

**METAX ENGINEERING CORPORATION LIMITED**

**FULL YEAR FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

1(a) Statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Year ended 30 June 2011 S\$'000	Year ended 30 June 2010 S\$'000	Increase/ (Decrease) %
<b>REVENUE</b>	34,834	47,270	(26.3)
Cost of sales	(27,572)	(38,112)	(27.7)
<b>Gross profit</b>	7,262	9,158	(20.7)
Other operating income	598	414	44.5
Selling and distribution expenses	(1,073)	(1,040)	3.1
Administrative expenses	(6,471)	(5,809)	11.4
Finance expenses	(196)	(275)	(28.7)
Share of profit of associate (net of tax)	318	252	26.2
<b>Profit before income tax</b>	<b>438</b>	<b>2,700</b>	<b>(83.8)</b>
Income tax expense	(920)	(659)	39.6
<b>Net (loss)/profit for the year</b>	<b>(482)</b>	<b>2,041</b>	<b>(123.6)</b>
<b>Other comprehensive (loss)/income:</b>			
Exchange differences on translating foreign operations	(290)	485	(159.8)
Reclassification of currency translation reserve on deregistration of a subsidiary	(277)	-	(100.0)
<b>Total comprehensive (loss)/income for the year</b>	<b>(1,049)</b>	<b>2,526</b>	<b>(141.5)</b>
<b>Net (loss)/profit for the year attributable to:</b>			
Equity holders of the Company	(1,468)	1,081	
Non-controlling interests	986	960	
<b>Net (loss)/ profit for the year</b>	<b>(482)</b>	<b>2,041</b>	

<b>Total comprehensive (loss)/income for the year attributable to:</b>		
Equity holders of the Company	(1,775)	1,298
Non-controlling interests	726	1,228
<b>Total comprehensive (loss)/income for the year</b>	<b>(1,049)</b>	<b>2,526</b>

1(a)(ii) Profit before income tax is arrived at after charging/(crediting) the following: -

	Year ended 30 June 2011 S\$'000	Year ended 30 June 2010 S\$'000
Interest income in fixed / current account deposits	(29)	(1)
Interest on borrowings	196	275
Depreciation of property, plant and equipment	219	238
Loss on foreign exchange	370	117
Gain on disposal of property, plant and equipment	(1)	(9)
Bad debts written back	(1)	(17)
Cost of inventories recognised in cost of sales	17,625	28,609
Gain on deregistration/disposal of a subsidiary	(80)	(52)
Property, plant and equipment written off	-	1
Provision for foreseeable losses	262	-
Allowance made for slow-moving inventories	21	-

1(b)(i) A Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	As at 30 Jun 2011 S\$'000	As at 30 Jun 2010 S\$'000	As at 30 Jun 2011 S\$'000	As at 30 Jun 2010 S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3,712	3,990	2,094	2,179
Investment in associates	1,343	1,025	640	640
Investment in subsidiaries	-	-	13,847	12,987
Goodwill on consolidation	11,273	11,273	-	-
	<u>16,328</u>	<u>16,288</u>	<u>16,581</u>	<u>15,806</u>
<b>Current assets</b>				
Contract work-in-progress	8,788	13,867	688	1,682
Trade and other receivables	5,727	7,772	2,064	7,102
Inventories	607	694	-	-
Cash and cash equivalents	7,292	5,239	345	123
	<u>22,414</u>	<u>27,572</u>	<u>3,097</u>	<u>8,907</u>
<b>TOTAL ASSETS</b>	<b>38,742</b>	<b>43,860</b>	<b>19,678</b>	<b>24,713</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital	24,980	24,980	24,980	24,980
Warrants reserve	200	200	200	200
Reserves	(6,814)	(4,980)	(11,547)	(9,406)
	<u>18,366</u>	<u>20,200</u>	<u>13,633</u>	<u>15,774</u>
Non-controlling interests	4,828	5,189	-	-
<b>Total Equity</b>	<b>23,194</b>	<b>25,389</b>	<b>13,633</b>	<b>15,774</b>
<b>Non-current liabilities</b>				
Obligations under finance leases	31	70	-	-
Deferred tax liabilities	58	50	-	-
Amount owing to a director	1,501	-	1,500	-
Amount owing to a shareholder	7	-	-	-
Amount owing to financial institutions	1,181	2,536	1,181	2,536
	<u>2,778</u>	<u>2,656</u>	<u>2,681</u>	<u>2,536</u>
<b>Current liabilities</b>				
Excess of progress billings over work-in-progress	1,931	1,742	-	8
Trade and other payables	8,674	9,031	1,670	2,112
Amount owing to minority shareholder	-	368	-	-
Amount owing to financial institutions	1,694	4,346	1,694	4,283
Obligations under finance leases	32	30	-	-
Income tax payable	439	298	-	-
	<u>12,770</u>	<u>15,815</u>	<u>3,364</u>	<u>6,403</u>
<b>Total Liabilities</b>	<b>15,548</b>	<b>18,471</b>	<b>6,045</b>	<b>8,939</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>38,742</b>	<b>43,860</b>	<b>19,678</b>	<b>24,713</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**(A) Amount repayable within one year or less, or on demand**

Descriptions	As at 30 June 2011		As at 30 June 2010	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount owing to financial institutions	1,408	NIL	4,022	NIL
Bank overdraft	286	NIL	324	NIL
Obligation under finance leases	32	NIL	30	NIL
Total	1,726	NIL	4,376	NIL

**(B) Amount repayable after one year**

Descriptions	As at 30 June 2011		As at 30 June 2010	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount owing to financial institutions	1,181	NIL	2,536	NIL
Bank overdraft	NIL	NIL	NIL	NIL
Obligation under finance leases	31	NIL	70	NIL
Total	1,212	NIL	2,606	NIL

**(C) Details of any collateral**

Bank overdraft, bills payables and bank loans are secured by the following:

- (a) A first legal mortgage on a leasehold property of the Company with a carrying amount of S\$2,056,395 (2010 : S\$2,124,943)
- (b) The personal guarantees of directors of the Company and a mortgage of a property owned by the director.
- (c) A mortgage on a leasehold property of a subsidiary with a carrying amount of S\$1,323,196 (2010: S\$1,419,143) is pledged for banking facilities.
- (d) Fixed deposit of a subsidiary amounting to S\$798,789 (2010: S\$1,656,528) pledged for banking facilities.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Year ended 30 June 2011 S\$'000	Year ended 30 June 2010 S\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	438	2,700
Adjustments for:-		
Depreciation of property, plant and equipment	219	238
Exchange realignment	(120)	397
Gain on disposal of property, plant and equipment	-	(9)
Gain on disposal of a subsidiary	-	(52)
Gain on de-registration of a subsidiary (Note B)	(80)	-
Share of profit of associates	(318)	(252)
Interest income	(29)	(1)
Interest expense	196	275
Property, plant and equipment written off	-	1
Bad debts written back	-	(17)
Allowance for slow-moving inventories	21	-
Provision for foreseeable losses	262	-
<b>Operating profit before working capital changes</b>	<b>589</b>	<b>3,280</b>
Changes in working capital:-		
Contract work-in-progress/Excess of progress billings over work-in-progress	5,005	(5,630)
Inventories	33	(80)
Trade and other receivables	2,106	1,136
Trade and other payables	(356)	(7,088)
<b>Cash generated from/(used in) operations</b>	<b>7,377</b>	<b>(8,382)</b>
Income taxes paid	(731)	(574)
<b>Net cash generated from /(used in) operating activities</b>	<b>6,646</b>	<b>(8,956)</b>
<b>Cash flows from investing activities</b>		
Interest received	29	1
Proceeds from disposal of plant and equipment	-	19
Proceeds from disposal of a subsidiary (Note C)	-	55
Acquisition on non-controlling interests in a subsidiary (Note A)	(1,146)	-
Purchase of property, plant and equipment	(73)	(46)
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,190)</b>	<b>29</b>

**Cash flows from financing activities**

Interest paid	(196)	(274)
Payment of finance lease liabilities	(36)	(32)
Proceeds from financial institutions	430	4,858
Amount owing to shareholders of subsidiary	(7)	-
Dividend paid to non-controlling shareholders	(354)	(717)
Amount owing to a director	1,501	(1,192)
Issuance of shares (Note D)	-	8,860
Issuance of warrants (Note E)	-	200
Repayment to financial institutions	(4,437)	(3,852)
Deposit released/(pledged)	857	(663)
<b>Net cash (used in)/generated from financing activities</b>	<b>(2,242)</b>	<b>7,188</b>
Net increase/(decrease) in cash and cash equivalents	3,214	(1,739)
Effect of currency translation changes on cash and cash equivalents	(266)	125
Cash and cash equivalents at beginning of year	3,259	4,873
<b>Cash and cash equivalents at end of year</b>	<b>6,207</b>	<b>3,259</b>

Cash and cash equivalents included in the statement of cash flows comprise the following:

	30 June 2011	30 June 2010
	S\$'000	S\$'000
Cash and bank balances	7,292	5,239
Bank overdraft	(286)	(324)
Less: Fixed deposits pledged	(799)	(1,656)
	<b>6,207</b>	<b>3,259</b>

**(A) Acquisition of non-controlling interests in subsidiary**

During the financial year, the Company acquired an additional 20.8% equity interest in WS Bioengineering Pte. Ltd. ("WSBPL") from its non-controlling shareholders for a total cash payment of S\$1,500,000 (including settlement of outstanding dividend payable to the non-controlling shareholder). As a result of this acquisition, WSBPL became a wholly-owned subsidiary of the Company. The carrying value of the net assets of WSBPL attributable to the 20.8% non-controlling interest acquired at the date of acquisition was S\$1,086,838 and the purchase consideration of the additional interest acquired was S\$1,146,400 (excluding the dividend payable to non-controlling interests of S\$353,600). The difference of S\$59,562 between the consideration and the carrying value of the additional interest acquired has been recognised in "Accumulated Losses" within equity.

The following summarises the effect of the change in the Group's ownership interest in WSBPL on the equity attributable to owners of the parent:-

	<b><u>2011</u></b> <b>S\$'000</b>
Consideration paid for acquisition of non-controlling interests	1,146
Decrease in equity attributable to non-controlling interests	<u>(1,087)</u>
Decrease in equity attributable to owners of the parent	<u>59</u>

**(B) De-registration of a subsidiary**

During the financial year, the Company has de-registered its wholly-owned subsidiary, PT Metax Persada. The effect of the de-registration on the cash flows of the Group were as follows:-

	<b><u>2011</u></b> <b>S\$'000</b>
Cash and bank balances	17
Trade and other receivables	204
Inventories	33
Other payables	(1)
Income tax payables	<u>(39)</u>
Identifiable net assets disposed off	214
Reclassification of currency translation reserve	<u>(277)</u>
	(63)
Gain on disposal of a subsidiary	<u>80</u>
Cash proceeds from disposal	17
Less: Cash and bank balances in subsidiary de-registered	<u>(17)</u>
Net cash flows on de-registration of a subsidiary	<u>-</u>

**(C) Disposal of a subsidiary**

	<b><u>2010</u></b> <b><u>S\$'000</u></b>
Cash and bank balances	1
Trade and other receivables	10
Trade and other payables	(5)
Identifiable net assets	<u>6</u>
Less: Non-controlling interests	(2)
Identifiable net assets disposed off	4
Gain on disposal of a subsidiary	<u>52</u>
Cash proceeds from disposal	56
Less: Cash and bank balances disposed off	(1)
Net cash flow on disposal of a subsidiary	<u>55</u>

During the year ended 30 June 2010, 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 year ended 30 June 2010. 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.

**(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.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**GROUP**

	<u>Attributable to equity holders of the parent</u>						<u>Total Equity</u>
	<u>Share Capital</u>	<u>Warrants Reserve</u>	<u>Translation Reserve</u>	<u>Accumulated Losses</u>	<u>Equity Attributable to Equity Holders of the Company</u>	<u>Non-Controlling Interests</u>	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 July 2009	16,120	-	214	(6,492)	9,842	3,961	13,803
Total comprehensive income for the year	-	-	217	1,081	1,298	1,228	2,526
Issue of new shares (net of expenses)	8,860	-	-	-	8,860	-	8,860
Issue of warrants	-	200	-	-	200	-	200
<b>Balance as at 30 June 2010</b>	<b>24,980</b>	<b>200</b>	<b>431</b>	<b>(5,411)</b>	<b>20,200</b>	<b>5,189</b>	<b>25,389</b>
Balance as at 1 July 2010	24,980	200	431	(5,411)	20,200	5,189	25,389
Total comprehensive loss for the year	-	-	(308)	(1,467)	(1,775)	726	(1,049)
Acquisition of non-controlling interest in a subsidiary	-	-	-	(59)	(59)	(1,087)	(1,146)
<b>Balance as at 30 June 2011</b>	<b>24,980</b>	<b>200</b>	<b>123</b>	<b>(6,937)</b>	<b>18,366</b>	<b>4,828</b>	<b>23,194</b>

COMPANY

	<u>Share Capital</u> S\$'000	<u>Warrants Reserve</u> S\$'000	<u>Accumulated Losses</u> S\$'000	<u>Total</u> S\$'000
Balance as at 1 July 2009	16,120	-	(8,050)	8,070
Total comprehensive loss for the year	-	-	(1,356)	(1,356)
Issue of shares (net of expenses)	8,860	-	-	8,860
Issue of warrants	-	200	-	200
<b>Balance as at 30 June 2010</b>	<b>24,980</b>	<b>200</b>	<b>(9,406)</b>	<b>15,774</b>
<b>Balance as at 1 July 2010</b>	<b>24,980</b>	<b>200</b>	<b>(9,406)</b>	<b>15,774</b>
Total comprehensive loss for the year	-	-	(2,141)	(2,141)
<b>Balance as at 30 June 2011</b>	<b>24,980</b>	<b>200</b>	<b>(11,547)</b>	<b>13,633</b>

**1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital since the end of the previous period reported on. The Company has issued 40,000,000 non-transferrable and non-listed warrants at S\$0.005 per warrant, on 11 January 2010, with each warrant entitling its holder to subscribe for one (1) new ordinary share at an exercise price of S\$0.105 for each new share during the three years commencing on and including the date of issue of the warrants (the "Exercise Period"), provided that the holder may only exercise up to 33.33% of the warrants during the first year of the Exercise Period, up to 66.66% of the warrants during the second year of the Exercise Period, and the remaining warrants during the third and final year of the Exercise Period. As at 30 June 2011, none of the warrants had been exercised.

Save as disclosed above, the Company had no outstanding convertibles and no treasury shares as at 30 June 2010 and 30 June 2011.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.**

The total number of issued shares as at 30 June 2011 and 30 June 2010 was 223,408,576. The Company did not hold any treasury shares.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which accounting standard or practice.**

The figures have not been audited or reviewed by the Company's Auditors.

**3. Whether the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those in the audited financial statements for the financial year ended 30 June 2010 except for the new Financial Reporting Standards (FRS) as stated in Section 5 below.

**5. If there were any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 July 2010. The adoption of these standards and interpretations did not have any significant effect on the financial performance or position of the Group and the Company.

**6. Earnings per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Year ended 30 June 2011 S\$(Cents)	Year ended 30 June 2010 S\$(Cents)
Basic (loss)/earnings per share	(0.66)	0.60
Based on weighted average number of ordinary shares issued		
Weighted average number of issued shares	223,408,576	178,820,905

The basic (loss)/earnings per share is calculated by dividing the Group's loss for the year of S\$1,467,179 by weighted average number of shares of 223,408,576. (2010: S\$1,080,446 by 178,820,905 shares).

	Year ended 30 June 2011 S\$(Cents)	Year ended 30 June 2010 S\$(Cents)
Diluted (loss)/earnings per share	(0.66)	0.56
Based on weighted average number of ordinary shares issued		
Weighted average number of issued shares	223,408,576	192,733,948

No diluted earnings per share for the current year ended 30 June 2011 has been computed as the conversion of the outstanding warrants into shares would be anti-dilutive.

The diluted (loss)/earnings per share for the year ended 30 June 2010 is calculated by dividing the Group's profit for the year of S\$1,080,446 by weighted average number of shares at 192,733,948 shares.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	Group		Company	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Net asset value per ordinary share based on number of shares issued at end of year (cents)	8.22	9.04	6.10	7.06

The net asset value per ordinary share as at 30 June 2011 and 30 June 2010, shown above, is computed based on the share capital of 223,408,576 shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following : (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

#### Review of operating results

##### Revenue

The Group's revenue decreased by 26.3% from approximately S\$47.27 million in FY2010 to approximately S\$34.83 million in FY2011 mainly due to fewer contracts secured in the current financial year. The decreases are further described as follows:

- 1) decrease in revenue generated from the palm oil processing and refining industry from S\$37.93 million in FY2010 to S\$29.62 million in FY2011.
- 2) decrease in revenue generated by the water and wastewater treatment projects from S\$6.99 million in FY2010 to S\$3.82 million in FY2011.
- 3) decrease in revenue generated by the hydro-engineering projects from S\$2.35 million in FY2010 to S\$1.39 million in FY2011.

##### Gross Profit Margin

Despite the decrease in revenue, the Group gross profit margin improved marginally from 19.4% in FY2010 to 20.9% in FY2011. The gross profit was mainly derived from:

- 1) the contribution from the palm oil processing and refining industry of approximately S\$6.15 million;
- 2) the contribution from the water and wastewater treatment projects of approximately S\$1.01 million; and
- 3) the contribution from the hydro-engineering projects of approximately S\$0.36 million.

##### Other Operating Income

The increase in other income of S\$0.18 million from approximately S\$0.41 million in FY2010 to approximately S\$0.59 million in FY2011 was mainly due to:

- 1) rental income;
- 2) sales tax refunded due to losses incurred in the India projects;
- 3) interest on deposit; and
- 4) gain on disposal of subsidiary, PT Metax Persada.

##### Finance Expenses

The decrease in finance expenses of approximately S\$0.08 million was mainly due to the lower utilisation of overdraft facilities and lower interest incurred for term loan due to lower balance as compared to FY2010 following the scheduled repayment made.

### Selling and Distribution Expenses

Selling and distribution expenses increased by 3.1% from approximately S\$1.04 million in FY2010 to approximately S\$1.07 million in FY2011 mainly due to the increase in travelling expenses of S\$0.08 million and the provision for litigation claims of S\$0.12 million.

The increases were offset against the decrease in commission of S\$0.14 million for sales secured by the Group, the decrease in advertisement expenses of S\$0.02 million, and the decrease in exhibition expenses of S\$0.01 million.

### Administrative Expenses

Administrative expenses increased by 11.4% from approximately S\$5.81 million in FY2010 to approximately S\$6.47 million in FY2011 mainly due to the increase in legal fees, maintenance and foreign exchange loss.

The increases were partially offset against the decreases in development expenses, compensation, PR consultancy fees and technical fees.

### Profit Before Income Tax

The Group recorded a profit before income tax of approximately S\$0.44 million in FY2011 as compared to S\$2.7 million in FY2010 mainly due to the lower revenue generated and higher administrative expenses incurred as outlined above.

### Income Tax Expense

The income tax expense consists of S\$0.85 million in profits of certain subsidiaries for the current financial year and an under-provision of S\$0.07 million in the prior year arising from certain subsidiaries.

### **Review of financial position**

Group's net asset value decreased by 9.1% from approximately S\$20.20 million as at 30 June 2010 to approximately S\$18.36 million as at 30 June 2011. The decrease was mainly due to:

- 1) the loss incurred for the year of S\$1.47 million;
- 2) the decrease in translation reserves of S\$0.31 million; and
- 3) the loss arising from the acquisition of non-controlling interests in a subsidiary of S\$0.06 million.

### **Assets**

Non-current assets remain consistent at S\$16.30 million for both financial year ended 30 June 2010 and 30 June 2011.

Current assets decreased by 18.7% from approximately S\$27.57 million as at 30 June 2010 to approximately S\$22.41 million as at 30 June 2011 mainly due to the decrease in contract work-in-progress of S\$5.08 million, trade and other receivables of S\$2.05 million and inventories of S\$0.08 million. These were offset against the increases in cash and cash equivalents of S\$2.05 million.

### **Liabilities**

Non-current liabilities increased by 4.6% from approximately S\$2.66 million as at 30 June 2010 to approximately S\$2.78 million as at 30 June 2011. The increase was mainly due to the increase in amount owing to a director of S\$1.50 million which was offset against the decrease in the amount owing to financial institutions of S\$1.36 million and other non-current liabilities of S\$0.02 million.

Current liabilities decreased by 19.3% from approximately S\$15.82 million as at 30 June 2010 to approximately S\$12.77 million as at 30 June 2011. The decrease was mainly due to:

- 1) the decrease in amount owing to financial institutions of S\$2.65 million;
- 2) the decrease in trade and other payables of S\$0.36 million; and
- 3) the decrease in amount owing to a non-controlling shareholder of S\$0.37 million.

These were offset against the increases in excess of progress billings over work-in-progress of S\$0.19 million and provision for taxation of S\$0.14 million.

### **Review of cash flows**

The Group's cash flow for FY2011 is analysed as follows:

#### **Cash flows from operating activities**

The Group has a net cash generated from operating activities of approximately S\$6.65 million in FY2011 as compared to cash used in operating activities of approximately S\$9.31 million in FY2010 mainly due to the increase in work-in progress/progress billings of S\$5.01 million, trade and other receivables of S\$2.11 million, inventories of S\$0.03 million and operating profit before working capital changes of approximately S\$0.59 million.

These were partially offset against the increase in trade and other payables of S\$0.36 million, and income tax paid of S\$0.73 million.

#### Cash flows from investing activities

Net cash used in investing activities was approximately S\$1.19 million in FY2011 due and mainly to the acquisition on non-controlling interest of a subsidiary of approximately S\$1.15 million, purchase of property, plant and equipment of approximately S\$0.07 million.

These were offset against the interest received of approximately S\$0.03 million.

#### Cash flows from financing activities

Net cash used in financing activities of approximately S\$2.24 million in FY2011 was mainly due to the repayment to financial institutions of S\$4.44 million, repayment of amount owing to minority shareholders of S\$0.36 million, interest paid of S\$0.20 million and payment of finance lease of S\$0.03 million.

These were offset against the loan amount owing to a director of S\$1.50 million, proceeds from financial institutions of S\$0.43 million and deposit released of S\$0.86 million.

#### **9. Where a forecast, or a prospect statement, has been previously disclosed to our shareholders, any variance between it and the actual results.**

Not applicable.

#### **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Group believes that in the coming 12 months, it will continue to see opportunities for its two key business segments – the Palm Oil and the Water sectors.

##### **Palm Oil Sector**

Palm oil continues to remain as the world's largest and fastest growing crop oil and Indonesia remains the biggest producer of palm oil, with new plantations expanding in other countries like Africa, Papua New Guinea and Thailand. The Group believes that the world supply will continue to increase and therefore the demand for engineering work and refining facilities of palm oil will continue to remain strong.

With the new export tax rates and base prices per metric ton imposed by the Indonesian Government on crude palm oil ("CPO") and its derivative products that became effective on 1<sup>st</sup> May 2011, CPO producers are leaning more towards the possibility of refining CPO before exporting. This has in turn generated more refinery activities in Indonesia and created a strong demand for engineering work on value-added processing of CPO. The Group believes that this strong demand will provide its subsidiary, WSBPL and Oiltek Sdn Bhd ("Oiltek"), with more business opportunities.

The outstanding order book of the Group for its Palm Oil business currently remains strong and the Group believes that its subsidiaries, WSBPL and Oiltek will continue to contribute to the Group positively. Furthermore, the Group believes that Oiltek, with its presence and market coverage in South East Asia and other regions are in a strong position to capture the upcoming opportunities. This includes the demand derived from new plantations on refinery and downstream developments in the countries of these regions.

## **Water Sector**

As the population of the world grows, demand for clean water is expected to surge due to increased urbanisation and the worsening of the problem of scarcity of water due to global warming. As such, the importance of recycling water will continue to be critical and this has resulted in a positive outlook for the water sector and its potential.

On 23 June 2011, the Group announced that its wholly-owned subsidiary, Metax Eco Solutions Pte Ltd. ("MES") has entered into a legally binding Memorandum of Understanding ("MOU") with PT Jimbaran Hijau, the developer of Bali International Park ("BIP"), the venue for the Asia-Pacific Economic Cooperation meeting in 2013. Under the MOU, MES will be engaged as the exclusive contractor to design and build the water and wastewater treatment plants for the whole of 250 hectares of land allocated for the BIP. It will also be granted an exclusive concession to operate and maintain water and wastewater treatment plants for the entire BIP for 25 years through a joint venture company to be set up with PT Jimbaran Hijau.

As one of the world's most populous country, demand for clean water continues to rise at a rapid pace in Indonesia. Hence, Metax sees growing business opportunities in the wastewater treatment industry in Indonesia. Through the BIP project, the Group hopes to establish a foothold and capture other business opportunities in the wastewater treatment industry in Indonesia.

## **Termination of Sub-Contract with Sembawang Engineers & Constructors Pte Ltd**

As announced by the Company on 8 August 2011, its wholly-owned subsidiary, MES, has terminated/rescinded the sub-contract with Sembawang Engineers & Constructors Pte Ltd ("**SEC**"), executed on 20 February 2011, for the Complete Design, Supply, Delivery, Installation, Testing & Commissioning of Raw Water Pumping System, Inlet Chamber and Lamella Clarifier System, Sludge Treatment System and Static Mixers (the "**Sub-Contract**").

MEC has since received a letter from SEC dated 27 July 2011, stating SEC's acceptance of MEC's alleged repudiation of the Sub-Contract and SEC's intentions to pursue its rights and remedies against MEC.

MEC intends to enforce its full legal rights and pursue all remedies available against SEC vigorously.

**11. Dividend**

**(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

None

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared / recommended, a statement to that effect**

No dividend has been recommended for the year ended 30 June 2011.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUCEMENT**  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

**Review of past performance by project type**

	Water and Wastewater Treatment		Hydro Engineering		Palm Oil Industry		Total	
	FY2011 S\$' 000	FY2010 S\$'000	FY2011 S\$' 000	FY2010 S\$'000	FY2011 S\$' 000	FY2010 S\$'000	FY2011 S\$' 000	FY2010 S\$'000
Revenue	3,822	6,987	1,393	2,349	29,619	37,935	34,834	47,271
Results:								
Segment Result*	(1,087)	102	(412)	21	2,383	2,659	884	2,782
Unallocated other income							598	413
Share of profit in associate							318	252
Unallocated expenses							(1,166)	(473)
Finance expenses							(196)	(275)
Income tax expense							(920)	(659)
Non-controlling interest							(986)	(960)
(Loss)/Profit after income tax							(1,468)	1,080

\*Segment Result is the gross profit for the project type less the allocated expenses. Allocated expenses are apportioned, based on the gross profit of the project type as a percentage of the total gross profit.

**Review of past performance by geographical region**

	FY2011 S\$' 000	%	FY2010 S\$' 000	%
Malaysia	11,834	34.0	17,438	36.9
Singapore	3,717	10.7	7,952	16.8
America	406	1.2	5,916	12.5
Middle East	4,229	12.1	3,670	7.7
Others	14,648	35.0	12,294	26.1
	34,834	100.0	47,270	100.0

\*Others comprise of Thailand, Bangladesh, China, India, Pakistan, Myanmar, Indonesia and Africa.

One customer from Malaysia contributed more than 10% of the total revenue.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

#### BY PROJECT TYPE

The decrease in revenue of approximately S\$0.96 million in the hydro-engineering segment, S\$3.17 million in the water and wastewater treatment segment, and S\$8.32 million in the palm oil processing and refining industry were mainly due to lesser contracts secured in the current financial year.

#### BY GEOGRAPHICAL REGION

The decrease in revenue generated from Malaysia, Singapore, and America were mainly due to lesser contracts were secured in the current financial year.

The increase in revenue generated from Middle East and others were mainly due to the increase in revenue generated from projects from the palm oil processing and refining industry during the current financial year.

#### 15. A breakdown of sales

##### Comparison of Sales and Operating profit/loss after tax between the second half of FY2011 and the second half of FY2010

	Group		
	2H 2011 S\$' 000	2H 2010 S\$' 000	% Increase/ (Decrease)
(a) Sales reported for period	18,616	26,953	(30.9)
(b) Operating (loss)/profit after tax before deducting non-controlling interests reporting for the period	(721)	3,308	(121.8)

##### Comparison of Sales and Operating profit/loss after tax between the first half of FY2011 and the first half of FY2010

	Group		
	1H 2011 S\$' 000	1H 2010 S\$' 000	% Increase/ (Decrease)
(a) Sales reported for period	16,218	20,318	(20.2)
(b) Operating loss after tax before deducting non-controlling interests reporting for the period	239	(1,267)	118.9

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not Applicable.

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement

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