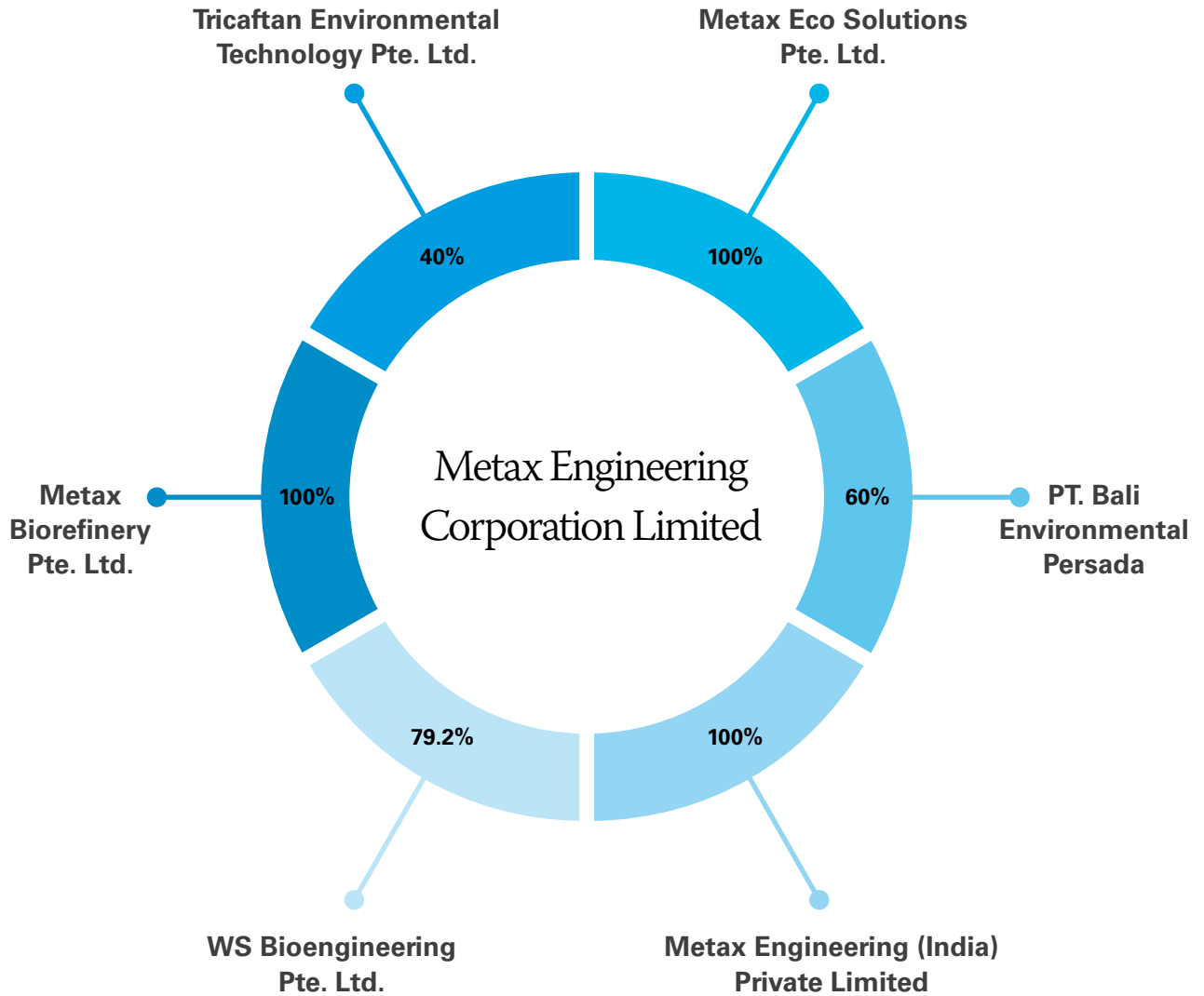
Net cash generated from financing activities was approximately S\$7.19 million in FY2010, mainly due to the proceeds from issuance of new shares for S\$8.86 million (net of expenses of



S\$0.13 million), warrants for S\$0.20 million and proceeds from financial institutions of S\$4.86 million. These were offset against the interest paid and payment of finance lease of approximately S\$0.32 million, repayment to financial institutions of S\$3.85 million, amount owing to a director of S\$1.19 million, amount owing to shareholders of S\$0.72 million and deposit pledged of S\$0.66 million.



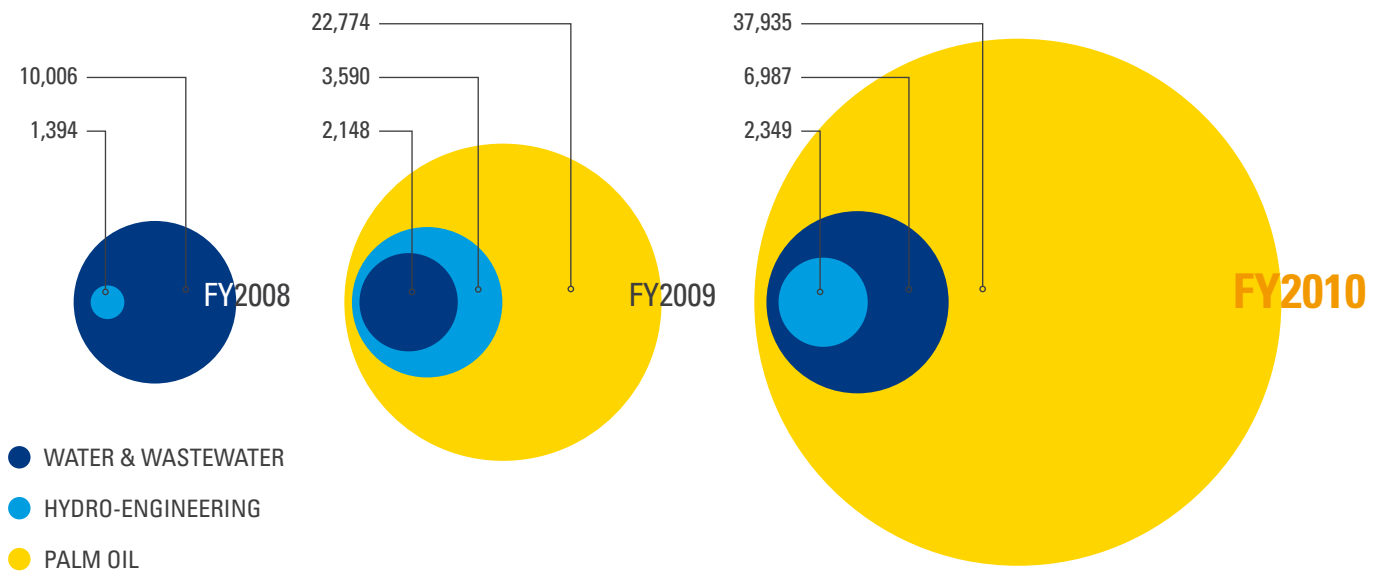
# CORPORATE STRUCTURE



# FINANCIAL HIGHLIGHTS

## REVENUE FROM BUSINESS SEGMENT

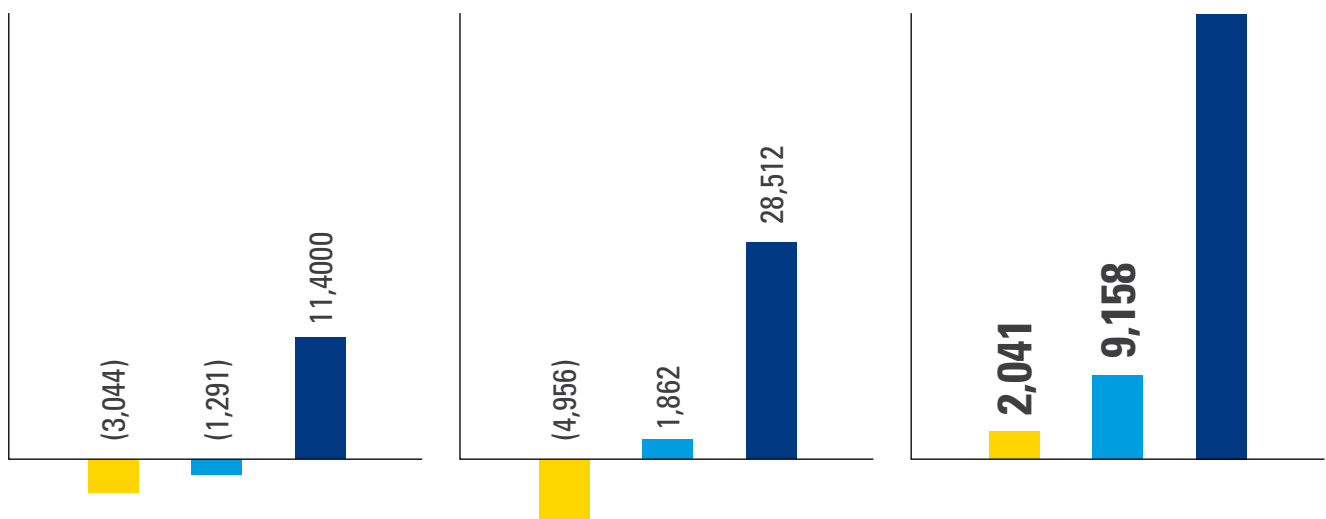
(S\$'000)



**FY2008**  
(S\$'000)

**FY2009**  
(S\$'000)

**FY2010**  
(S\$'000)



Net Profit/(Loss) Gross Results Revenue

# YEAR AT A GLANCE

## 11 SEP 2009

Secured two purchase orders worth approximately S\$11 million from:

- i) United Engineers (Singapore) Pte Ltd for the superpulsator system (clarifier) as part of the modifications to the Chestnut Avenue waterworks project
- ii) Muhibbah Engineering (M) Bhd for the supply of heat exchangers shell and tube



## 15 SEP 2009

Three contracts awarded worth approximately S\$5.1 million from:

- i) Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. for the pumping system and aerator system of the Punggol Waterway project
- ii) United Engineers (Singapore) Pte Ltd for the chemical system as part of the modifications to the Chestnut Avenue waterworks project

- iii) United Engineers (Singapore) Pte Ltd for the sludge treatment system as part of the modifications to the Chestnut Avenue waterworks project

## 24 SEP 2009

Awarded contract worth S\$530,000 by Tidel Park Coimbatore Limited for the provision of sewage treatment plant works to an information technology park at Coimbatore, India. The letter of award includes a comprehensive maintenance contract for six years after the defective liability period and an operating contract for seven years

## 11 NOV 2009

Secured a purchase order worth approx. S\$2.55 million from Muhibbah Engineering (M) Bhd for the supply of heat exchangers shell and tube



## 12 DEC 2009

Secured contract worth approximately RM7.28 million from Zurex Corporation Sdn. Bhd. for the supply of a complete process plant equipment for a physical refining plant in Lahad Datu, Sabah, Malaysia.

## 11 JAN 2010

Completion of placement of 89,900,000 new ordinary shares and 40,000,000 non-listed and non transferable warrants, which raised net proceeds of S\$9.06 million

## 1 APR 2010

Oiltek set up JV company "Oiltek-Nova Bioenergy Sdn Bhd" with Novaviro Technology Sdn. Bhd., to undertake the designing, building and supplying of biogas recovery systems to palm oil mill effluent plants in Malaysia and Indonesia as well as the design and supply of systems which utilise the biogas produced



## MAY 2010

Appointment of Mr Andrew Bek as Executive Director and Dr Zhuo Zefan as Independent Director to the Board

## 14 SEP 2010

Secured purchase order from India Dyeing Mills (P) Ltd, for the supply of a reverse osmosis plant for wash water flow and membranes, worth US\$722,400

# BOARD OF DIRECTORS



Mr Tan Tze Wen

**MR TAN TZE WEN** Chairman & Managing Director

Mr Tan Tze Wen founded our Company in 1975 and has been our Director since 29 April 1975. He is currently our Chairman and Managing Director. He is responsible for the overall management, strategic planning and business development of our Group. He also oversees the overall administration, finance and operations of our Group. Mr Tan has been instrumental to our growth. Under his leadership, our Company has grown from a business undertaking mainly small pump station projects to an environmental engineering company awarded with multi-million dollar contracts. He has more than 20 years of experience in the water and wastewater treatment business. Mr Tan obtained a Master of Science degree in Mechanical Engineering from the Delft University of Technology, the Netherlands in 1971.



Mdm Ng Guat Hua

**MDM NG GUAT HUA** Executive Director

Mdm Ng Guat Hua is our Administrative Director. Mdm Ng joined our Company in 1981 and has more than 20 years of experience in finance and administration. She was appointed as Executive Director of our Company on 19 May 1992. Mdm Ng currently oversees the overall finance and administrative functions of our Group and is responsible for project cost control, analyzing accounts for management review and preparing the forecast and budget for each financial year. She is a member of The World Red Swastika Society and a director of the Red Swastika School Management Committee.



Mr Andrew Bek

**MR ANDREW BEK** Executive Director

Mr Andrew Bek was appointed as the Executive Director of our Company on 20 May 2010. He is responsible for corporate strategies and corporate finance areas in the Company. Mr Bek started his career in Arthur Andersen & Co and was there from 1988 to 1997. He was later attached to a steel manufacturing company as the Accounts Manager from 1997 to 1998. He then joined Ernst & Young Malaysia from 1999 to 2007, where he was responsible for statutory audit of public and non-public companies. In 2007, he joined OneEquity SG Pte Ltd and is currently the Investment Director, responsible for the assessment of investment opportunities, market research and analysis and making recommendations to the investment committee. He is also currently the Non-Executive Director of SGX Mainboard-listed China Environment Ltd and was actively involved in the entire Reverse-Take-Over ('RTO') exercise of the company.



Mr Chen Yeow Sin

**MR CHEN YEOW SIN** Independent Director

Mr Chen Yeow Sin was appointed as an Independent Director of our Company on 4 January 2006. He has about 20 years of experience in audit and financial advisory services. From 1992 to 1996, he was an audit manager at Deloitte and Touche, responsible for financial audit, due diligence reviews and initial public offerings. Subsequently, he was the South East Asian internal audit manager at Unocal Corporation from 1997 to 1999, where he was responsible for risk management, internal audit, business process evaluations and conflict of interest investigations for the South East Asian subsidiaries. In 2000, he joined LTC and Associates as an audit partner and has been serving in that capacity ever since. He is currently an Independent Director of Sitra Holdings (International) Limited. Mr Chen obtained a Bachelor of Science degree from the University of London and is a Certified Public Accountant. He is also a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Certified Public Accountants of Australia.



Mr Basmadjian Krikor

**MR BASMADJIAN KRİKOR** Independent Director

Mr Basmadjian Krikor was appointed as an Independent Director of our Company on 4 January 2006. He has about 28 years of experience in the banking sector, having worked at Bank of America from 1974 to 2002. During his career at Bank of America, he held several senior positions including Vice President and Country Operations Manager for various countries such as Indonesia, Thailand and Indo-China from 1989 to 1998 as well as Senior Vice President and Country Operations Manager in Japan and Korea from 1998 to 2001. Between 2001 and 2002, he served as director of BA Forex, a subsidiary of Bank of America in the Philippines. Since 2002, Mr Krikor has been the trustee and honorary treasurer of the Armenian Church in Singapore. He obtained his Bachelor of Arts degree in Business Administration from Cyprus College USA in 1974.



Dr Zhuo Zefan

**DR ZHUO ZEFAN** Independent Director

Dr Zhuo Zefan was appointed as an Independent Director of our Company on 6 May 2010. He has over 18 years of experience in the fields of professional investment and mergers and acquisition covering a wide range of businesses. He was the Founder and Vice President of China Construction Bank Shaanxi Lixin Investment Co., Ltd, where he was in charge of real-estate development from 1991 to 1993. He was also the General Manager of CCB Lixin Jewelry Co., Ltd., in charge of the jewellery business. In 1993, he founded and became the Vice Chairman of Xi'an Jinye Investment Co., Ltd. and Shaanxi Jinrun Property Management Co., Ltd, responsible for VC and real-estate business. He became the Chairman and General Manager of Xi'an Juchuan International Investment in 1995 and also started Shaanxi Fuwanjia Chemical Co., Ltd which was reconstructed in 2000 as Shaanxi Fuwanjia Inc. Dr Zhuo later on became the Chairman of the board of Xi'an Kingsway Investment Consulting in 2002 and China Nonferrous Metals Co. Ltd (formerly known as Hong Kong Sungreen International Holdings) (8306 HK) in 2004 respectively, then founded Xi'an May International Investment where he became the Chairman and President of the company in 2007.

Dr Zhuo graduated with a Master degree in Business Administration from Northwest University in China and has a Doctorate degree in Business Administration from West Coast University in the United States of America.

# KEY EXECUTIVES

## MR TAN SIAN GWAN

Operations Manager

Mr Tan Sian Gwan is our Operations Manager, responsible for implementation of projects, in particular, water treatment process projects and sales of hydraulic gates. He joined our Company as a project engineer in 2001. Since then, he has been involved in various projects including the installation of pumps, pipes and valves at Sungei Sembawang Abstraction Station, centrifuges for Changi Water Reclamation Plant EP7 and penstocks for Jurong Sewerage Treatment Works. Prior to joining us, Mr Tan was involved in research work for his thesis relating to modeling of water transport and treatment at a water company, WRK III Netherlands. He obtained a Master of Science degree in Civil Engineering from the Delft University of Technology, the Netherlands in 2001.

## MR WOLFGANG MIRL

Projects Manager

Mr Wolfgang Mirl is our Project Manager, responsible for operations. Prior to joining our company in November 2006, he was responsible for the water and wastewater process and technology portfolio of Tricraftan Environmental Technology Pte. Ltd. Before that he was Managing Director of Mirlow Engineering Pte Ltd, a company active in sales of engineered products for the water and wastewater industry. In the earlier part of his career, he was project manager and resident engineer for water and wastewater as well as power station projects in Singapore and the Middle East. After the successful completion of his five year education at the HTL Steyr, Austria, he obtained a Bachelor of Science degree in Mechanical Engineering (Ing. grad.) from the Ministry of Construction, Vienna, Austria in 1975.

## MS LAY LAY MYINT

Finance Manager

Ms Lay Lay Myint, our Finance Manager, is responsible for the Company's financial and accounting functions. Prior to joining the Company in March 2007, she was an Assistant Accountant with Noble Marine Management Company Ltd, Yangon, Myanmar, where she assisted and was responsible for the preparation, reconciliation and analysis of the Group's management accounts as well as the preparation of the Company's financial reports.



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# CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining high standards of corporate governance to ensure that effective self-regulatory corporate practices exist to protect the interests of its shareholders. As such, the Company has adopted a framework of corporate governance policies and practices in line with the recommendations of the Singapore Code of Corporate Governance 2005 (the "Code").

The Company is pleased to disclose below a description of its corporate governance processes and activities with specific reference to the Code.

## Statement of Compliance

The Board of Directors of the Company (the "Board") confirms that for the financial year ended 30 June 2010 ("FY2010"), the Company has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below.

## 1. BOARD MATTERS

### The Board's Conduct of Affairs

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.**

The Board conducts meetings on a half-yearly basis. In addition, ad-hoc meetings are convened when circumstances require. Telephone attendance at Board meetings is allowed under Article 120(2) of the Company's Articles of Association. The number of meetings held and the attendance of the Directors at meetings of the Board and Board Committees in FY2010 are as follows:-

Number of meetings held	Board	Board Committees		
		Audit	Nominating	Remuneration
	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>
	<b>Number of meetings attended</b>			
Danny Walla <sup>(1)</sup>	0	–	–	0
Tan Tze Wen	2	–	–	–
Tan Hun Tee <sup>(2)</sup>	–	–	–	–
Ng Guat Hua	2	–	–	–
Ganapathy Neelakantan <sup>(3)</sup>	2	–	1	–
Andrew Bek <sup>(4)</sup>	–	–	–	–
Lee Thiam Seng <sup>(5)</sup>	1	1	1	1
Chen Yeow Sin	2	2	–	–
Basmadjian Krikor	2	2	1	1
Zhuo Zefan <sup>(6)</sup>	–	–	–	–
Sam Kok Yin <sup>(7)</sup>	–	–	–	–

### Notes:-

- (1) Mr Danny Walla resigned as Non-Executive Director on 30 September 2009.
- (2) Mr Tan Hun Tee resigned as Executive Director on 1 August 2009.
- (3) Mr Ganapathy Neelakantan resigned as Executive Director on 10 May 2010.
- (4) Mr Andrew Bek was appointed as Executive Director on 20 May 2010.
- (5) Mr Lee Thiam Seng resigned as Independent Director on 9 September 2009.
- (6) Mr Zhuo Zefan was appointed as Independent Director on 6 May 2010.
- (7) Mr Sam Kok Yin was appointed as Independent Director on 20 May 2010. He subsequently resigned from his post on 9 September 2010.

# CORPORATE GOVERNANCE REPORT

Every Director is expected, in the course of carrying out his/her duties, to act in good faith and to contribute effectively to the decision making process of the Board and to keep in mind at all times, the interests of the Company.

The principle functions of the Board, apart from its statutory responsibilities, are:-

- i. to approve major investment and funding decisions and to set the long-term strategic direction of the Group;
- ii. to review the financial performance of the Group;
- iii. to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting compliance and resource allocation;
- iv. to evaluate the performance and determine the compensation of key management personnel; and
- v. to assume responsibility for corporate governance, set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met.

Certain matters specifically reserved for decision by the Board are those relating to material acquisitions and disposal of assets, new investments, commitments to term loans and lines of credit from banks and financial institutions and all corporate restructuring matters.

To assist in the execution of its responsibilities and to comply with the requirements, the Board has established an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"). These Board Committees function within clearly defined written terms of reference and operating procedures. The details of the Directors' participation in the Board Committees are set out below:-

Director	Board Committees		
	Audit	Remuneration	Nominating
Chen Yeow Sin	Chairman	–	–
Basmadjian Krikor	Member	Chairman	Member
Zhuo Zefan	Member	Member	Chairman

Mr Sam Kok Yin (a member of the RC and NC) resigned as Independent Director on 9 September 2010. The Board is in the process of identifying and appointing his replacement.

All our Directors have attended courses to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore. Newly appointed Directors are provided a briefing on their duties and obligations and are also given an orientation on the Group's businesses to facilitate a better understanding of the Group's operations. All Directors are appointed to the Board by way of formal letter of appointment or service agreement setting out the scope of their duties and obligations.

The Company adopts a policy whereby Directors are encouraged to request further explanations, briefings or informal discussions on the Company's operations or governance practices with the Management. Where necessary, sessions are also conducted with the Directors to update them on new legislation and regulations which are relevant to the Group.

## Board Composition and Guidance

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.**

The Board currently consists of six Directors, of whom three are considered to be independent by the Board. Thus, there is a strong independent element on the Board, with Independent Directors constituting more than one-third of the Board.

The independence of each Director is reviewed by the NC on an annual basis, with reference to the Code's definition of what constitutes independence in respect of a director. The Board, based on the recommendations of the NC, is satisfied that the Board has a substantial independent element to ensure that objective judgment is exercised on corporate affairs.

Taking into account the Group's scope and nature of operations, the Board is in the process of appointing another Independent Director. The NC is of the view that the Board comprises persons who as a group possess core competencies in accounting and finance, business or management expertise, industry knowledge and strategic planning experience required for the Board to be effective. These skills enable the Directors to constructively challenge and assist in developing strategies for the Group as well as review the performance of the Management and monitor the reporting of performance.

# CORPORATE GOVERNANCE REPORT

The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process. The Independent Director did not meet in FY2010 without the presence of the Management as they did not deem it necessary.

## Chairman and Chief Executive Officer

**Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.**

Mr Tan Tze Wen is the Managing Director (equivalent to Chief Executive Officer) of the Company. Since the resignation of Mr Danny Walla, who was the non-executive Chairman, Mr Tan has also assumed the responsibility of the Chairman of the Board.

The Managing Director is the most senior executive in the Company and is primarily responsible for the overall management, strategic planning and business development of the Group.

In an effort to promote high standards of corporate governance, the Managing Director, with the assistance of the Company Secretary, ensures that board meetings are held when necessary, sets the Board agenda and reviews most board papers before they are submitted to the Board. The Managing Director, with the assistance of the Company Secretary, also ensures that all Board members are provided with complete, adequate and timely information, in order to facilitate effective contribution from the non-executive Directors and to encourage constructive relations between the Board and the Management as well as between the executive Directors and non-executive Directors. In addition, the Managing Director, with the assistance of the Company Secretary, exercises control over the timeliness of information flow to the Company's shareholders.

The Managing Director executes decisions taken by the Board and is responsible for the day-to-day operations of the Company. In setting the business direction of the Company, the Managing Director convenes meetings with the other executive Directors and executive officers as and when necessary to review the Group's operational performance and evaluate new projects and investment opportunities.

The Board is of the opinion that with the establishment of the Board Committees, there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

The Company intends to appoint a lead independent director who will be the contact person for shareholders in situations where there are concerns or issues which communication with the Chairman and Managing Director has failed to resolve or where such communication is inappropriate.

## Board Membership

**Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.**

The Board's size, structure and composition are reviewed annually by the NC, which was established on 17 February 2006. The NC currently comprises Mr Zhuo Zefan and Mr Basmadjian Krikor, both of whom are Independent Directors. Mr Zhuo Zefan is the Chairman of the NC and is not related to any Director or substantial shareholder of the Company. The Board is currently in the process of appointing a new member of the NC, who shall be an Independent Director.

The main role of the NC is to ensure that the process of Board appointments and re-appointments is transparent, and to assess the effectiveness of the Board as a whole as well as the contribution of individual Directors to the effectiveness of the Board on an annual basis.

The main terms of reference of the NC are as follows:-

- (i) to make recommendations to our Board on all appointments of Directors;
- (ii) to re-nominate the Directors, having regard to each Director's contribution and performance;
- (iii) to determine on an annual basis whether a Director is independent; and
- (iv) to decide, where a Director has multiple board representations, whether such Director is able to and has been adequately carrying out his duties as a Director.

Each member of our NC shall abstain from voting on any resolutions in respect of the assessment of his own performance or re-nomination.

# CORPORATE GOVERNANCE REPORT

Under the Company's Articles of Association, one-third (or the number nearest one-third) of the Directors are required to retire from office at each annual general meeting. Further, all the Directors are required to retire from office at least once every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires.

The dates of initial appointment and re-election of the Directors are set out below:-

Director	Position	Date of Initial Appointment	Date of Last Re-election
Tan Tze Wen	Managing Director	29 April 1975	30 October 2007
Ng Guat Hua	Executive Director	19 May 1992	28 October 2009
Andrew Bek	Executive Director	20 May 2010	–
Chen Yeow Sin	Independent Director	4 January 2006	30 October 2008
Basmadjian Krikor	Independent Director	4 January 2006	28 October 2009
Zhuo Zefan	Independent Director	6 May 2010	–

Mr Zhuo Zefan, Mr Andrew Bek, Mr Tan Tze Wen and Mr Chen Yeow Sin will retire at the Company's forthcoming annual general meeting. However, Mr Chen Yeow Sin will not be offering himself for re-election.

Information required in respect of the academic and professional qualification, directorship or chairmanship both present and those held over the preceding three years in other listed companies is set out in the "Board of Directors" section of this Annual Report. In addition, the shareholdings in the Company held by the Directors is set out in the "Directors' Report" section of this Annual Report.

The process for the selection and appointment of new Directors to the Board will involve sourcing within the Company for potential candidates as well as a search from external sources, through recommendations, or via searches offered by third party agencies. Short-listed candidates would then be offered for independent review and nomination by the NC who will then short-list a single candidate for approval by the Board. Depending on the requirements of the directorship, the choice for the candidate would be based on relevant experience, credentials and remuneration package. The NC will furthermore disclose whether the Company has conducted an independent search for directors as part of the nomination process.

## Board Performance

**Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.**

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

The NC is responsible for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. The NC decides on how the Board's performance may be evaluated and proposes objective performance criteria which are approved by the Board. In evaluating the effectiveness of the individual Directors, the NC aims to assess whether each Director has contributed effectively and has demonstrated commitment to fulfilling the responsibilities undertaken. The selected performance criteria will not be changed from year to year unless they are deemed necessary and the Board is able to justify the changes.

Upon review of the results of the evaluation of the performance of the Board as a whole and the performance of each individual Director, the Chairman shall take appropriate actions and make relevant proposals to the Board, in consultation with the NC.

## Access to Information

**Principle 6: In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.**

The members of the Board are provided with complete and adequate information on a timely basis in the form and quality necessary for the effective and efficient discharge of their duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information relating to matters that will be discussed at Board meetings. This is to enable them to obtain a comprehensive understanding of the issues to be deliberated upon, in order to arrive at an informed decision. All Independent Directors have access to the senior executives in the Group.

# CORPORATE GOVERNANCE REPORT

All the Directors have separate and independent access to the Company Secretary. The Company Secretary attends all board meetings and assists the Board in ensuring that all Board procedures are followed and that the Company complies with the statutory requirements of the Companies Act and the SGX-ST. If requested by the Chairman, the Company Secretary will ensure that information is disseminated in a timely manner within the Board and the Board Committees, between senior executives and the non-executive Directors.

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice, in the furtherance of their duties to the Company a professional advisor who is approved by the Company will be appointed to render such advice. Any cost of obtaining such professional advice will be borne by the Company.

## 2. REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No Director should be involved in deciding his own remuneration.**

The RC was established on 17 February 2006. The RC currently comprises Mr Basmadjian Krikor and Mr Zhuo Zefan, both of whom are Independent Directors. The chairman of the RC is Mr Basmadjian Krikor. The Board is currently in the process of appointing a new member of the RC, who shall be an Independent Director.

The principle functions of the RC are:-

- (i) to recommend to the Board a framework of remuneration for Directors and senior executives, and determine specific remuneration packages for each executive Director; and
- (ii) to evaluate and cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

Each member of the RC shall abstain from voting on any resolutions in respect of his own remuneration package.

The recommendations of the RC are submitted, for endorsement by the entire Board, on an annual basis. Where necessary, the RC seeks expert advice from within the Company on the remuneration to be accorded to the Directors.

### Level and Mix of Remuneration

**Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.**

In determining remuneration packages, the RC ensures that the Directors are adequately but not excessively remunerated vis-à-vis the Company's industry peers and comparable companies. In reviewing the remuneration packages, the RC takes into account the Company's relative performance and the performance of individual Directors.

All the non-executive Directors are paid a Directors' fee, which is determined in accordance with the responsibilities undertaken by them as well as the time and effort spent in discharging such responsibilities. These fees are subject to approval by the shareholders at each annual general meeting. Except as disclosed, the independent and non-executive Directors do not receive any remuneration from the Company.

All executive Directors are paid a basic salary. A performance related bonus will also be awarded if so merited under the incentive bonus scheme (as set out below). Adjustments to the remuneration packages of all executive Directors are subject to review and approval by the Board.

# CORPORATE GOVERNANCE REPORT

Our executive Directors and executive officers will be paid an incentive bonus based on the net audited consolidated profit before income tax and after minority interests of our Company for the relevant financial year (“Group Profits”). The amount of incentive bonus payable to our executive Directors and executive officers will be determined as follows:–

Where the Group Profits for the financial year is	Amount of incentive bonus payable for that financial year
Exceeding \$3.0 million and up to \$5.0 million	5.0% of the amount of Group Profits exceeding \$3.0 million
Exceeding \$5.0 million and up to \$8.0 million	5.0% of \$2.0 million plus 8.0% of the amount of Group Profits exceeding \$5.0 million
Exceeding \$8.0 million	5.0% of \$2.0 million plus 8.0% of \$3.0 million plus 12.0% of the amount of Group Profits exceeding \$8.0 million

The incentive bonus will be divided and paid to our executive Directors and executive officers in equal shares.

Our RC has reviewed and approved the service agreement of Mr Tan Tze Wen, whose service agreement with the Company was valid for an initial period of three years commencing 1 July 2005 and automatically renewed thereafter on year-to-year basis, on such terms and conditions as the parties shall agree. There are no excessively long or onerous removal clauses in the service agreement of Mr Tan Tze Wen. The service agreement may be terminated by the Company by giving six months’ notice in writing, or in lieu of notice, payment of an amount equivalent to six months’ salary based on Mr Tan Tze Wen’s last drawn salary.

Details of the Metax Share Option Scheme are contained in the “Report of the Directors” section of this Annual Report. No options were granted to Directors, executive officers or employees during FY2010.

## Disclosure on Remuneration

**Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company’s annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.**

The breakdown of remuneration of each Director for FY2010 is set out below:

Remuneration Band and Name of Director	Base / Fixed Salary	Directors’ Fees	Variable Income / Bonus	Total
<i>\$250,000 to \$499,999</i>				
Tan Tze Wen	100%	–	–	100%
<i>Below \$250,000</i>				
Danny Walla <sup>(1)</sup>	–	–	–	–
Tan Hun Tee <sup>(2)</sup>	100%	–	–	100%
Ng Guat Hua	100%	–	–	100%
Ganapathy Neelakantan <sup>(3)</sup>	100%	–	–	100%
Andrew Bek <sup>(4)</sup>	–	–	–	–
Lee Thiam Seng <sup>(5)</sup>	–	–	–	–
Chen Yeow Sin	–	100%	–	100%
Basmadjian Krikor	–	100%	–	100%
Zhuo Zefan <sup>(6)</sup>	–	–	–	–
Sam Kok Yin <sup>(7)</sup>	–	–	–	–

# CORPORATE GOVERNANCE REPORT

## Notes:-

- (1) Mr Danny Walla resigned as Non-Executive Director on 30 September 2009.
- (2) Mr Tan Hun Tee resigned as Executive Director on 1 August 2009.
- (3) Mr Ganapathy Neelakantan resigned as Executive Director on 10 May 2010.
- (4) Mr Andrew Bek was appointed as Executive Director on 20 May 2010.
- (5) Mr Lee Thiam Seng resigned as Independent Director on 9 September 2009.
- (6) Mr Zhuo Zefan was appointed as Independent Director on 6 May 2010.
- (7) Mr Sam Kok Yin was appointed as Independent Director on 20 May 2010. He subsequently resigned from his post on 9 September 2010.

The breakdown of remuneration of the top five senior executives (who are not Directors) of the Company for FY2010 is set out below:

Remuneration Band and Name of Senior Executive	Base / Fixed Salary	Variable Income / Bonus	Total
<i>Below \$250,000</i>			
Tan Sian Gwan	100%	–	100%
Wolfgang Mirl	100%	–	100%
Lay Lay Myint	100%	–	100%

Mr Tan Sian Gwan is the son of Mr Tan Tze Wen, the Managing Director of the Company. There are no employees who are related to a Director, whose remuneration exceeds \$150,000 per annum.

No options or incentive bonuses have been granted to the Directors or senior executives during FY2010.

## 3. ACCOUNTABILITY AND AUDIT

### Accountability

**Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

Prompt fulfillment of statutory reporting requirements is a means to maintaining shareholders' confidence and trust in the Board's capability and integrity. The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a half-yearly basis.

The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis.

When so requested by the Board, the Management makes readily available the financial reports up to the last completed month. However, such monthly financial reports may not always be reflective of the true and fair view of the financial position of the Group.

### Audit Committee

**Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

The AC was established on 17 February 2006. The AC currently comprises Mr Chen Yeow Sin, Mr Basmadjian Krikor and Mr Zhuo Zefan, all of whom are Independent Directors. The chairman of the AC is Mr Chen Yeow Sin.

# CORPORATE GOVERNANCE REPORT

<b>Name</b>	<b>Position</b>
Chen Yeow Sin	Chairman
Basmadjian Krikor	Member
Zhuo Zefan	Member

The profiles of each member of the AC has been set out in the “Board of Directors” section of this Annual Report. The Board is of the view that the AC has the requisite accounting or related financial management expertise and experience to fully discharge its responsibilities.

The AC assists the Board in discharging their responsibility to safeguard the Group’s assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains effective internal controls for the Group. The AC also provides an effective channel of communication between the Board, the Management and the external auditors on matters relating to audit.

The principle terms of reference of the AC are:-

- i. to review the audit plan of the external auditors and where applicable, the internal auditors, including the results of the auditors’ review and evaluation of the system of internal controls;
- ii. to review the consolidated financial statements and the external auditors’ reports on financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- iii. to review and discuss with auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group’s operating results or financial position and our management’s response;
- iv. to review the co-operation given by the Company’s officers to the external auditors;
- v. to nominate external auditors for appointment and re-appointment and approve the remuneration and terms of engagement of the external auditors;
- vi. to review and approve internal control procedures and arrangements for all interested person transactions, and if during these periodic reviews, the AC believes that the procedures are not sufficient, revisions will be made to address the shortcomings;
- vii. to review any potential conflict of interests;
- viii. to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- ix. to undertake generally such other functions and duties as may be required by law or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

Apart from the above functions, the AC is authorised to investigate any matters within its terms of reference, and has full access to the co-operation of the Management. The AC has put in place a whistle-blowing arrangement whereby the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

The AC has the discretion to invite any Director or executive officer to its meetings, as well as to request any reasonable resources to enable it to discharge its responsibilities. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The AC meets at least twice a year to review the announcements of the half-year and full year results before being approved by the Board for release to the SGX-ST. On a yearly basis and when required, the AC meets with the external auditors without the presence of Management, to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.

The AC annually reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditors. The AC is satisfied that the volume, nature and extent of non-audit services provided by the external auditors to the Company for FY2010 (with non-audit fees amounting to \$4,066) would not prejudice the independence and objectivity of the external auditors.

# CORPORATE GOVERNANCE REPORT

## Internal Controls

**Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.**

The Group maintains internal controls and systems that are designed to provide reasonable assurance as to the integrity and reliability of its financial statements and to adequately verify and safeguard the Group's assets.

To this effect, in consultation with the Guardian Independent Certification (GIC), the Company carries out internal audits on all its records and documentation on a half-yearly basis, to ensure, among other things, that the quality of documentation, control of documents and records and the system for management responsibilities consistently meet the standards as set by ISO 9001: Quality Control System. In addition, the AC reviews the effectiveness of the internal and operational controls and risk management on an annual basis.

The Company's external auditors carried out, in the course of their audit, a review of the effectiveness of the Company's internal controls, including financial, operational and compliance controls. Based on their review and by its own observations, the Board is satisfied that the present internal controls including financial, operational and compliance controls, and risk management processes are adequate, taking into account the nature and size of the Group's operations and business.

**Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.**

In view of the scale of operations of the Group, the Board believes that the existing system of internal controls is adequate. The Group currently has no separate internal audit function. Management has supervisory oversight over the internal control functions of the Group through the close supervision by key management including the Managing Director of the Company and the accounts department reviewing and reporting the risk management and compliance systems to the AC.

## 4. COMMUNICATIONS WITH SHAREHOLDERS

**Principle 14: Companies should engage in regular, effective and fair communication with shareholders.**

**Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

Information is communicated to shareholders on a timely basis through:-

- i. annual reports that are prepared and issued to all shareholders within the mandatory period;
- ii. SGXNET and the press; and
- iii. the Company's website at [www.metax.com](http://www.metax.com) where shareholders can access information on the Group, including archived announcements and press releases and can request to receive e-mail alerts on the Group's latest news.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. At annual general meetings, shareholders are given the opportunity to air their views and ask Directors or the Management questions regarding the Company. Shareholders are encouraged to attend the annual general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and goals.

Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notices of shareholders' meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at shareholders' meetings. The members of the AC, NC and RC will be present at annual general meetings to answer questions relating to the work of these Board Committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. The annual general meeting is the principal forum for dialogue with shareholders.

At all other times, the investor relations team, headed by our Managing Director, can be contacted via [ir@metax.com](mailto:ir@metax.com). This e-mail address was specifically set up to increase the amount of investor participation and promote investor feedback.

# CORPORATE GOVERNANCE REPORT

The articles of association of the Company allow a member of the Company to appoint up to two proxies to attend and vote in place of the member. The Company does not intend to implement absentia voting methods, for instance, by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

## 5. SECURITIES TRANSACTIONS

The Company has adopted policies set out in the Listing Manual of the SGX-ST on dealings in the Company's securities.

The policies have been made known to Directors, officers and staff of the Group. In particular, it has been highlighted that dealing in the Company's securities, when the officers (including Directors and employees) are in possession of unpublished material, price-sensitive information in relation to those securities, is an offence. The Company's officers are also discouraged from dealing in the Company's securities on short-term considerations, and are prohibited to trade in the Company's securities for the period of one month before the announcement of the half-year or full year results.

## 6. INTERESTED PERSON TRANSACTIONS

The Company has established internal control procedures to ensure that transactions with interested persons are properly reviewed and approved, and are conducted at arm's length bases.

The AC reviewed the following interested person transactions for FY2010 in accordance with the existing procedures:

Name of Interested Person	Aggregate Value of all Interested Person Transactions during FY2010
Tan Sian Yue <sup>(1)</sup>	800

### Notes:

- (1) Mr Tan Sian Yue is son of Tan Tze Wen, the Managing Director of the Company. Mr. Tan Sian Yue is renting an office space from the Company at a fee of \$800 per month.

The Board confirms that interested person transactions entered into were done so on an arm's length basis, on normal commercial terms and are not prejudicial to the shareholders of the Company.

## 7. RISK MANAGEMENT AND PROCESSES

Information relating to risk management policies and processes are set out in the Notes to the Financial Statements in the Annual Report.

As at 30 June 2010, the net proceeds from the subscription of an aggregate of 89,900,000 new ordinary shares in the capital of the Company and 40,000,000 non-listed and non-transferable warrants issued by the Company (which was completed on 11 January 2010) has been utilised as follows:

Use of proceeds	Estimated proportion	Amount utilised (\$'000)	Balance amount unutilised (\$'000)
Financing of projects	50% - 75%	3,996	594
Reduction of loans and bank borrowings	20% - 30%	2,700	–
General working capital	5% - 30%	1,800	–

# REPORTS OF THE DIRECTORS

We are pleased to submit this annual report to the members of Metax Engineering Corporation Limited (the “Company”), together with the audited statement of financial position of the Company as at 30 June 2010 and the consolidated financial statements of the Group for the financial year ended 30 June 2010.

## DIRECTORS

The Directors in office at the date of this report are as follows:-

Andrew Bek (Appointed on 20 May 2010)  
Basmadjian Krikor  
Chen Yeow Sin  
Ng Guat Hua  
Tan Tze Wen  
Zhuo Zefan (Appointed on 6 May 2010)

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings 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, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:-

Name of the directors and corporation in which interests are held	Held by the Director		Deemed interests	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>The Company</b>				
		<b>Ordinary shares with no par value</b>		
Tan Tze Wen *	–	3,380,000	49,860,857	49,860,857
Ng Guat Hua	5,313,000	5,383,000	–	–

\* 380,000 shares held by the director are registered in the name of a nominee company.

By virtue of Section 7 of the Act, Tan Tze Wen is deemed to have an interest in the Company and its subsidiaries.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2010.

Except as disclosed in the accompanying financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which he has a substantial financial interest.

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

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

## SHARE OPTIONS

There were no options granted during the financial year and since the commencement of the scheme to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under options at the end of the financial year.

# REPORTS OF THE DIRECTORS

## WARRANTS

As at the end of the financial year, the unissued ordinary shares in the Company under warrants were as follows:-

Date of issue	Number of warrants at date of issue	Number of warrants at 30 June 2010	Subscription price	Expiry date
11 January 2010	40,000,000	<u>40,000,000</u>	S\$0.005	10 January 2013

The Company issued 40,000,000 non-listed and non-transferable warrants at an issue price of S\$0.005 for a total consideration of S\$200,000, with each warrant entitling the subscriber to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S\$0.105 for each new share. Each subscriber may only exercise up to 33.3% of his warrants during the first year, up to 66.6% of his warrants during the second year, and the remaining warrants in the final year of the exercise period.

## AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:-

Chen Yeow Sin (Chairman), Independent Director  
Basmadjian Krikor, Independent Director  
Zhuo Zefan, Independent Director (Appointed on 6 May 2010)

The Audit Committee performs the functions specified in Section 201B of the Singapore Companies Act, the Listing Manual and the Code of Corporate Governance.

The Audit Committee has held two meetings since the last report of the directors. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:-

- (i) assistance provided by the Company's officers to the external auditors; and
- (ii) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, Mazars LLP, be nominated for re- appointment as auditors at the forthcoming Annual General Meeting of the Company.

# REPORTS OF THE DIRECTORS

## INDEPENDENT AUDITORS

Mazars LLP, Public Accountants and Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

.....  
**Tan Tze Wen**  
Director

.....  
**Ng Guat Hua**  
Director

Dated: 22 September 2010

# STATEMENT BY THE DIRECTORS

In our opinion:-

- (a) the accompanying financial statements 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 2010 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

.....  
**Tan Tze Wen**  
Director

.....  
**Ng Guat Hua**  
Director

Dated: 22 September 2010

# REPORT OF INDEPENDENT AUDITORS

To the Members of Metax Engineering Corporation Limited

We have audited the accompanying financial statements of METAX ENGINEERING CORPORATION LIMITED (the “Company”) and its subsidiaries (the “Group”), which comprise the statements of financial position of the Group and the Company as at 30 June 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 83.

## Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, 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 Group’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion,

- (a) the consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore 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 2010 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date; and
- (b) 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.

The auditor’s report dated 5 October 2009 on the financial statements of the Company and consolidated financial statements of the Group for the financial year ended 30 June 2009 of which we are the auditors were unqualified but contained an emphasis of matter relating to the going concern of the Company and of the Group.

.....  
**MAZARS LLP**  
**PUBLIC ACCOUNTANTS AND**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Singapore: 22 September 2010

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Note	Group	
		2010 S\$	2009 S\$
<b>Revenue</b>	3	47,270,720	28,512,095
Cost of sales		(38,112,392)	(26,649,647)
<b>Gross profit</b>		9,158,328	1,862,448
Other operating income	4	413,545	365,007
Selling and distribution expenses		(1,040,361)	(1,152,509)
Administrative expenses		(5,808,542)	(6,177,905)
Finance expenses	5	(274,542)	(238,055)
Share of profit of associates	11	251,650	564,680
<b>Profit/(loss) before income tax</b>	6	2,700,078	(4,776,334)
Income tax expense	8	(659,229)	(179,216)
<b>Profit/(loss) for the year</b>		2,040,849	(4,955,550)
<b>Other comprehensive income/(loss):</b>			
Foreign currency translation difference		485,379	(83,785)
<b>Other comprehensive income/(loss) for the year</b>		485,379	(83,785)
<b>Total comprehensive income/(loss) for the year</b>		2,526,228	(5,039,335)
<b>Profit/(loss) for the year attributable to:-</b>			
Equity holders of the Company		1,080,446	(5,053,760)
Non-controlling interests		960,403	98,210
<b>Profit/(loss) for the year</b>		2,040,849	(4,955,550)
<b>Total comprehensive income/(loss) for the year attributable to:-</b>			
Equity holders of the Company		1,297,680	(5,109,626)
Non-controlling interests		1,228,548	70,291
<b>Total comprehensive income/(loss) for the year</b>		2,526,228	(5,039,335)
<b>Earnings/(loss) per share for loss attributable to the equity holders of the Company during the year (cents)</b>			
- Basic	9	0.60	(4.93)
- Diluted	9	0.56	-

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2010

	Note	Group		Company	
		2010 S\$	2009 S\$	2010 S\$	2009 S\$
<b>Non-current assets</b>					
Property, plant and equipment	10	3,989,861	4,140,634	2,178,898	2,241,870
Investment in associates	11	1,024,587	932,937	640,000	800,000
Investment in subsidiaries	12	–	–	12,987,240	12,848,685
Goodwill on consolidation	13	11,272,964	11,272,964	–	–
		<u>16,287,412</u>	<u>16,346,535</u>	<u>15,806,138</u>	<u>15,890,555</u>
<b>Current assets</b>					
Contract work-in-progress	14	13,866,626	7,923,140	1,681,723	2,958,964
Trade and other receivables	15	7,771,831	8,822,943	7,102,480	3,043,036
Inventories	17	694,516	614,412	–	–
Cash and cash equivalents	18	5,239,487	6,885,960	123,386	86,648
		<u>27,572,460</u>	<u>24,246,455</u>	<u>8,907,589</u>	<u>6,088,648</u>
<b>Total assets</b>		<u>43,859,872</u>	<u>40,592,990</u>	<u>24,713,727</u>	<u>21,979,203</u>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	19	24,980,479	16,120,139	24,980,479	16,120,139
Warrants reserve	20	200,000	–	200,000	–
Foreign currency translation reserve	21	430,962	213,728	–	–
Accumulated losses		(5,411,532)	(6,491,978)	(9,406,475)	(8,050,589)
		<u>20,199,909</u>	<u>9,841,889</u>	<u>15,774,004</u>	<u>8,069,550</u>
Non-controlling interests		5,189,098	3,960,550	–	–
<b>Total equity</b>		<u>25,389,007</u>	<u>13,802,439</u>	<u>15,774,004</u>	<u>8,069,550</u>
<b>Non-current liabilities</b>					
Obligations under finance leases	22	69,686	97,957	–	–
Deferred income tax liabilities	23	49,589	82,629	–	–
Amount owing to a director	24	–	1,192,379	–	1,192,379
Amounts owing to financial institutions	25	2,536,363	3,801,479	2,536,363	3,801,479
		<u>2,655,638</u>	<u>5,174,444</u>	<u>2,536,363</u>	<u>4,993,858</u>
<b>Current liabilities</b>					
Excess of progress billings over work-in-progress	14	1,741,678	1,428,288	8,461	12,681
Trade and other payables	26	9,031,673	16,119,409	2,111,507	6,128,020
Amount owing to shareholders	27	368,070	1,084,995	–	–
Amounts owing to financial institutions	25	4,345,672	2,769,178	4,283,392	2,769,178
Obligations under finance leases	22	29,789	33,887	–	3,976
Current income tax liabilities		298,345	180,350	–	1,940
		<u>15,815,227</u>	<u>21,616,107</u>	<u>6,403,360</u>	<u>8,915,795</u>
<b>Total liabilities</b>		<u>18,470,865</u>	<u>26,790,551</u>	<u>8,939,723</u>	<u>13,909,653</u>
<b>Total equity and liabilities</b>		<u>43,859,872</u>	<u>40,592,990</u>	<u>24,713,727</u>	<u>21,979,203</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

Group	Note	Share Capital S\$	Warrants Reserve S\$	Foreign Currency Translation Reserve S\$	Accumulated Losses S\$	Total Attributable to Equity Holders of the Company S\$	Non-Controlling Interests S\$	Total Equity S\$
At 1 July 2009		16,120,139	–	213,728	(6,491,978)	9,841,889	3,960,550	13,802,439
Total comprehensive income for the year		–	–	217,234	1,080,446	1,297,680	1,228,548	2,526,228
Issuance of new shares (net of expenses)	19	8,860,340	–	–	–	8,860,340	–	8,860,340
Issuance of warrants	20	–	200,000	–	–	200,000	–	200,000
At 30 June 2010		24,980,479	200,000	430,962	(5,411,532)	20,199,909	5,189,098	25,389,007
At 1 July 2008		7,257,417	–	269,594	(1,438,218)	6,088,793	–	6,088,793
Total comprehensive loss for the year		–	–	(55,866)	(5,053,760)	(5,109,626)	70,291	(5,039,335)
Issuance of shares for the purchase of a subsidiary	19	5,744,000	–	–	–	5,744,000	–	5,744,000
Issuance of shares under rights issue (net of expenses)	19	2,665,797	–	–	–	2,665,797	–	2,665,797
Issuance of shares for purchase of an associate	19	452,925	–	–	–	452,925	–	452,925
Effect of acquisition of a subsidiary		–	–	–	–	–	4,566,841	4,566,841
Minority interest arising from the incorporation of a subsidiary that is not wholly-owned by the Company		–	–	–	–	–	93,018	93,018
Dividends paid by a subsidiary to minority shareholders	26	–	–	–	–	–	(769,600)	(769,600)
At 30 June 2009		16,120,139	–	213,728	(6,491,978)	9,841,889	3,960,550	13,802,439

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

Company	Note	Share Capital S\$	Warrants Reserve S\$	Accumulated Losses S\$	Total S\$
At 1 July 2009		16,120,139	–	(8,050,589)	8,069,550
Total comprehensive loss for the year		–	–	(1,355,886)	(1,355,886)
Issuance of new shares (net of expenses)	19	8,860,340	–	–	8,860,340
Issuance of warrants	20	–	200,000	–	200,000
At 30 June 2010		<u>24,980,479</u>	<u>200,000</u>	<u>(9,406,475)</u>	<u>15,774,004</u>
At 1 July 2008		7,257,417	–	(2,148,612)	5,108,805
Total comprehensive loss for the year		–	–	(5,901,977)	(5,901,977)
Issuance of shares for the purchase of a subsidiary	19	5,744,000	–	–	5,744,000
Issuance of shares under rights issue (net of expenses)	19	2,665,797	–	–	2,665,797
Issuance of shares for purchase of an associate	19	452,925	–	–	452,925
At 30 June 2009		<u>16,120,139</u>	<u>–</u>	<u>(8,050,589)</u>	<u>8,069,550</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Note	2010 S\$	Group 2009 S\$
<b>Operating activities</b>			
Profit/(loss) before income tax		2,700,078	(4,776,334)
Adjustments for:-			
Allowance (written back)/made for doubtful trade receivables	32	(16,678)	104,373
Allowance made for doubtful work-in-progress	14	–	1,755,755
Bad debts written off		–	1,168,178
Depreciation of property, plant and equipment	10	237,572	218,727
Exchange realignment		397,580	71,013
Gain on disposal of property, plant and equipment		(9,195)	(239,417)
Gain on disposal of a subsidiary (Note A)		(51,968)	–
Property, plant and equipment written off		1,072	–
Interest income	4	(1,460)	(229)
Interest expense	5	274,542	238,055
Share of profit of associates	11	(251,650)	(564,680)
Operating profit/(loss) before working capital changes		3,279,893	(2,024,559)
Changes in working capital:-			
Contract work-in-progress/Excess of progress billings over work-in-progress		(5,630,097)	(2,611,415)
Inventories		(80,103)	–
Trade and other receivables		1,136,146	453,017
Trade and other payables		(7,087,736)	575,118
Amount owing to a director		–	(285,083)
Cash used in operations		(8,381,897)	(3,892,922)
Income taxes paid		(574,273)	(756,151)
<b>Cash used in operating activities</b>		<b>(8,956,170)</b>	<b>(4,649,073)</b>
<b>Investing activities</b>			
Interest received		1,460	229
Purchase of property, plant and equipment	10	(46,114)	(281,514)
Acquisition of an associate (Note B)	11	–	(347,075)
Proceeds from disposal of property, plant and equipment		18,648	462,267
Proceeds from disposal of a subsidiary (Note A)		54,940	–
Net cash acquired on acquisition of a subsidiary (Note C)		–	4,730,369
<b>Cash generated from investing activities</b>		<b>28,934</b>	<b>4,564,276</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the year ended 30 June 2010

	Note	2010 S\$	Group 2009 S\$
<b>Financing activities</b>			
Amount owing to shareholders		(716,925)	731,395
Amount owing to directors		(1,192,379)	1,119,695
Issuance of shares under rights issue		–	2,665,797
Issuance of new shares (Note D)	19	8,860,340	–
Issuance of warrants (Note E)	20	200,000	–
Interest paid		(274,542)	(238,055)
Dividends paid by subsidiary to minority shareholders		–	(416,000)
Payment of finance lease liabilities		(32,370)	(18,367)
Proceeds from financial institutions		4,858,035	3,865,282
Repayment of amounts owing to financial institutions		(3,851,976)	(1,335,219)
Deposit pledged		(662,395)	(994,133)
<b>Cash generated from financing activities</b>		<b>7,187,788</b>	<b>5,380,395</b>
Net (decrease)/increase in cash and cash equivalents		(1,739,448)	5,295,598
Effect of currency translation changes on cash and cash equivalents		125,261	(47,860)
Cash and cash equivalents at beginning of year		4,873,204	(374,534)
<b>Cash and cash equivalents at end of year</b>	18	<b>3,259,017</b>	<b>4,873,204</b>

**(A) Disposal of a subsidiary**

	2010 S\$
Cash and bank balances	60
Trade and other receivables	10,730
Trade and other payables	(5,278)
Identifiable net assets	5,512
Less: Non-controlling interests	(2,480)
Identifiable net assets disposed off	3,032
Gain on disposal of a subsidiary	51,968
Cash proceeds from disposal	55,000
Less: Cash and bank balances disposed off	(60)
Net cash flow on disposal of a subsidiary	54,940

During the financial year, the Company invested 55% in Metax Resources Pte Ltd, a newly incorporated company and a subsidiary of the Group, pursuant to its plans to diversify into new resources-related businesses in the procurement of sea sand and the supply thereof to the Company, as well as other resources-related businesses. After deliberating on the Group's development objectives, the conclusion reached was that it is not in the commercial interest of the Group to retain an interest in Metax Resources Pte Ltd and therefore the Company decided to dispose of its investment in Metax Resources Pte Ltd during the financial year. As the subsidiary is insignificant to the Group, the disclosures and measurement requirements of FRS 105 Non-Current Assets Held for Sale and Discontinued Operations were not considered necessary.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the year ended 30 June 2010

**(B) Acquisition of an associate**

During the financial year ended 30 June 2009, the Group acquired an investment in an associate for S\$800,000 out of which S\$452,925 was satisfied by allotment of shares and the remaining balance of S\$347,075 was satisfied in cash.

**(C) Net cash acquired on acquisition of a subsidiary**

During the financial year ended 30 June 2009, the Group acquired a subsidiary, and the fair value of assets acquired and liabilities at acquisition date is set out below:-

	2009 S\$
<b><u>Fair value of assets and liabilities</u></b>	
Cash and cash equivalents	4,730,369
Trade and other receivables	9,815,161
Property, plant and equipment	1,772,316
Contract work-in-progress	839,122
Inventory	329,329
Excess of progress billings over contract work-in-progress	(2,598,331)
Trade and other payables	(3,961,976)
Current income tax liabilities	(702,731)
Hire purchase creditors	(140,902)
Amount due to directors	(357)
Deferred income tax liabilities	(71,095)
Net assets acquired	<u>10,010,905</u>
Less: Share in profit of associate prior to becoming a subsidiary	(1,485,028)
Minority interests	(4,566,841)
Goodwill on acquisition	<u>11,272,964</u>
Purchase consideration	15,232,000
Less:	
Cash paid prior to 30 June 2008	(2,870,000)
Cash payment during the year	(5,098,000)
Issuance of shares	(5,744,000)
Remaining cash payable reflected in other payables	(1,520,000)
Cash and cash equivalents acquired	<u>(4,730,369)</u>
Net cash inflow on acquisition of a subsidiary	<u>(4,730,369)</u>

**(D) Issuance of new share**

During the year ended 30 June 2010, the net cash proceeds from the issue of 89,900,000 new ordinary shares at S\$0.10 per share amounted to S\$8,860,340 (net of issuance cost of S\$129,660).

**(E) Issuance of warrants**

During the year ended 30 June 2010, the net cash proceeds from the issue of 40,000,000 non-transferable and non-listed warrants at S\$0.005 each amounted to S\$200,000.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

These notes form an integral part of the financial statements. The financial statements were approved and authorised for issue by the board of directors on 22 September 2010.

## 1. DOMICILE AND ACTIVITIES

Metax Engineering Corporation Limited (the “Company”) is incorporated in the Republic of Singapore and has its registered office and principal place of business at 28 Third Lok Yang Road, Singapore 628016.

The principal activities of the Company are construction and project management and an investment holding. The principal activities of the subsidiaries are listed in Note 12 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the “Group”) and the Group’s interests in associates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group.

#### (a) *Statement of compliance and basis of measurement*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) and Singapore Companies Act, Chapter 50.

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

During the year, the Group and the Company adopted the new or revised FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application from that date. Changes to the Group’s and the Company’s accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The significant changes in FRS that have been implemented and effective for the Group’s financial year ended 30 June 2010 are discussed below.

FRS 1 (Revised)	Presentation of Financial Statements
FRS 27 (Revised)	Consolidated and Separate Financial Statements
FRS 103 (Revised)	Business Combinations
FRS 107 (Amendments)	Financial Instruments: Disclosures
FRS 108	Operating Segments

**FRS 1 (revised 2008) Presentation of Financial Statements** which became effective as of 1 January 2009 requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. statement of comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard. The Group and the Company has adopted the single statement of comprehensive income for its presentation. There is no impact on earnings per share as the change in accounting policy only impacts presentation aspects.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of preparation (Cont'd)

#### (a) *Statement of compliance and basis of measurement (Cont'd)*

**FRS 27 (revised 2008) Consolidated and Separate Financial Statements** which became effective as of 1 July 2009 requires an entity to account for acquisitions and disposals that do not result in a change of control as equity transactions. Transactions resulting in a loss of control would cause a gain or loss to be recognised in profit or loss notwithstanding a residual interest remains in the acquiree after the disposal. Losses applicable to non-controlling interests, including negative other comprehensive income are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a negative balance. There is no significant impact to the Group on the application of this revised FRS.

**FRS 103 (revised 2008) Business Combinations** which became effective as of 1 July 2009 requires the acquirer to expense all acquisition related costs in a business combination in the period as incurred, with contingent consideration acquired to be measured at fair value at acquisition date and subsequently re-measure through profit or loss. The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. When an acquisition is achieved in successive share purchases (step acquisition), the identifiable assets and liabilities of the acquiree are recognised at fair value when control is obtained; and a gain or loss is recognised in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. Any amount relating to previously held equity interests in the acquiree that was recognised directly in other comprehensive income is reclassified and included in the calculation of gain or loss recognised in profit or loss. Acquisitions of additional non-controlling equity interests after the business combinations are accounted for as equity transactions. Disposals of equity interests while retaining control are accounted for as equity transactions. Transactions resulting in a loss of control results to a gain or loss being recognised in profit or loss. The gain or loss includes a remeasurement to fair value of any retained equity interest in the investee. There is no significant impact to the Group on the application of this revised FRS.

**FRS 107 (amendment) Improving Disclosures about Financial Instruments** which became effective as of 1 January 2009 requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. There is no impact on the accounting policies and measurement on the financial statements as the adoption of the amendment results only in additional disclosures.

**FRS 108 Operating Segments** which became effective as of 1 January 2009 requires segment reporting to be made on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. Previously FRS 14 defined segment revenue, segment expense, segment result, segment assets and segment liabilities. The new FRS does not define these terms, but requires an explanation of how segment profit or loss, segment assets and segment liabilities are measured for each reportable segment. Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. There is no impact on earnings per share as the change in accounting policy only impacts presentation and disclosure aspects.

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

The individual financial statements of each company within the Group are presented in the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements of the Group are presented in Singapore dollars (SGD or S\$), which is the functional currency the Company.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Significant accounting estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

Apart from information disclosed elsewhere in these financial statements, the following summarises estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and significant judgements made in the process of applying the Group's accounting policies:-

#### ***Key sources of estimation uncertainty***

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

#### *Impairment on goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to Note 13.

#### *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 10 years, except for leasehold properties which are depreciated over the remaining term of the lease. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. Refer to Note 10.

#### *Impairment of investments and financial assets*

The Group follows the guidance of FRS 39 – Financial Instruments: Recognition and Measurement (“FRS 39”) and FRS 36 – Impairment of Assets (“FRS 36”) in determining when an asset is impaired in respect of its property, plant and equipment, investment in subsidiary companies and associated companies and other non-current and current assets. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. Refer to Notes 11, 12, 13, 14 and 15.

#### *Impairment of trade and other receivables*

The Group makes allowance for impairment based on an assessment of the recoverability of trade and other receivables. Allowance is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of the customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. Refer to Note 15.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Significant accounting estimates and judgements (Cont'd)

#### *Key sources of estimation uncertainty (Cont'd)*

##### *Contracts work-in-progress*

Management uses judgement to estimate the extent of progress towards completion to determine the amount of contracts work-in-progress to be capitalised, advances to contracts/suppliers and the accruals of contracts costs. While the estimates are based on the billings made by the contractors/suppliers, confirmations from in-house engineers, the costs incurred to-date and the expected costs to completion, there is no independent assessment by external parties on the stage of completion to consider in preparing such estimation. The amount of contracts work-in-progress to be capitalised, advances to contractors/suppliers and the accruals of contracts costs to-date and the amounts which the Group will ultimately realise could differ from the estimates. Refer to Note 14.

##### *Revenue recognition*

Note 2.5(i) to the financial statements states that revenue from contract works is recognised based on the percentage of completion method, measured by reference to the value of contracts work carried out during the year and the expected costs to completion.

In determining the percentage of completion, management uses estimates based on actual contracts costs incurred to-date and the expected costs to completion and confirmations from in-house engineers but there is no independent assessment by external parties on the stage of completion to consider in preparing such estimation. The amount of revenue recognised to-date and the amounts which the Group will ultimately realise could differ from estimates.

##### *Income taxes*

The Group has exposure to income taxes in a few jurisdictions. Significant judgement is involved in determining the Group-wide current income tax liabilities. There are certain transactions and computations for which ultimate tax determination is uncertain during the course of ordinary business. The Group recognises liabilities for expected tax issues based on estimate of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax liabilities in the period in which such determination is made. Refer to Note 8 and statements of financial position.

### 2.3 Basis of consolidation

#### *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half 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 fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Basis of consolidation (Cont'd)

#### *Subsidiaries (Cont'd)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *Transactions and non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative 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 receivables, the Group does not recognise further losses, unless it has incurred obligations or 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. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

### 2.4 Foreign currencies

#### (a) *Foreign currency transactions*

Transactions in foreign currencies are translated in the respective functional currencies of Group companies at the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for foreign currency differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated financial statements and recognised in profit or loss on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Foreign currencies (Cont'd)

#### (b) Foreign operations

The results and financial position of foreign operations are translated into Singapore dollars using the following procedures:-

- Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at the reporting date; and
- Income and expenses of foreign operations are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserves.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign subsidiary company is recognised in profit or loss as a component of the gain or loss on disposal.

### 2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:-

#### (i) Contract revenue

Revenue from contract works is recognised on the percentage of completion method measured by reference to the percentage of contract costs incurred to-date to the estimated total contract costs for the contract and any losses are provided for in the year in which they become known. Claims for additional contract compensation are not recognised until resolved.

#### (ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

#### (iii) Interest income

Interest income is recognised as interest accrues using the effective interest method.

#### (iv) Rental income

Rental income is accounted for on a straight line basis over the lease terms.

#### (v) Commission income/Project management services

Commission income/Project management services are recognised on an accrual basis when services are rendered.

### 2.6 Finance expenses

Finance expenses comprise interest expense on borrowings that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Income taxes

Income tax on the results for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is, however, not recognised on temporary differences arising from the initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that the Group can control the timing of the reversal of temporary differences and it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is virtually certain that future taxable profit will be available against which the temporary differences can be utilised.

### 2.8 Leases

#### *Finance lease*

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

#### *Operating lease*

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### 2.9 Employee benefits

#### *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Subsidiaries in Malaysia make contributions to the Employee Provident Fund. Subsidiary in India make contributions to the Provident and Pension Funds. Contributions 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 reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 Earnings per share ("EPS")

#### *Basic EPS*

Basic EPS of the Group is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Earnings for the period, the numerator (profit or loss from continuing operations and net profit or loss) used for the calculation should be after deducting all expenses including taxes and minority interests.

Total shares as at year-end, the denominator is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

#### *Diluted EPS*

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares. The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS.

### 2.11 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost of property, plant and equipment by the straight-line method over their estimated useful lives as follows:-

Leasehold properties	remaining term of the lease
Machinery	5 - 10 years
Renovation	5 years
Motor vehicles	4 - 5 years
Office equipment	3 - 10 years
Computers	3 years
Furniture and fittings	2 - 10 years
Laboratory equipment	6 - 7 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life and depreciation method are reviewed at each financial year end to ensure that the 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.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

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 de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Assets held under finance leases are depreciated over their estimated useful life on the same basis as owned assets.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 Goodwill

Goodwill in a business combination represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal in profit or loss.

### 2.13 Contract work-in-progress/Excess of progress billings over work-in-progress

Contract work-in-progress/Excess of progress billings over work-in-progress comprises uncompleted contracts. Contract work-in-progress is valued at cost plus a proportion of estimated profits earned to date, less progress billings. Excess of progress billings over work-in-progress represents progress billings in excess of total cost incurred and estimated profits recognised.

Cost comprises direct labour, materials, sub-contract costs, overheads and other directly related expenses. Progress billings include all progress payments received and receivable. Progress billings not yet paid by the customer are included in statement of financial position under "trade receivables". The proportion of profits earned to-date is arrived at having regards to the nature and stage of completion of each contract. The stage of completion is determined by reference to cost incurred to-date over total estimated cost to completion of each contract.

Provisions are made to cover any contingency and remedial work that may be necessary. Full provision is made for anticipated losses to completion where applicable, in the year in which such losses can be reliably estimated.

### 2.14 Financial instruments

#### *Non-derivative financial assets*

The Group's non-derivative financial assets composed of trade and other receivables and cash and cash equivalents.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Financial instruments (Cont'd)

#### *Non-derivative financial assets (Cont'd)*

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables. Refer to Note 15 to the financial statements.

##### *Cash and cash equivalents*

Cash and cash equivalents include cash on hands and deposits with financial institutions. Cash and cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude deposits pledged with the financial institutions as collateral and are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

#### *Non-derivative financial liabilities*

The Group's non-derivative financial liabilities composed of trade and other payables, amount owing to financial institutions, amount owing to shareholders and obligations under finance leases.

All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instruments or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Impairment

#### *Impairment of financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Any impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and for financial assets measured at amortised cost, the reversal is recognised in profit or loss.

#### *Impairment of non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### *Calculation of recoverable amount*

The recoverable amount of other assets is the greater of their net selling price 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 2.16 Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 Intra-group financial guarantees (Cont'd)

Financial guarantees are recognised initially at fair value plus transaction costs, and classified as financial liabilities. Subsequent to initial measurement, the financial guarantee are stated at higher of the initial fair value less cumulative amortisation and the amount that would be recognised if there were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

### 2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, warrants and share options are recognised as a deduction from equity, net of any tax effects.

### 2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance expenses. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

### 2.19 Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Management makes decision about resources to be allocated to the segment and assess its performance. Segment managers report directly to the management of the Group.

### 2.20 Related parties

A party is related to the Group if:-

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.20 Related parties (Cont'd)

#### *Key management personnel*

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

### 2.21 Future changes in FRS

The Group has not adopted the followings FRSs and INT FRSs that have been issued but not yet effective as follows:-

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for the period beginning on or after</u>
FRS 24	Related Party Disclosures	1.1.2011
INT FRS 114	Prepayment of a Minimum Funding Requirement	1.1.2011
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1.7.2010

#### General amendments Improvements to FRSs

FRS 1	Presentation of Financial Statements	1.1.2010
FRS 7	Statement of Cash Flows	1.1.2010
FRS 17	Leases	1.1.2010
FRS 36	Impairment of Assets	1.1.2010
FRS 39	Financial Instruments: Recognition and Measurement	1.1.2010
FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1.1.2010
FRS 108	Operating Segments	1.1.2010
FRS 32	Classification of Right Issues	1.2.2010

The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group and the Company.

## 3. REVENUE

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>S\$</b>	<b>S\$</b>
Revenue from contract works	44,406,050	26,603,017
Revenue from sales of components spare parts	2,800,602	1,712,886
Revenue from commission income	64,068	196,192
	47,270,720	28,512,095

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 4. OTHER OPERATING INCOME

	Group	
	2010	2009
	S\$	S\$
Allowance written back for doubtful trade receivables	16,678	–
Foreign exchange gain	155,242	7,124
Gain on disposal of property, plant and equipment	9,195	239,417
Gain on disposal of a subsidiary	51,968	–
Interest on fixed deposits	1,460	229
Job credits	40,968	–
Other income	104,735	53,525
Rental income	33,299	64,712
	413,545	365,007

## 5. FINANCE EXPENSES

	Group	
	2010	2009
	S\$	S\$
Interest paid and payable to:		
- Financial institutions in respect of bank overdrafts and loans	268,909	234,284
- Hire purchase creditors	5,633	3,771
	274,542	238,055

## 6. PROFIT/(LOSS) BEFORE INCOME TAX

The following items have been charged/(credited) in arriving at profit/(loss) before income tax:-

		Group	
	Note	2010	2009
		S\$	S\$
Allowance (written back)/made for doubtful trade receivables	32	(16,678)	104,373
Allowance made for doubtful work-in-progress	14	–	1,755,755
Bad debts written off		–	1,168,178
Cost of inventories recognised in cost of sales	17	28,608,890	13,087,093
Depreciation of property, plant and equipment	10	237,572	218,727
Directors' fees	7	76,403	82,000
Directors' remuneration	7	1,253,396	755,405
Foreign exchange loss		116,908	125,132
Non-audit fees paid to auditors of the Company		4,066	2,461
Operating lease expense		36,121	36,448
Property, plant and equipment written off		1,072	–
Staff costs (excluding directors' remuneration)	7	2,761,230	2,032,905

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 7. STAFF COSTS

	Group	
	2010 S\$	2009 S\$
Salaries and bonuses	2,417,417	1,824,347
Employer's contribution to Central Provident Fund	258,913	147,257
Other related staff costs	84,900	61,301
	2,761,230	2,032,905
<b>Directors' fees</b>	76,403	82,000
<b>Directors' remuneration</b>		
Salaries and bonuses:		
- directors' of the Company	519,021	576,325
- directors' of the subsidiary	704,836	161,678
Employer's contribution to Central Provident Fund	29,539	17,402
	1,253,396	755,405
<b>Key management personnel compensation</b>		
Short-term employee benefits	1,260,769	1,216,586

Key management personnel compensation comprises the directors of the Company and its subsidiaries, operations and project managers, and finance manager of the Company.

## 8. INCOME TAX EXPENSE

	Group	
	2010 S\$	2009 S\$
Based on the results of the year:-		
<b>Current income tax expense</b>		
Current year	707,559	130,366
(Over)/Under provision in prior years	(11,806)	35,831
	695,753	166,197
<b>Deferred income tax expense</b>		
Movements in temporary differences during the year (Note 23)	(36,524)	13,019
Tax expense	659,229	179,216

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 8. INCOME TAX EXPENSE (CONT'D)

The tax expense on the results for the financial year differs from the amount of income tax determined by applying the Singapore standard rate of income tax to profit/(loss) before income tax due to the following factors:-

	Group	
	2010 S\$	2009 S\$
Profit/(Loss) before income tax	2,700,078	(4,776,334)
Tax at applicable tax rate of 17%	459,013	(811,976)
Tax effect of:		
- Non-deductible expenses	108,684	454,962
- Group tax relief	(192,078)	(128,161)
- Different tax rates in other countries	168,484	28,882
- Tax exemptions	(34,352)	(12,198)
- Deferred income tax assets not recognised	210,302	698,691
- Share of profit of associates	(42,781)	(95,996)
- (Over)/Under provision in prior years	(11,806)	35,831
- Others	(6,237)	9,181
Tax expense	659,229	179,216

A loss- transfer system of group relief (group tax relief system) for companies was introduced in Singapore with effect from Year of Assessment 2003. Under the group tax relief system, subject to compliance with certain provisions of the Singapore Income Tax Act, a company belonging to a group may transfer its current year unabsorbed capital allowances and current year unabsorbed trade losses to another company belonging to the same group, to be deducted against the assessable income of the latter company.

The following deferred income tax assets are not recognised in the statements of financial position as it is presently uncertain the extent timing and quantum of future taxable profit that will be available against which the Group and the Company can utilise the benefits as follows:-

### Unrecognised deferred income tax assets

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Tax losses	1,182,418	1,218,952	1,165,715	1,165,715

Tax losses do not expire under current legislation and are available for set-off against future taxable profits subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective country of incorporation.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 9. EARNINGS/(LOSS) PER SHARE

	Group	
	2010 S\$	2009 S\$
Basic earnings/(loss) per share is based on:-		
Profit/(loss) attributable to equity holders of the Parent	1,080,446	(5,053,760)
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of shares outstanding during the year	178,820,905	102,541,007
Diluted earnings per share is based on:-		
Profit/(loss) attributable to equity holders of the Parent	1,080,446	(5,053,760)
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of shares outstanding during the year	192,733,948	102,541,007

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties S\$	Machinery S\$	Renovation S\$	Motor vehicles S\$	Office equipment S\$	Computers S\$	Furniture & fittings S\$	Laboratory equipment S\$	Total S\$
<b>2010</b>									
<b>Cost</b>									
As at 1 July 2009	4,570,881	233,699	253,691	577,228	334,807	36,903	182,542	10,743	6,200,494
Additions	-	-	8,000	1,904	12,045	19,072	5,093	-	46,114
Disposals	-	-	-	(25,900)	(876)	-	-	-	(26,776)
Written off	-	-	-	-	(1,072)	-	-	-	(1,072)
Currency realignment	67,164	14,211	-	22,861	13,402	-	5,985	485	124,108
As at 30 June 2010	4,638,045	247,910	261,691	576,093	358,306	55,975	193,620	11,228	6,342,868
<b>Accumulated Depreciation</b>									
As at 1 July 2009	977,268	90,496	253,689	311,294	244,999	33,758	137,613	10,743	2,059,860
Charge for the year	111,388	3,653	1,600	74,808	26,234	8,368	11,521	-	237,572
Disposals	-	-	-	(8,895)	(1,003)	(307)	(360)	-	(10,565)
Currency realignment	5,303	40,714	-	5,201	9,951	-	4,486	485	66,140
As at 30 June 2010	1,093,959	134,863	255,289	382,408	280,181	41,819	153,260	11,228	2,353,007
<b>Carrying Amount</b>									
As at 30 June 2010	3,544,086	113,047	6,402	193,685	78,125	14,156	40,360	-	3,989,861

(i) As at 30 June 2010, the Group had property, plant and equipment under finance leases with carrying amount of S\$99,475 (2009: S\$131,122).

(ii) Leasehold properties with carrying amount of S\$3,544,086 (2009: S\$3,593,613) were pledged to a financial institution to secure banking facilities of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Leasehold properties S\$	Machinery S\$	Renovation S\$	Motor vehicles S\$	Office equipment S\$	Computers S\$	Furniture & fittings S\$	Laboratory equipment S\$	Total S\$
<b>2009</b>									
<b>Cost</b>									
As at 1 July 2008	3,009,327	66,251	253,691	112,200	33,947	32,232	52,787	-	3,560,435
Additions	-	136,026	-	126,203	13,174	4,671	1,440	-	281,514
Assets acquired in business combination	1,502,169	28,288	-	372,484	295,658	-	130,662	10,858	2,340,119
Adjustments	75,272	-	-	-	-	-	-	-	75,272
Disposals	-	-	-	(28,812)	(4,696)	-	(940)	-	(34,448)
Currency realignment	(15,887)	3,134	-	(4,847)	(3,276)	-	(1,407)	(115)	(22,398)
As at 30 June 2009	4,570,881	233,699	253,691	577,228	334,807	36,903	182,542	10,743	6,200,494
<b>Accumulated Depreciation</b>									
As at 1 July 2008	794,810	44,328	249,165	80,357	21,718	28,711	45,161	-	1,264,250
Charge for the year	87,005	17,822	4,524	67,587	25,883	5,047	10,859	-	218,727
Assets acquired in business combination	70,754	28,288	-	169,537	204,793	-	83,575	10,856	567,803
Adjustments	27,751	-	-	-	-	-	-	-	27,751
Disposals	(2,134)	-	-	(3,397)	(4,696)	-	(940)	-	(11,167)
Currency realignment	(918)	58	-	(2,790)	(2,699)	-	(1,042)	(113)	(7,504)
As at 30 June 2009	977,268	90,496	253,689	311,294	244,999	33,758	137,613	10,743	2,059,860
<b>Carrying Amount</b>									
As at 30 June 2009	3,593,613	143,203	2	265,934	89,808	3,145	44,929	-	4,140,634

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold property S\$	Machinery S\$	Renovation S\$	Motor vehicles S\$	Office equipment S\$	Computers S\$	Furniture & fittings S\$	Total S\$
<b>2010</b>								
<b>Cost</b>								
As at 1 July 2009	3,084,600	66,251	253,691	87,100	28,099	36,903	51,785	3,608,429
Additions	–	–	8,000	–	1,730	8,063	4,493	22,286
As at 30 June 2010	3,084,600	66,251	261,691	87,100	29,829	44,966	56,278	3,630,715
<b>Accumulated Depreciation</b>								
As at 1 July 2009	891,110	47,981	253,689	76,757	17,834	33,758	45,430	1,366,559
Charge for the year	68,547	3,653	1,600	3,447	2,048	4,245	1,718	85,258
As at 30 June 2010	959,657	51,634	255,289	80,204	19,882	38,003	47,148	1,451,817
<b>Carrying Amount</b>								
As at 30 June 2010	2,124,943	14,617	6,402	6,896	9,947	6,963	9,130	2,178,898

(i) As at 30 June 2010, the Company has property, plant and equipment under finance leases with carrying amount S\$Nil (2009: S\$3,975).

(ii) A leasehold land property with carrying amount of S\$2,124,943 (2009: S\$2,193,490) was pledged to a financial institution to secure banking facilities.

Company	Leasehold property S\$	Machinery S\$	Renovation S\$	Motor vehicles S\$	Office equipment S\$	Computers S\$	Furniture & fittings S\$	Total S\$
<b>2009</b>								
<b>Cost</b>								
As at 1 July 2008	3,084,600	66,251	253,691	87,100	28,099	32,232	51,785	3,603,758
Additions	–	–	–	–	–	4,671	–	4,671
As at 30 June 2009	3,084,600	66,251	253,691	87,100	28,099	36,903	51,785	3,608,429
<b>Accumulated Depreciation</b>								
As at 1 July 2008	822,563	44,328	249,165	66,942	15,959	28,711	44,161	1,271,829
Charge for the year	68,547	3,653	4,524	9,815	1,875	5,047	1,269	94,730
As at 30 June 2009	891,110	47,981	253,689	76,757	17,834	33,758	45,430	1,366,559
<b>Carrying Amount</b>								
As at 30 June 2009	2,193,490	18,270	2	10,343	10,265	3,145	6,355	2,241,870

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 11. INVESTMENT IN ASSOCIATES

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Unquoted shares, at cost	939,176	806,239	800,000	800,000
Add: Share of profit of associate	251,650	132,937	–	–
Less: Dividend income	(160,000)	–	(160,000)	–
	1,030,826	939,176	640,000	800,000
Less: Impairment loss	(6,239)	(6,239)	–	–
	1,024,587	932,937	640,000	800,000

Movements in allowance of impairment loss on investment in associates are as follows:-

	Group	
	2010 S\$	2009 S\$
Balance at beginning of year	6,239	–
Impairment made during the year	–	6,239
Balance at end of year	6,239	6,239

The Group has carried out an impairment testing on the investment in an associate and has recognised an impairment loss of S\$Nil (2009: S\$6,239) through acquisition of a subsidiary as a result of the losses incurred by the associate.

The Group has not recognised losses relating to a certain associate whereby the Group's share of losses exceeds the carrying amount of its investment as the Group has no obligation in respect of these losses in accordance with its accounting policy on associate.

	Note	Group		Company	
		2010 S\$	2009 S\$	2010 S\$	2009 S\$
Amount owing by an associate	15	160,000	–	160,000	–
Amount owing to an associate	26	33,984	135,656	33,984	135,656

The amount owing by an associate relates to dividend receivable from the associate which is denominated in Singapore dollars.

The amount owing to an associate is trade in nature, generally settled within 30 days term and is denominated in Singapore dollars.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 11. INVESTMENT IN ASSOCIATES (CONT'D)

Details of associates as at 30 June 2010 are as follows:-

Name of Company	Principal Activities	Country of Incorporation	Effective Equity Held by the Group	
			2010 %	2009 %
Tricaftan Environmental Technology Pte. Ltd. <sup>(1)</sup>	Construction and project management	Singapore	40	40
Chemtech Oiltek Sdn. Bhd. * <sup>(2)</sup>	Supply, design and commissioning of extraction equipment and plant and acting as commission agent	Malaysia	21.72	21.72

(1) Audited by KC Yin & Co, Singapore and reviewed by Mazars LLP for consolidation purpose.

(2) Audited by Mazars Malaysia, an affiliate of Mazars LLP, Singapore.

On 3 November 2008, the Company acquired Tricaftan Environmental Technology Pte. Ltd. for a consideration of S\$800,000 of which S\$452,925 has been settled by allotment of shares (refer to Note 19) and the remaining amount of S\$347,075 by cash.

\* This is an associate acquired through the acquisition of WS Bioengineering Pte. Ltd. on 23 December 2008.

The summarised information of the associates is as follows:-

	Group	
	2010 S\$	2009 S\$
<b>Assets and liabilities:</b>		
Total assets	5,096,820	7,008,605
Total liabilities	2,719,844	5,437,120
<b>Results:</b>		
Revenue	9,389,253	9,343,025
Profit after income tax	629,124	416,234

In respect of FY2010, Tricaftan Environmental Technology Pte. Ltd. which is audited by KC Yin & Co., Singapore is considered significant to the Group pursuant to Rule 718 of the Listing Manual, Section B: Rules of Catalist (the "Catalist Rules"). For the purposes of Rule 716(1) of the Catalist Rules, the Directors and the Audit Committee of the Company are satisfied that the appointment of the aforesaid auditor would not compromise the standard and efficiency of the audit of the Company, having regard to the size and experience of the audit firm.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 12. INVESTMENT IN SUBSIDIARIES

	Note	Company	
		2010 S\$	2009 S\$
Unquoted shares, at cost		13,822,533	13,683,978
Less: Impairment loss			
Balance at 1 July		835,293	835,293
Addition		–	–
Balance at 30 June		835,293	835,293
		<u>12,987,240</u>	<u>12,848,685</u>

The impairment loss on the investment in a subsidiary was due to the deteriorating financial condition of the subsidiary, which had shown a decline in its net asset value by the impairment amount.

	Note	Company	
		2010 S\$	2009 S\$
<b>Amount owing by subsidiaries</b>			
Trade		261,070	–
Non-trade		5,810,469	1,397,560
		<u>6,071,539</u>	<u>1,397,560</u>
Less: Allowance for doubtful receivables			
Balance at 1 July		–	71,753
Written back		–	(71,753)
Balance at 30 June		–	–
	15	<u>6,071,539</u>	<u>1,397,560</u>

The amount owing by the subsidiaries is unsecured, interest-free, repayable on demand and is denominated in Singapore dollars.

	Note	Company	
		2010 S\$	2009 S\$
<b>Amount owing to subsidiaries</b>			
Non-trade	26	<u>217,007</u>	<u>451,154</u>

The amount owing to subsidiaries is unsecured, interest-free, repayable on demand and is denominated in Singapore dollars.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries as at 30 June 2010 are as follows:-

Name of company	Principal activities	Country of incorporation	Effective equity held by the Group		Cost of investment	
			2010 %	2009 %	2010 S\$	2009 S\$
P.T. Metax Persada <sup>(4)</sup>	Construction and project management	Indonesia	100#	100#	1,122,291	1,122,291
Metax Engineering (India) Private Limited <sup>(3)</sup>	Construction and project management	India	100	100	141,555	3,000
Metax Biorefinery Pte Ltd <sup>(1)</sup>	Research and experimental development on natural sciences (dormant)	Singapore	100	100	1,000	1,000
Metax Eco Solutions Pte Ltd <sup>(1)</sup>	Environmental engineering services	Singapore	100	100	100,000	100,000
P.T. Bali Environmental Persada <sup>(5)</sup>	Import and trading of water treatment equipment, mechanical and engineering equipment, spare parts and management consultancy	Indonesia	60##	60##	156,087	156,087
WS Bioengineering Pte. Ltd. ("WSBIO") <sup>(1)</sup>	Construction and project management	Singapore	79.2	79.2	12,301,600	12,301,600
<b>Held by WSBIO</b>						
WSB Pte Ltd <sup>(1)</sup> (F.K.A. HWH Global Pte. Ltd.)	Investment holding	Singapore	79.2	79.2	*	*
Bioearth Pte. Ltd. <sup>(1)</sup>	Investment holding	Singapore	79.2	79.2	*	*
WS Bioengineering Sdn Bhd <sup>(2)</sup>	Managing and equipment procurement services	Malaysia	79.2	79.2	*	*
Oiltek Sdn Bhd <sup>(2)**</sup>	Supply, design and commissioning of extraction equipment and plant and commission agent	Malaysia	43.46	43.46	*	*
WS Bioengineering China Pte. Ltd. <sup>(1)</sup>	Investment holding	Singapore	79.2	79.2	*	*
					13,822,533	13,683,978

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries as at 30 June 2010 are as follows (Cont'd):-

- \* These are subsidiaries acquired through the acquisition of WS Bioengineering Pte. Ltd. ("WSBIO") and consequently, no cost of acquisition is attributed by the Company.
- \*\* Oiltek Sdn Bhd is considered to be a subsidiary as it is 54.88% held by WSBIO who in turn is 79.2% owned by the Company.
- # Certain shares of the subsidiary are held by directors of the Company in trust for the Company.
- ## Certain shares of the subsidiary are held by a third party in trust for the Company.
- (1) Audited by Mazars LLP, Singapore.
- (2) Audited by Mazars Malaysia, a member firm of Mazars International.
- (3) Audited by Manian & Narayanan (Chartered Accountants), India. During the year, the share capital of the subsidiary was increased by 441,651 shares for S\$138,555 when it issued new shares to the Company which was fully paid up in cash. This subsidiary is insignificant to the Group.
- (4) Audited by Drs. Ferdinand, Indonesia. This subsidiary is insignificant to the Group.
- (5) Audited by KAP Tasnim Ali Widjanarko & Rekan Cab. Denpasar, Indonesia. This subsidiary is insignificant to the Group.

In respect of FY 2010, Oiltek Sdn. Bhd., which is audited by Mazars Malaysia (an affiliate of Mazars LLP, Singapore), is considered significant to the Group pursuant to Rule 718 of the Listing Manual, Section B: Rules of Catalist (the "Catalist Rules"). For the purpose of Rule 716(1) of the Catalist Rules, the Directors and the Audit Committee of the Company are satisfied that the appointment of the aforesaid auditor would not compromise the standard and efficiency of the audit of the Company, having regard to the size and experience of the audit firm.

## 13. GOODWILL ON CONSOLIDATION

	2010 S\$	Group 2009 S\$
<b>Cost</b>		
At 1 July	11,272,964	–
Acquisition of a subsidiary	–	11,272,964
At 30 June	11,272,964	11,272,964
<b>Accumulated impairment loss</b>		
At beginning and end of the year	–	–
<b>Carrying amount</b>		
At beginning and end of the year	11,272,964	11,272,964

### *Impairment testing of goodwill*

Goodwill arising from acquisition of a subsidiary has been allocated to one cash-generating unit ("CGU") for impairment testing which is the palm oil industry segment, amounting to S\$11,272,964 (2009: S\$11,272,964). Refer to details of acquisition in Note C to the Consolidated Statement of Cash Flows and Note 19 to the financial statements.

The recoverable amount of the palm oil industry cash-generating unit was based on its value in use. These calculations use cash flow projections based on financial forecast approved by management covering a 2 year period.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 13. GOODWILL ON CONSOLIDATION (CONT'D)

*Key assumptions used for value-in-use calculations*

	Group	
	2010	2009
Gross margin	12% - 15%	20%
Discount rate	6%	6.37%

Management determined budgeted gross margin based on past performance and its expectations of the market development. The discount rates used were pre-tax.

Management has determined that no impairment on goodwill is necessary as the recoverable amount based on the value-in-use method of computation was higher than the carrying amount of goodwill at the reporting date.

## 14. CONTRACT WORK-IN-PROGRESS / EXCESS OF PROGRESS BILLINGS OVER WORK-IN-PROGRESS

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
<b><u>Contract work-in-progress</u></b>				
Cost incurred to-date	139,107,776	135,442,766	96,054,061	94,700,694
Add: Attributable profits recognised progressively	12,872,805	10,848,053	3,529,497	3,367,467
	151,980,581	146,290,819	99,583,558	98,068,161
Less: Progress billings received and receivable	(136,358,200)	(136,611,924)	(96,146,080)	(93,353,442)
	15,622,381	9,678,895	3,437,478	4,714,719
Less: Allowance for foreseeable losses	(1,755,755)	(1,755,755)	(1,755,755)	(1,755,755)
	13,866,626	7,923,140	1,681,723	2,958,964
<b><u>Excess of progress billings over work-in-progress</u></b>				
Progress billings received and receivable	24,119,383	32,223,524	8,520	140,000
Less: Cost incurred to-date	(17,938,608)	(22,663,962)	(45)	(111,404)
Less: Attributable profits recognised progressively	(4,439,097)	(8,131,274)	(14)	(15,915)
	1,741,678	1,428,288	8,461	12,681

During the year ended 30 June 2009, the allowance for foreseeable losses of S\$1,755,755 arose due to disputes by a customer of the Group on certain projects in India. Although management is in the process of resolving the dispute with the customer including the use of legal means, due to the nature of the dispute in a foreign jurisdiction which could be prolonged, management believes that the probability of recovering the cost incurred to-date on the project is low and uncertain, and has, as a result, made the allowance accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2010 S\$	2009 S\$	2010 S\$	2009 S\$
Trade receivables		7,339,272	8,829,002	1,104,094	1,847,548
Less: Allowance for doubtful receivables	32	(348,434)	(365,112)	(348,434)	(365,112)
Net trade receivables		6,990,838	8,463,890	755,660	1,482,436
Amount owing by subsidiaries	12	–	–	6,071,539	1,397,560
Amount owing by an associate	11	160,000	–	160,000	–
Other receivables, deposits and prepayments	16	620,993	359,053	115,281	163,040
		<u>7,771,831</u>	<u>8,822,943</u>	<u>7,102,480</u>	<u>3,043,036</u>

Trade receivables are non interest-bearing and are generally on 30 days (2009: 30 days) credit term.

During the year ended 30 June 2009, bad debts written off amounting to S\$1,168,178 was recognised directly as an expense under administrative expenses. The bad debts arose from long overdue amounts owing by an associate and a customer for which recoverability of amount is uncertain due to the worsening state of affairs of the associate and dispute with the customer.

Trade receivables are denominated in the following currencies at the reporting date:-

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Euro	205,222	1,255,149	–	–
United States Dollar	1,604,340	2,418,825	106,125	19,231
British Pound	20,192	5,873	–	–
Indian Rupee	77,176	29,883	30,389	–
Indonesian Rupiah	90,335	12,861	–	–
Malaysian Ringgit	4,011,851	3,943,036	258,570	–
Singapore Dollar	981,722	798,263	360,576	1,463,205
	<u>6,990,838</u>	<u>8,463,890</u>	<u>755,660</u>	<u>1,482,436</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Other receivables	135,445	467,181	11,187	271,169
Less: Allowance for doubtful receivables				
Balance at 1 July	170,000	170,000	170,000	170,000
Written back	(170,000)	–	(170,000)	–
Balance at 30 June	–	170,000	–	170,000
	135,445	297,181	11,187	101,169
Deposits	367,444	19,708	51,588	19,708
Prepayments	118,104	42,164	52,506	42,163
	620,993	359,053	115,281	163,040

The allowance for doubtful other receivables of S\$170,000 during the year ended 30 June 2009 relate to the foreign withholding tax receivable of which was assessed by the management that refund from the foreign government is uncertain, thus the impairment charge was made. During the year ended 30 June 2010, this has been fully refunded and the allowance was written back to profit or loss.

## 17. INVENTORIES

	Group	
	2010 S\$	2009 S\$
Components parts for oil refinery plant	547,813	586,628
Components parts for water and waste water treatment	146,703	27,784
	694,516	614,412

Inventories recognised as an expense in cost of sales was S\$28,608,890 (2009: S\$13,087,093).

## 18. CASH AND CASH EQUIVALENTS

Note	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Cash and bank balances	3,582,959	4,988,385	123,386	86,648
Fixed deposits	1,656,528	1,897,575	–	–
	5,239,487	6,885,960	123,386	86,648
Bank overdrafts	25 (323,942)	(1,018,623)	(323,942)	(1,018,623)
	4,915,545	5,867,337	(200,556)	(931,975)
Less: Fixed deposits pledged	(1,656,528)	(994,133)		
Cash and cash equivalents as stated in consolidated statement of cash flows	3,259,017	4,873,204		

Fixed deposits of S\$1,656,528 (2009: S\$994,133) were pledged to a financial institution to secure banking facilities of the Group. Fixed deposits have an average maturity of one month and bear an average effective interest rate ranging from 2.00% to 2.75% (2009: 0.01% to 2.00%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 18. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents are denominated in the following currencies at the reporting date:-

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
<b>Cash at banks and fixed deposits</b>				
Euro	37,227	133,212	–	–
United States Dollar	2,403,833	5,586,343	34,374	3,587
British Pound	16,072	18,372	–	–
Indian Rupee	193,293	26,585	20,607	5,828
Indonesian Rupiah	116,995	5,532	–	–
Malaysian Ringgit	2,337,031	923,473	–	–
Singapore Dollar	135,036	192,443	68,405	77,233
	<u>5,239,487</u>	<u>6,885,960</u>	<u>123,386</u>	<u>86,648</u>
<b>Bank overdrafts</b>				
Singapore Dollar	323,942	1,018,623	323,942	1,018,623

## 19. SHARE CAPITAL

	2010	Group and Company		2009
	No. of shares	2010 S\$	2009 No. of shares	2009 S\$
Issued and fully paid, with no par value				
At beginning of year	133,508,576	16,120,139	76,250,000	7,257,417
Issue of new shares (net of expenses)	89,900,000	8,860,340	–	–
Issuance of shares for purchase of a subsidiary	–	–	26,642,424	5,744,000
Issuance of shares under rights issue (net of expenses)	–	–	28,099,902	2,665,797
Issuance of shares for purchase of an associate	–	–	2,516,250	452,925
At end of year	<u>223,408,576</u>	<u>24,980,479</u>	<u>133,508,576</u>	<u>16,120,139</u>

During the year ended 30 June 2010, the Company has issued shares which were fully paid up in cash as follows:-

- 1) 15,700,000 new shares at S\$0.10 per share on 23 October 2009; and
- 2) 74,200,000 new shares at S\$0.10 per share on 11 January 2010.

During the year ended 30 June 2009, the Company has issued shares as follows:-

- (a) 26,642,424 shares comprising 14,909,091 shares at S\$0.22 per share and 11,733,333 shares at S\$0.21 per share in payment for the consideration of the acquisition of a subsidiary (Note 12);
- (b) the Company undertook a renounceable non-underwritten rights issue of 28,099,902 shares at an issue price of S\$0.11 per rights share on the basis of one (1) rights share for every two (2) existing ordinary shares net of share issue expenses of approximately S\$425,000; and
- (c) 2,516,250 shares were issued at S\$0.18 per share as consideration for the acquisition of 40% equity interest in the share capital of an associate (refer to Note 11).

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 20. WARRANTS RESERVE

	Group and Company			
	2010 No. of shares	2010 S\$	2009 No. of shares	2009 S\$
At beginning of year	-	-	-	-
Issuance of warrants	40,000,000	200,000	-	-
At end of year	40,000,000	200,000	-	-

The Company issued 40,000,000 non-listed and non-transferable warrants at an issue price of S\$0.005 for a total consideration of S\$200,000, with each warrant entitling the subscriber to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S\$0.105 for each new share.

During the year ended 30 June 2010, no warrant has been exercised. The warrants expire on 10 January 2013. Each subscriber may only exercise up to 33.3% of his warrants during the first year, up to 66.6% of his warrants during the second year, and the remaining warrants in the final year of the exercise period.

## 21. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserves comprise foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from the functional currency of the Company.

## 22. OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2010, the Group and the Company had obligations under finance leases that are repayable as follows:-

	Principal 2010 S\$	Interest 2010 S\$	Payments 2010 S\$	Principal 2009 S\$	Interest 2009 S\$	Payments 2009 S\$
<b>Group</b>						
Within 1 year	29,789	3,646	33,435	33,887	5,459	39,346
After 1 year but within 5 years	69,686	2,988	72,674	97,957	6,347	104,304
	99,475	6,634	106,109	131,844	11,806	143,650
<b>Company</b>						
Within 1 year	-	-	-	3,976	599	4,575
After 1 year but within 5 years	-	-	-	-	-	-
	-	-	-	3,976	599	4,575

The effective interest rate of the finance leases is 2.23% (2009: 2.23%) per annum.

The finance leases are denominated in Malaysian Ringgit at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 23. DEFERRED INCOME TAX LIABILITIES

Movements in deferred income tax liabilities of the Group during the year are as follows:-

	At 1 July 2009 S\$	Acquisition of subsidiary S\$	Recognised in profit or loss S\$	Exchange difference S\$	At 30 June 2010 S\$
Property, plant and equipment	74,937	–	(28,832)	3,484	49,589
Others	7,692	–	(7,692)	–	–
	82,629	–	(36,524)	3,484	49,589

	At 1 July 2008 S\$	Acquisition of subsidiary S\$	Recognised in profit or loss S\$	Exchange difference S\$	At 30 June 2009 S\$
Property, plant and equipment	–	68,347	7,378	(788)	74,937
Others	–	2,748	5,641	(697)	7,692
	–	71,095	13,019	(1,485)	82,629

## 24. AMOUNT OWING TO A DIRECTOR

The amount owing to a director is non-trade in nature, unsecured, interest-free and is denominated in Singapore dollars. It has been fully repaid during the year ended 30 June 2010.

## 25. AMOUNTS OWING TO FINANCIAL INSTITUTIONS

Note	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Bills payable	2,632,080	689,331	2,632,080	689,331
Bank loans	3,926,013	4,862,703	3,863,733	4,862,703
Bank overdrafts	18 323,942	1,018,623	323,942	1,018,623
	6,882,035	6,570,657	6,819,755	6,570,657

Amounts owing to financial institutions are repayable as follows:-

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Within 1 year	4,345,672	2,769,178	4,283,392	2,769,178
After 1 year but within 5 years	2,536,363	3,801,479	2,536,363	3,801,479
	6,882,035	6,570,657	6,819,755	6,570,657

Amounts owing to financial institutions are denominated in Singapore dollar at the reporting date.

(a) Banking facilities are secured by:

- A first legal mortgage on leasehold properties of the Group (refer to Note 10).
- The personal guarantees of a director of the Company and a mortgage of a property owned by the director.
- Fixed deposit of the Group (refer to Note 18).

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 25. AMOUNTS OWING TO FINANCIAL INSTITUTIONS (CONT'D)

- (b) Bills payable bears effective interest rate at 6.42% (2009: 6.77%) per annum.
- (c) Bank loans bear effective interest rate of 6% (2009: 6%) per annum. The Group is required to maintain a net worth of S\$8.5 million on a consolidated basis at all times as part of the terms of the credit facilities provided by a financial institution. The Group is in compliance with the financial covenant as of the reporting date.
- (d) Bank overdrafts bear effective interest rate at 4.79% (2009: 5.29%) per annum.

## 26. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2010 S\$	2009 S\$	2010 S\$	2009 S\$
Trade payables		6,115,336	6,916,261	1,151,430	2,189,912
Accrued expenses		1,143,273	2,433,108	685,041	1,598,766
Other payables		1,739,080	6,634,384	24,045	1,752,532
Amount owing to subsidiaries	12	–	–	217,007	451,154
Amount owing to an associate	11	33,984	135,656	33,984	135,656
		<u>9,031,673</u>	<u>16,119,409</u>	<u>2,111,507</u>	<u>6,128,020</u>

Trade payables are non interest-bearing and are generally settled within 30 – 120 days (2009: 30 – 120 days) term.

Other payables as at 30 June 2009 of the Group and the Company includes an amount of S\$1,520,000 being the remaining cash payable on the purchase of a subsidiary during the year.

Trade payables are denominated in the following currencies at the reporting date:-

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Euro	1,188,054	2,307,914	147,064	339,899
United States Dollar	357,944	105,561	1,749	4,885
British Pound	17,466	20,396	–	–
Indian Rupee	112,359	17,625	–	–
Malaysian Ringgit	2,753,228	3,729,909	–	–
Singapore Dollar	1,678,619	729,643	1,002,617	1,845,128
Chinese Renminbi	7,666	5,213	–	–
	<u>6,115,336</u>	<u>6,916,261</u>	<u>1,151,430</u>	<u>2,189,912</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 27. AMOUNT OWING TO SHAREHOLDERS

The amount owing to shareholders is non-trade in nature, unsecured, interest free and is repayable on demand. The carrying amount approximates its fair value and is denominated in Singapore dollar.

During the year ended 30 June 2009, a subsidiary has declared dividends which include the amount payable to a minority shareholder of S\$769,600. S\$416,000 was paid in cash and the remaining balance of S\$353,600 (2009: S\$353,600).

## 28. CONTINGENT LIABILITIES

The Group is liable for contractor's guarantees arising in the ordinary course of business, including letter of guarantee and performance bonds for various construction projects as follows:-

	Group and Company	
	2010	2009
	S\$	S\$
Guarantees and performance bonds	1,726,795	2,142,926

## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the transactions with related parties on terms agreed between the parties are as follows:-

Income/(expense)	Group		Company	
	2010	2009	2010	2009
	S\$	S\$	S\$	S\$
Sub-contractor services rendered by an associate	(594,636)	(1,045,693)	(594,636)	(1,045,693)
Contract revenue from an associate	5,068	581,482	5,068	581,482
Consultancy fee paid to a company related to a director of a subsidiary	–	138,000	–	–
Rental income from a related party	800	–	800	–
Sale to related party	–	–	274,810	–
Services charges to a subsidiary	–	–	17,500	30,000
Purchase of property, plant and equipment from related party	–	–	15,297	–
Expenses paid on behalf of a subsidiary	–	–	–	35,683

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. SEGMENT INFORMATION

The Group has two reportable segments, that is engaged either in providing products or services (industry segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments, and these are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer ("CEO") reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

The Group is organised into 3 main operating divisions, namely: Water and wastewater treatment, Hydro-engineering and Palm oil industry.

The palm oil industry was added as a business segment following the acquisition of a subsidiary in prior year. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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 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.

### a) *Analysis by Business Segment*

Segment revenue and expense: Segment revenue and expense are the operating revenue and expenses reported in the Group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories, plant and equipment and net of allowances and impairment that can be specifically attributable to a specific segment. Capital expenditure includes the total cost incurred to acquire plant and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables. The Group's income tax expense and income tax payable are not allocated to any specific segment.

The reportable segment profit and loss has been determined using the same accounting policy of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 30. SEGMENT INFORMATION (CONT'D)

### a) Analysis by Business Segment (Cont'd)

	Water and wastewater treatment		Hydro-engineering		Palm Oil Industry		Total	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$
<b>External revenues</b>	6,987,472	2,147,871	2,348,928	3,590,465	37,934,320	22,773,759	47,270,720	28,512,095
<b>Results:</b>								
Segment results	102,214	(6,581,912)	21,435	877,813	2,658,791	719,468	2,782,440	(4,984,631)
Unallocated corporate expenses							(473,015)	(483,335)
Unallocated other operating income							413,545	365,007
Share of profit of associates							251,650	564,680
Finance expenses							(274,542)	(238,055)
Income tax expense							(659,229)	(179,216)
Non-controlling interests							(960,403)	(98,210)
<b>Loss for the year</b>							1,080,446	(5,053,760)
<b>Assets:</b>								
Segment assets	6,247,922	1,619,918	1,169,168	2,708,467	20,887,272	21,215,006	28,304,362	25,543,391
Unallocated assets							15,555,510	15,049,599
<b>Total assets</b>							43,859,872	40,592,990
<b>Liabilities:</b>								
Segment liabilities	1,694,015	2,613,571	332,705	1,112,986	8,990,289	13,252,716	11,017,009	16,979,273
Unallocated liabilities							7,453,856	9,811,278
<b>Total liabilities</b>							18,470,865	26,790,551
<b>Other material non-cash items:</b>								
Allowance (written back)/made for doubtful trade receivables							(16,678)	104,373
Allowance made for doubtful work-in-progress							-	1,755,755
Unallocated capital expenditure							46,114	281,514
Unallocated depreciation							237,572	218,727

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. SEGMENT INFORMATION (CONT'D)

### b) Analysis by Geographical segments

Revenue segmentation is based on the location of services rendered or goods delivered. Assets and additions to property, plant and equipment are based on the location of those assets.

	Revenue		Total Assets		Total Capital Expenditure	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Malaysia	17,437,809	9,754,273	20,887,272	21,215,006	–	281,514
Singapore	7,951,564	5,379,515	21,954,172	11,477,218	46,114	–
America	5,916,508	2,306,546	–	3,283,855	–	–
Middle East	3,669,361	–	–	–	–	–
Africa	3,238,992	2,824,487	–	4,021,254	–	–
Bangladesh	2,303,034	31,212	–	–	–	–
Myanmar	1,837,166	–	–	–	–	–
China	1,789,738	181,074	–	–	–	–
Indonesia	1,634,639	3,066,173	644,882	–	–	–
Thailand	1,194,088	937,832	–	–	–	–
Pakistan	115,942	3,492,998	–	–	–	–
Others	181,879	537,985	373,546	595,657	–	–
	<u>47,270,720</u>	<u>28,512,095</u>	<u>43,859,872</u>	<u>40,592,990</u>	<u>46,114</u>	<u>281,514</u>

Others comprise of India and Vietnam.

One customer from Malaysia contributed more than 10% (2009: 10%) of total revenue of the Group.

## 31. OPERATING LEASE COMMITMENTS

### Operating lease commitments

At the reporting date, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases for office premises at 28 Third Lok Yang Road and office equipment as follows:-

	Group and Company	
	2010 S\$	2009 S\$
Within 1 year	41,278	34,119
After 1 but within 5 years	130,308	124,266
More than 5 years	763,950	710,055
	<u>935,536</u>	<u>868,440</u>

The land lease entered into is 48 years and 8 months from 20 October 1983 with an option to renew for another 10 years. The lease payment is subject to a revision of land rent to prevailing market rate.

The Group and the Company have entered into commercial leases for the use of office equipment as lessee. The leases have a term of 60 months with no renewal options included in the contracts. Operating lease payments recognised in profit or loss during the year is disclosed in Note 6.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 31. OPERATING LEASE COMMITMENTS (CONT'D)

### *Lease commitments*

The operating lease income in respect of rental of office premise is as follows:-

	Group and Company	
	2010	2009
	S\$	S\$
Within 1 year	107,782	–
After 1 but within 5 years	66,073	–
	<u>173,855</u>	<u>–</u>

The Group and the Company have entered into tenancy agreement for subletting of office premise as a lessor. The lease has term of 2 years with an option to renew the lease after that date at the prevailing market rental rate.

## 32. FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### *Interest rate risk*

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. The Group obtains financing through bills payable, bank borrowings and finance leases. Information relating to the Group's interest rate exposure is disclosed in the notes to the financial statements (Notes 18, 22 and 25).

The following table sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk.

<u>Group</u>	<u>Within 1 year</u>	<u>2 - 5 years</u>	<u>Total</u>
	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>
<b>2010</b>			
<i>Fixed rate</i>			
Obligations under finance leases	29,789	69,686	99,475
Bank loans	1,327,370	2,536,363	3,863,733
Fixed deposits	1,656,528	–	1,656,528
<i>Floating rate</i>			
Bills payable	2,632,080	–	2,632,080
Bank overdrafts	386,222	–	386,222
<b>2009</b>			
<i>Fixed rate</i>			
Obligations under finance leases	33,887	97,957	131,844
Bank loans	1,061,224	3,801,479	4,862,703
Fixed deposits	1,897,575	–	1,897,575
<i>Floating rate</i>			
Bills payable	689,331	–	689,331
Bank overdrafts	1,018,623	–	1,018,623

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 32. FINANCIAL RISK MANAGEMENT (CONT'D)

### Interest rate risk (Cont'd)

Company	Within 1 year S\$	2 - 5 years S\$	Total S\$
<b>2010</b>			
<i>Fixed rate</i>			
Bank loans	1,327,370	2,536,363	3,863,733
<i>Floating rate</i>			
Bills payable	2,632,080	–	2,632,080
Bank overdrafts	323,942	–	323,942
<b>2009</b>			
<i>Fixed rate</i>			
Obligations under finance leases	3,976	–	3,976
Bank loans	1,061,224	3,801,479	4,862,703
<i>Floating rate</i>			
Bills payable	689,331	–	689,331
Bank overdrafts	1,018,623	–	1,018,623

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 3 to 6 months. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group are not subjected to interest rate risks.

### Sensitivity analysis for interest rate risk

At reporting date, if Singapore dollar interest rate had been 1% higher with all other variables held constant, the Group's profit/(loss) after income tax would have been S\$25,052 (2009: S\$13,500) higher, arising mainly as a result of higher interest expense on floating rate bills payables and bank overdrafts. The Company's loss after income tax would have been S\$24,535 (2009: S\$13,500) higher, arising mainly as a result of higher interest expense on floating rate bills payables and bank overdrafts.

If Singapore dollar interest rate has been 1% lower with all variances held constant, the Group's and the Company's loss after income tax would have had the equal but opposite effect on the amounts shown above.

### Liquidity risk

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. Liquidity risk is managed by matching the payments and receipts cycles. The Group's operations are financed mainly through equity, bank borrowings and accumulated profits.

The Group has access to credit facilities as follows:-

	2010 S\$	2009 S\$
<b>Unutilised credit facilities</b>		
Bank overdraft facilities	1,448,708	1,472,782
Trade facilities	11,378,283	8,317,755

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 32. FINANCIAL RISK MANAGEMENT (CONT'D)

### *Credit risk*

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The five largest customers of the Group accounted for approximately 40% (2009: 60%) of the Group's revenue in the year ended 30 June 2010. The Group has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

At 30 June 2010, trade receivables from 5 customers (2009: 5) accounted for approximately 58% (2009: 53%) of total trade receivables of the Group. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:-

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Trade and other receivables	7,653,727	8,780,779	7,049,974	3,000,873
Cash and cash equivalents	5,239,487	6,885,960	123,386	86,648
	<u>12,893,214</u>	<u>15,666,739</u>	<u>7,173,360</u>	<u>3,087,521</u>

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance amount in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 32. FINANCIAL RISK MANAGEMENT (CONT'D)

### Credit risk (Cont'd)

*Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for the trade and other receivables.

The age analysis of trade receivables and the impairment is as follows:

	Carrying amount 2010 S\$	Impairment losses 2010 S\$	Carrying amount 2009 S\$	Impairment losses 2009 S\$
<b>Group</b>				
Not past due	–	–	4,173,768	–
Past due 0 – 30 days	4,151,666	–	2,643,148	–
Past due 31 – 60 days	211,247	–	34,693	–
Past due 61 – 90 days	121,562	–	68,747	–
More than 90 days	2,854,797	(348,434)	1,908,646	(365,112)
Total	7,339,272	(348,434)	8,829,002	(365,112)
<b>Company</b>				
Not past due	–	–	1,275,010	–
Past due 0 – 30 days	270,489	–	321	–
Past due 31 – 60 days	86,999	–	7,561	–
Past due 61 – 90 days	–	–	199,544	–
More than 90 days	746,606	(348,434)	365,112	(365,112)
Total	1,104,094	(348,434)	1,847,548	(365,112)

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:-

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
Balance at 1 July	365,112	260,739	365,112	260,739
Allowance made during the year	–	104,373	–	104,373
Allowance written back during the year	(16,678)	–	(16,678)	–
Balance at 30 June	348,434	365,112	348,434	365,112

Based on past experience, except for certain trade and other receivables balances that were impaired, the Company believes that no impairment allowance is necessary in respect of the remaining trade and other receivables due to the good track records of its customers.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 32. FINANCIAL RISK MANAGEMENT (CONT'D)

### *Credit risk (Cont'd)*

The credit risk for trade receivables based on the information provided to key management personnel is as follows:-

	Group		Company	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
By geographical areas				
Asia	5,987,324	6,345,810	1,104,094	1,847,548
Africa	1,344,796	1,273,718	–	–
Europe	7,152	1,204,921	–	–
Central America	–	4,553	–	–
	<u>7,339,272</u>	<u>8,829,002</u>	<u>1,104,094</u>	<u>1,847,548</u>

### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group is not materially exposed to any significant market risk changes.

### *Foreign currency risk*

The Group incurs foreign currency risk on revenue and costs that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily Malaysian Ringgit and United States dollar.

Foreign currency forward contracts are used to manage exposure to foreign exchange risk arising from operational activities. The measurement and recognition of such contracts are in accordance with Financial Reporting Standard No. 39 – Financial Instruments – Recognition and Measurement. As at 30 June 2010, the notional value of the foreign currency forward contracts amounted to US\$1,368,750, which is equivalent to S\$1,888,738. There are no foreign currency forward contracts outstanding as at 30 June 2009.

### *Sensitivity analysis on foreign currency risk*

At 30 June 2010, if the foreign currencies weakened 10% against the Singapore dollars with all other variables held constant, the Group's post-tax profit/loss and equity for the year would have been S\$397,000 (2009: S\$140,000) higher and S\$5,000 (2009: S\$72,000) lower respectively, mainly as a result of foreign exchange losses or gains on translation of foreign currency denominated financial instruments such as trade and other receivables, trade and other payables and cash and cash equivalents into Singapore dollars. The Company's post-tax loss for the year would have been S\$22,000 higher (2009: S\$23,000 lower), mainly as a result of foreign exchange gains on translation of foreign currency denominated financial instruments such as trade and other receivables, trade and other payables and cash and cash equivalents into Singapore dollars. A 10% strengthening against the Singapore dollars would have had the equal but opposite effects.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 32. FINANCIAL RISK MANAGEMENT (CONT'D)

### Fair values

The carrying amounts of the financial assets and liabilities other than term loans and obligations under finance leases approximate their fair values as at reporting dates due to the short period to maturity.

The Group does not hold financial assets nor derivative asset or liability carried at fair value or at valuation. Accordingly, the disclosure requirement of the fair value hierarchy (levels 1, 2 and 3) under FRS 107 Financial Instruments Disclosures does not apply.

The carrying amounts and fair values of financial assets and liabilities are as follows:-

	Carrying amounts		Fair values	
	2010 S\$	2009 S\$	2010 S\$	2009 S\$
<b>Group</b>				
Trade and other receivables	7,653,727	8,780,779	7,653,727	8,780,779
Cash and cash equivalents	5,239,487	6,885,960	5,239,487	6,885,960
Amounts owing to financial institutions				
- current portion	(4,345,672)	(2,769,178)	(4,345,672)	(2,769,178)
- non-current portion	(2,536,363)	(3,801,479)	(2,536,363)	(3,201,253)
Obligations under finance leases	(99,475)	(131,844)	(99,475)	(125,272)
Trade and other payables	(9,313,703)	(16,473,009)	(9,313,703)	(16,473,009)
Amount owing to a director	-	(1,192,379)	-	(1,192,379)
Amount owing to shareholders	(368,070)	(731,395)	(368,070)	(731,395)
<b>Company</b>				
Trade and other receivables	7,049,974	3,000,873	7,049,974	3,000,873
Cash and cash equivalents	123,386	86,648	123,386	86,648
Amounts owing to financial institutions				
- current portion	(4,283,392)	(2,769,178)	(4,283,392)	(2,769,178)
- non-current portion	(2,536,363)	(3,801,479)	(2,536,363)	(3,201,253)
Obligations under finance leases	-	(3,976)	-	(3,976)
Trade and other payables	(2,111,507)	(6,128,020)	(2,111,507)	(6,128,020)
Amount owing to a director	-	(1,192,379)	-	(1,192,379)

### Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

The carrying value of trade and other receivables, cash and cash equivalents and trade and other payables approximates their fair values due to the short period to maturity.

The fair value of the amount owing to a director in prior year cannot be reasonably determined as there is no fixed repayment date. However, the directors believe that the carrying amount approximates its fair value.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 32. FINANCIAL RISK MANAGEMENT (CONT'D)

### *Fair values (Cont'd)*

#### *Interest rates used for determining fair value*

The interest rates used to discount estimated cash flows are based on the market rate of interest at the reporting date, and were as follows:-

	<b>Group and Company 2010</b>	<b>2009</b>
Term loans	6.00%	6.00%
Obligations under finance leases	2.23%	2.23%

### **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total Capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, excluding current income tax liabilities and deferred income tax liabilities as shown in the statements of financial position) less cash and cash equivalents. Total capital is calculated as total equity including minority interests, if any, as shown in the statements of financial position, plus net debts.

During the year ended 30 June 2010, the Group's strategy, which was unchanged from 30 June 2009, was to maintain a gearing ratio of less than one. The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:-

	<b>2010 S\$</b>	<b>Group 2009 S\$</b>
Total borrowings	18,122,931	26,527,572
Less: Cash and cash equivalents	(5,239,487)	(6,885,960)
Net debt	12,883,444	19,641,612
Total equity	25,389,007	13,802,439
Total capital	38,272,451	33,444,051
Gearing ratio	0.34	0.59

The Group and the Company are not subject to any externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## 33. LAND AND BUILDINGS

The Group's properties are as follows:-

Address	Description	Tenure
28 Third Lok Yang Road Singapore 628076	Office	Leasehold for 48 years 8 months and 26 days from 20th October 1983, with an option to renew for another 10 years
Lot 6, Jalan Pasaran 23/5 Kawasan MIEL Phase 10 40300 Shah Alam Malaysia	Factory	Leasehold for 92 years from 15 August 1997

## 34. COMPARATIVE FIGURES

Comparative figures relating to amounts due to minority shareholders of S\$353,600 of the Group as at 30 June 2009 that were included in other payables have been reclassified to amounts owing to shareholders to be consistent with the current year's presentation as management believes this reclassification is more precise and relevant in the disclosure of amounts due to minority shareholders.

As the reclassification has no effect on other items on the statements of financial position other than that disclosed above, the statements of financial position of the Group as at 1 July 2008 have not been presented.

# STATISTICS OF SHAREHOLDINGS

As at 23 September 2010

Issued and paid-up capital : \$25,000,914.18  
Number of shares issued : 223,408,576 Ordinary Shares  
Class of shares : Ordinary shares  
Voting rights : One vote per share

The Company does not hold any treasury shares.

## DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 – 999	3	0.53	1,030	0.00
1,000 – 10,000	176	31.26	931,500	0.42
10,001 – 1,000,000	360	63.95	37,476,000	16.77
1,000,001 and above	24	4.26	185,000,046	82.81
Total	563	100.00	223,408,576	100.00

## TWENTY LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	Bonaqua Investment Holdings Pte. Ltd.	49,860,857	22.32
2	Sunny Ong Keng Hua	24,800,000	11.10
3	Ma Ong Kee	15,000,000	6.71
4	DBS Vickers Securities (S) Pte Ltd	13,765,000	6.16
5	CIMB Securities (Singapore) Pte Ltd	13,482,000	6.04
6	Tan Tiong Beng	11,000,000	4.92
7	Citibank Nominees Singapore Pte Ltd	8,035,000	3.60
8	OCBC Securities Private Ltd	6,065,000	2.72
9	Ng Guat Hua	5,383,000	2.41
10	Lie Tjeng Lien @ Rosalina Ali	5,305,000	2.38
11	Yong Khai Weng	4,405,939	1.97
12	Tan Hun Tee	4,318,000	1.93
13	Tan Tze Wen	3,000,000	1.34
14	Ganapathy Neelakantan	2,638,000	1.18
15	Welly Widjaja Chandra @ Chang Pao Wei	2,516,250	1.13
16	Phillip Securities Pte Ltd	2,444,000	1.09
17	United Overseas Bank Nominees Pte Ltd	2,240,000	1.00
18	Cheong Gim Kheng	1,930,000	0.87
19	Tan Boon Seng	1,836,000	0.82
20	Yeap Ai May	1,591,000	0.71
	Total:	179,615,046	80.40

# STATISTICS OF SHAREHOLDINGS

As at 23 September 2010

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 23 September 2010)

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Bonaqua Investment Holdings Pte. Ltd.	49,860,857	22.32	–	–
Sunny Ong Keng Hua	24,800,000	11.10	–	–
Ma Ong Kee	15,000,000	6.71	–	–
Tan Tze Wen <sup>(1)</sup>	3,380,000	1.51	49,860,857	22.32

Note:

- (1) Tan Tze Wen is deemed to have an interest in the 49,860,857 shares held by Bonaqua Investment Holdings Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50. 380,000 shares directly owned by Tan Tze Wen are registered in the name of a nominee company.

## WARRANT HOLDERS

(As recorded in the Register of Substantial Shareholders as at 23 September 2010)

- (a) Lee Thiam Seng (25,000,000 warrants)  
(b) Ma Ong Kee (15,000,000 warrants)

## RULE 723 OF THE LISTING MANUAL

Based on the information available to the Company as at 23 September 2010, approximately 52.58% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of Section B: Catalyst Rules of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## CATALIST SPONSOR FEES

The continuing sponsor of the Company is Stamford Corporate Services Pte Ltd. There were no non-sponsor fees paid to the sponsor by the Company for the year under review.

The amount of fees paid to Stamford Law Corporation, an affiliate of the sponsor, for legal work done in the year under review was approximately \$117,000.

# NOTICE OF ANNUAL GENERAL MEETING

## METAX ENGINEERING CORPORATION LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197500111H)

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Metax Engineering Corporation Limited (the “Company”) will be held at 28 Third Lok Yang Road, Singapore 628016 on Thursday, 28 October 2010 at 10.00 am for the following purposes:-

#### AS ORDINARY BUSINESS

1. To receive and adopt the audited accounts for the financial year ended 30 June 2010 together with the Reports of the Directors and Independent Auditors and Statement by the Directors thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Articles 107 and 117 of the Company’s Articles of Association :-  

Mr Zhuo Zefan	(Retiring under Article 117)	<b>(Resolution 2)</b>
Mr Andrew Bek	(Retiring under Article 117)	<b>(Resolution 3)</b>
Mr Tan Tze Wen	(Retiring under Article 107)	<b>(Resolution 4)</b>

[see Explanatory Note 1]

Mr Zhuo Zefan will, upon re-election as a Director, remain as the chairman of the Nominating Committee and member of the Audit Committee and the Remuneration Committee, and will be considered independent for the purposes of Rule 704(7) of Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To approve the payment of Directors’ fees of S\$76,403 for the financial year ended 30 June 2010. **(Resolution 5)**
4. To re-appoint Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
5. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

#### AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-  
“That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:-
  - (A) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,  
  
at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

# NOTICE OF ANNUAL GENERAL MEETING

provided that:-

- (1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this authority is given, after adjusting for:-
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this authority is given; and
  - (ii) any subsequent bonus issue, consolidation or sub-division of shares;
- (3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.  
[see Explanatory Note 2]

**(Resolution 7)**

BY ORDER OF THE BOARD

Ng Guat Hua  
Company Secretary  
Singapore  
12 October 2010

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (1) Mr Chen Yeow Sin, who will be retiring pursuant to Article 107 of the Company's Articles of Association, has notified the Company that he does not wish to seek re-election to the Board of Directors.
- (2) Ordinary Resolution 7 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 50% for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time Ordinary Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time Ordinary Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of shares. Such authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

## Notes

- (i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.
- (ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 28 Third Lok Yang Road, Singapore 628016 not less than 48 hours before the time appointed for holding the above Meeting.

# METAX ENGINEERING CORPORATION LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197500111H)

## ANNUAL GENERAL MEETING PROXY FORM

### IMPORTANT

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of METAX ENGINEERING CORPORATION LIMITED (the "Company") hereby appoint:

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held at 28 Third Lok Yang Road, Singapore 628016 on Thursday, 28 October 2010 at 10.00 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	For	Against
	<b>Ordinary Business</b>		
1.	Audited accounts for financial year ended 30 June 2010 together with the Reports of the Directors and Independent Auditors and Statement by the Directors		
2.	Re-election of Mr Zhuo Zefan as a Director		
3.	Re-election of Mr Andrew Bek as a Director		
4.	Re-election of Mr Tan Tze Wen as a Director		
5.	Payment of Directors' fees of S\$76,403		
6.	Re-appointment of Mazars LLP as Auditors		
	<b>Special Business</b>		
7.	Authority to allot and issue new shares		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolution as set out in the Notice of the Meeting.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes:-**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
4. This proxy form must be deposited at the registered office of the Company at 28 Third Lok Yang Road, Singapore 628016 not less than 48 hours before the time set for the Annual General Meeting.
5. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.
7. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

Tan Tze Wen  
Chairman & Managing Director

Ng Guat Hua  
Executive Director

Andrew Bek  
Executive Director

Chen Yeow Sin  
Independent Director

Basmadjian Krikor  
Independent Director

Zhuo Zefan  
Independent Director

## **AUDIT COMMITTEE**

Chen Yeow Sin  
Chairman,  
Independent Director

Basmadjian Krikor  
Independent Director

Zhuo Zefan  
Independent Director

## **NOMINATING COMMITTEE**

Zhuo Zefan  
Chairman,  
Independent Director

Basmadjian Krikor  
Independent Director

## **REMUNERATION COMMITTEE**

Basmadjian Krikor  
Chairman,  
Independent Director

Zhuo Zefan  
Independent Director

## **COMPANY SECRETARY**

Ng Guat Hua

## **REGISTERED OFFICE**

No. 28 Third Lok Yang Road  
Singapore 628016  
Tel: +65 6265 9422  
Fax: +65 6266 2971  
Website: [www.metax.com](http://www.metax.com)  
Email: [mail@metax.com](mailto:mail@metax.com)

## **SHARE REGISTRAR AND SHARE TRANSFER OFFICE**

B.A.C.S. Private Limited  
63 Cantonment Road  
Singapore 089758

## **AUDITORS**

Mazars LLP  
Public Accountants and Certified  
Public Accountants  
133 Cecil Street  
#15-02 Keck Seng Tower  
Singapore 069535

Partner-in-charge:  
Chang Fook Kay  
(a member of the Institute  
of Certified Public Accountants  
of Singapore)

Date of appointment:  
w.e.f. FY ended 30th June 2007

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Singapore 628016  
Tel: +65 6265 9422  
Fax: +65 6266 2971  
+65 6265 6630  
Email: [mail@metax.com](mailto:mail@metax.com)  
Website: [www.metax.com](http://www.metax.com)  
Co. Reg No. 197500111H  
GST Reg No. M2-0020981-8