MOVING
# FORWARD
WITH **CONFIDENCE**

2014 ANNUAL REPORT

advance SCT limited

# CORPORATE PROFILE
# 集团介紹

Advance SCT Limited (the "Company" or "Advance SCT"), once the premium service provider for the recycling of metals, has since evolved to become a major supplier of copper-based products to electronic and power industries around the world. By leveraging on its past expertise in the metal industry, the Company is able to produce high-quality copper products that boast greater functional efficiency as well as increased tensile strength. These are manufactured in Advance SCT's facilities in Singapore and China.

The Company has also invested in manufacturing technologies of the future to produce CuproBraze radiators, a new generation of copper-based high-tech heat-exchangers, for the energy generation market. Moreover, Advance SCT has also invested in and operated wastewater treatment plants in China since 2013.

Advance SCT Limited has been listed on the Mainboard of the Singapore Exchange since 24 November 2004.

新亚控股集团，从提供金属资源回收的优质服务型业务，更发展成为一个领先的铜制工业产品的制造与分销业务。凭借公司在金属行业奠定的专业知识和经营管理，公司能够以更高的运作效率生产高品质的铜制成工业产品供应给全球的电子行业和电气行业。新亚控股集团主要的生产设施是在新加坡和中国。

公司目前为发电机市场研发并生产高科技附加值的新一代 CuproBraze铜制热交换器系统。此外公司也从2013开始投资并经营在中国的污水处理设施。

新亚集团于2004年11月24日起在新加坡证券交易所主板上市。

# CONTENTS


1 Chairman's Message

4 Board of Directors

6 Key Management

8 Corporate Information

9 Corporate Governance Statement

25 Financial Contents

# CHAIRMAN'S MESSAGE

## From Recycling to Manufacturing

### A year of transformative change for Advance SCT

2014 was a year of transformative change for Advance SCT.

This year, we completed the disposal of our Printed Circuit Board ("PCB") testing business and ceased the remaining recycling activities, two of the three business divisions that the new shareholders and management inherited when they came on board in 2009.

The removal of these loss-making operations and the cutting of ties with legacy partners, have strengthened the Group's financial position and improved corporate management. We recovered from a negative to a positive equity position of about S$9 million, and also turned in a profit of about S$1 million as a result of skillful negotiations in the disposal of the legacy business divisions as well as the management's relentless efforts to defend ourselves against the claims of errant partners.

The third business division that has remained in the Group is the copper ball business. This business has not been profitable due to the under-utilisation of our new manufacturing facilities in China – a hiccup typical of a first-year operation – as well as a severe slide in copper prices through the year, we hope for a turnaround in 2015. At the end of 2014, the Group acquired the copper ball manufacturing facility in Kunshan, Jiangsu province. We now own directly 100% of the facility through Western Metal Co., Ltd. We have embarked on a restructuring of this business division that aims to increase utilisation rate and reduce exposure to copper price fluctuation.

The wastewater treatment business was added as a new business division in 2012, when recycling activities were drastically reduced and resources were diverted to build the first wastewater treatment plant in Shenyang, the capital city of Liaoning province. The plant has continued to perform excellently in 2014, achieving a second-year of profit. However, the profit from wastewater treatment was insufficient to cover losses sustained from underperformance on the copper ball end and corporate expenditure. As recurring incomes were inadequate to cover its expenses for the third year, Advance SCT was put on the Singapore Exchange ("SGX") Watchlist on 4 March 2015.

On the Scheme Arrangement, 2014 saw a year of further improvement. Legacy debts acquired under the Scheme have been reduced, from $11.3 million as at 31 December 2013 to only S$5.5 million on 31 December 2014. Cash and bank balances remain healthy despite our investing in a new business, standing at S$9.7 million on 31 December 2014.

# CHAIRMAN'S MESSAGE

## THE WATCHLIST

As a result of being on the Watchlist, the Company has 24 months from 4 March 2015 to record a consolidated pre-tax profit for the most recently completed financial year – excluding exceptional or non-recurrent income and extraordinary items – and achieve an average daily market capitalisation of $40 million or more over a period of 120 days on which the share is traded. Upon fulfilling these conditions, the Company can then apply to the SGX for its removal from the Watchlist, failing which the SGX may either delist the Company or suspend trading in the Company's shares with a view to delist the Company from the SGX-ST.

Barring unforeseen circumstances we are optimistic that our copper ball business will turn profitable in 2015, especially if the segregation of manufacturing and trading can yield the desired outcome and the price of copper remains stable at its current level or appreciates gradually through the year.

At the same time, we are seeking a strong partner for our wastewater treatment business, so as to open up possibilities for further development on this front.

## LOOKING AHEAD

The Company has engaged with its major shareholders with regards to possible corporate actions that can be taken to enhance the Group's size and profitability, thus ensure its timely removal from the Watchlist. They are positively disposed towards the possibility of inviting stronger shareholders on board who can bring in additional capital and new businesses. Such external help will be useful in bringing Advance SCT back on the even keel and hopefully out of the Watchlist sooner.

## APPRECIATION

On behalf of the Board, I would like to thank all shareholders, business partners, financial institutions and other stakeholders for their unwavering support and confidence in the Group. To our board, management and staff, I would like to express my appreciation for your dedication, commitment and contribution to the Company.

# 董事长
## 致辞

# 2014年是新亚集团改革转型的一年。

在这一年里，我们完成了印刷电路板测试业务的处置，也终止了废旧金属回收业务、这两个业务是公司新股东和新董事于2009年加入时接手经营管理的三个旧业务中的两个。

集团在去除这些亏损业务的同时，也与过去的合作伙伴分道扬镳。这些措施巩固了集团公司的财务状况，也提高了公司管理素质、从而使我们的股权价值从负数恢复到900万新元的正值、并转亏为盈，取得了约100万新元的利润。这良好成绩主要归功于管理层在出售二大旧业务时的谈判技巧，以及在众多压力下极力维护集团利益的结果。

铜球业务是集团还在营运的第三个旧业务、它还没有利润的主要原因有二：一是新建的工厂在首年运营期里、生产线未能达到最佳生产状况。二是铜价大幅下滑。为此，我们对铜球业务进行了调整，相信业绩在2015年会有所好转。在2014年底，新亚集团收购了位于中国江苏省昆山市的铜球生产工厂。我们现在通过全资"苏州昆士登金属有限公司"直接拥有这些生产设备，目标是达到最高综合利用效率。

污水处理是我们在2012年新投资的业务，是集团在急速减低废旧金属业务的投资、整合资源后所建设的第一座污水处理厂，它位于中国辽宁省会沈阳市。两年来，污水处理厂一直表现优异。到2014年实现了连续第二年盈利。但遗憾的是，来自污水处理的利润并不足以弥补铜球业务表现不佳所导致的亏损以及企业的行政支出。新亚集团在2015年3月4号，由于主营业务收入不足以抵消总成本，进入了第三年的营业亏损，被新加坡证券交易所列入观察名单。

集团企业方面，2014年继续得到改善。公司的遗留债务截至2014年12月31为止，负债金额已从2013年底的1130万骤降到550万新元。而且，我们还投资了一些新的项目，但现金及银行结存在2014年底依然保持在970万新元的健康水平。

### 新交所观察名单

从被列入观察名单当日起，公司必须在24个月内刷新最近结束的财政年度的合并税前利润(不包括特殊收入或临时收入及非经常性项目)，并保持连续120天平均每天的股票交易市值达到4000万新元或以上，这样才能从新交所的观察名单中除名，否则公司可能会面临被新交所停牌或摘牌的处境。

### 展望未来

除非出现无法预测状况，我们对于铜球业务在2015年取得理想业绩还是保留着乐观态度，尤其是铜价开始保持稳定并逐渐上扬时。除了为我们的污水处理生意寻找一个实力强大的合作伙伴以外，我们也与大股东们进行讨论并寻求其他可以改善公司盈利的策略，从而确保公司能及时从新交所观察名单中除名。基于公司的各大股东都在积极的寻求外部支援以及可能引进新的大股东，我们有理由相信只要有决心，必定能够柳暗花明又一村。让我们一起携手共创奇迹。

### 鸣谢

我谨代表董事会向所有股东、合作伙伴、金融机构及其他相关部门人员表示最诚挚的谢意，感谢你们对本公司的支持和信任。同时我也要感谢我们董事会的所有成员，公司管理层及全体员工，感谢你们的忠心及奉献。

# BOARD OF DIRECTORS

## MR SIMON ENG
EXECUTIVE DIRECTOR & CHAIRMAN

**Mr Simon Eng** joined the Advance SCT Group on 12 March 2009 as its Chief Executive Officer. After the AGM in August 2009, Mr Eng took on the additional responsibility as the Chairman of the Board. In this capacity, he is responsible for the overall direction and strategic development of the Group.

Mr Eng served 18 years as a senior officer in an elite service of the Singapore Government until 2004, when he retired to join Singapore-listed United Engineers Ltd. He then served as UE's China CEO and lived in Beijing and Shanghai until 2007. Mr Eng left UE in 2008 to set up a wastes and wastewater treatment company that invested in several treatment facilities in China. He has since sold the company. In addition to his private sector experience, his many years in the public sector as well as his stint as Singapore's representative to the United Nations in 1996 has also given him extensive experience in government and diplomatic matters and exposure to international affairs.

Mr Eng graduated from the University of Hamburg, Germany, as a Naval Architect under a Singapore Public Service Commission scholarship in 1985. Post-graduation, he attended an advance management programme at the Harvard Business School.

## MR ZHANG BAOAN
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR AND VICE CHAIRMAN

**Mr Zhang Baoan** joined the Advance SCT Group as its Vice Chairman and Non-executive Director on the 1 September 2014. He currently co-owns a deep-mining equipment business in Germany jointly with Siemens, as well as a 700 MW power plant in Hefei (capital city of the Anhui province) with Beijing-based and Hefei-based state-owned enterprises.

With his substantial investments in China, Singapore and Europe, as well as his previous experience successfully developing several landmark properties in China and Germany, Mr Zhang is considered an ultra-high net worth individual and a valuable asset to Advance SCT.

Mr Zhang is currently also a director of Xingang Power Investments Ltd as well as United Power Corporation Pte Ltd.

## MR ATTLEE HUE KUAN YEW
LEAD INDEPENDENT DIRECTOR AND RC CHAIRMAN

**Mr Attlee** Hue joined the Advance SCT Group on 9 November 2009 as an Independent Director. He is currently the Chairman of the Remuneration Committee. Apart from his position in the Company, he sits on the board of another listed company in Singapore.

Mr Hue is currently an advocate & solicitor with Ng Chong & Hue LLC. The firm was established by him with two other partners in 1995. Prior to this he was a founder and managing director of AsiaEquity Partners Pte Ltd ("AsiaEquity"), an exempt fund manager in the Cayman Islands. AsiaEquity was involved in various property transactions exceeding USD500 million in the aggregate.

Prior to being involved in private equity, he was practising as an advocate and solicitor in Singapore for 15 years. During this period, he was concurrently practising with a renowned law firm in Malaysia for 10 years. He is also qualified to practise in England and Wales. He specializes in corporate law where he handles and advises on cross border and multi-jurisdictional investment structures, tax, equity and debt fund raising.

Mr Hue has an Honours degree in Law from The National University of Singapore and a Master of Business Administration, Investment and Finance, from the University of Hull which he obtained with Distinction.

## MR CHAY YIOWMIN
INDEPENDENT NON-EXECUTIVE DIRECTOR AND AC CHAIRMAN

**Mr Chay Yiowmin** joined Advance SCT Group as an Independent Director and AC Chairman on 4 September 2013. He is currently an Advisory Partner of BDO LLP, heading the Corporate Finance Department. He has more than 16 years of public accounting experience, acquired in both Singapore and the United Kingdom. Prior to joining BDO LLP, Mr Chay gained his professional experience with a number of large multinational accounting and audit firms and was admitted as a partner in 2010.

Mr Chay holds a Bachelor of Accountancy (Hons) and a Master of Business from Nanyang Technological University, and a Master of Business Administration from the University of Birmingham. He is a practising member of the Institute of Singapore Chartered

# BOARD OF DIRECTORS

Accountants (ISCA), a Certified Finance and Treasury Professional (CFTP) of the Finance and Treasury Association (FTA) and an Honorary Professor and Fellow Member of the American Academy of Financial Management (AAFM).

Mr Chay sits on ISCA's Corporate Finance Committee and the Singapore Shipping Association's (SSA) Young Executive Group. He is also the Independent Director and AC Chairman of UMS Holdings Limited.

## MR PETER CHOO CHEE KONG

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr Peter Choo** joined the Advance SCT Group on 1 May 2012 as a Non-executive Director. He is currently the Vice Chairman of CNMC Goldmine Limited, a resources company listed on SGX Catalist Board. He has more than 20 years of experience in the banking and financial industry, 14 of which were spent with DBS Bank. Of that time, he was with the Investment Banking Department for more than 8 years. From 2000 to 2006, he was CEO of SGX-listed Westcomb Financial Group Limited which he had co-founded and taken public in 2004. From 2006 to April 2008, he was the Deputy Chairman of Westcomb Financial Group. Mr Choo has been involved in the successful public listing of more than 200 companies from Singapore, the PRC, Hong Kong SAR, Philippines, Taiwan and Australia.

Mr Choo graduated from Liverpool University, UK with a Bachelor Degree (First Class Honours) in Mechanical Engineering and obtained his MBA from Bradford University.

## MR LEE SUAN HIANG

INDEPENDENT DIRECTOR AND NC CHAIRMAN

**Mr Lee Suan Hiang** joined the Advance SCT Group on 1 January 2014. Prior to joining the Group, he had a varied career in the Public Service as Deputy Managing Director of the Economic Development Board and Chief Executive of SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research and National Arts Council before retiring in 2011. He is currently the President of the EDB Society, Chief Executive of the Real Estate Developers' Association of Singapore and Chairman of the Singapore Note & Coin Advisory Committee. He is also a Trustee of the INSEAD Singapore Fund and a member of the Board of Governors of the Chartered Management Institute. He also sits on the board of several other listed companies as an independent director.

Mr Lee is a Colombo Plan Scholar in Industrial Design (Engineering) and a Fellow of the UK Chartered Management Institute, Chartered Institute of Marketing and the World Academy of Productivity Science. He is also a graduate of the International Executive Programme at INSEAD (1988), the Leaders in Administration Programme at the Singapore Civil Service College (1997) and the Advanced Management Programme at Harvard University (1998).

## MR SONG TANG YIH

EXECUTIVE DIRECTOR & PRESIDENT

**Mr Song Tang Yih** joined the Advance SCT Group on 1 March 2014. As the President of the Company, Mr Song is responsible for corporate affairs and finance, as well as assisting the Executive Chairman of the Company in day-to-day operational matters. He is assisted by the Company's Vice President for Corporate Services and Communication, as well as the Group Financial Controller.

Before becoming President of the Advance SCT Group, Mr Song was the Chairman and Executive Director of SGX-listed Metech International Limited ("Metech"). He played an instrumental role in restructuring Metech's business, a move that subsequently led to its exit from the SGX watch list in November 2013. Prior to joining Metech, Mr Song spent 22 years in the info-communication industry. In the last 10 years of his info-communication career, Mr Song helmed the Asia Pacific operations of US-listed F5 Networks and Palo Alto Networks, managing functions across sales, marketing, go-to-market planning, budgeting and human resources.

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

# KEY MANAGEMENT

## MR SIMON ENG
Chief Executive Officer

**Mr Simon Eng** is responsible for the overall operations and business development of Advance SCT Ltd and its subsidiaries (the "Group").

## MR SONG TANG YIH
President

**Mr Song Tang Yih** is responsible for the Group's corporate affairs and finance, and also assists the Chairman and CEO in day-to-day operations. He is assisted by the Vice President for Corporate Services and Communication, as well as the Group Financial Controller.

## MS MONICA KWOK
Vice President, Corporate Affairs & Communications

**Ms Monica Kwok** is responsible for the full spectrum of corporate and secretarial functions of the Group, including investor relations and Group human resource management. Ms Kwok joined the Group in November 2007. Prior to joining the Group, she was the General Manager of the Money World Group of companies, a leading foreign exchange player, for about 12 years.

Ms Kwok graduated from Southern Cross University, Australia with a Master of Business Administration.

## MS SAMANTHA HUA LEI
Group Financial Controller

**Ms Samantha Hua** is responsible for the finance, accounting, taxation and compliance reporting for the Group and its subsidiaries. Ms Hua joined the Group in April 2013 as the Finance Manager and was appointed to the current role in December of the same year. Prior to joining the Group, Ms Hua accumulated more than six years of experience as an Audit Senior with CPA firms in Singapore.

Ms Hua graduated with a Bachelor Degree in Accounting.

## MR WANG DAMING
Group Senior Vice President for Business Development

General Manager of B&F Envirotech (Shenyang) Co., Ltd.

General Manager of Everglory Radiators (Shenyang) Co., Ltd.

**Mr Wang Daming** assists the Group CEO and President in developing new businesses for the Group, especially in China. He is also responsible for overseeing the operations of the Group's wastewater treatment plant and CuproBraze radiator factory both located in Shenyang, China.

Mr Wang possesses extensive engineering experience in China. He was a member of the expert panel in Liaoning Province put together to inspect engineering construction projects. In 2009, he was selected as an expert panel member of the Ministry of Housing and Urban-Rural Development (MOHURD –中国住建设部) of the PRC.

Mr Wang graduated with a Bachelor's degree majoring in Machine Design, Manufacturing and Automation from Nanchang Aerospace University (南昌航空大学).

## MR YANG JIYE
President, China Operations

**Mr Yang Jiye** is responsible for the Group's corporate matters, including its finance and human resources, in China. He also assists the Group CEO and President in overseeing all its operations in China. With his extensive understanding and familiarity with the various branches of the Group's operations, Mr Yang contributes significantly in the Group's strategic directions for China.

Mr Yang joined the Group in October 2011. Prior to his joining the Group, Mr Yang worked in the China headquarter of United Engineers Ltd, where he gained a wealth of experience in business management.

Mr Yang graduated from Ningxia University in Yinchuan, China.

# KEY MANAGEMENT

## MR PETER CHUE
CEO, Everglory Cooling Systems Pte. Ltd.

**Mr Peter Chue** is responsible for the design, manufacture, sales and marketing of CuproBraze radiators and radiator cores in Singapore and China.

Prior to joining the Group, Mr Chue was the Managing Director of MWF International Pte Ltd ("MWF"). He has 40 years of experience in the manufacturing of industrial radiators, with a specialty in CuproBraze technology for radiators and radiator cores. He acquired this in-depth knowledge from 1977 to 1985, first as a distributor then a licensee of industrial radiators, and eventually a full joint venture partner with Perfex McQuay Inc USA. His subsequent stints with Modine Manufacturing Co, Perfex Windhoff UK, Windhoff Germany and International Radiator Service US ("Serck") added breadth and depth to Mr Chue's credentials as he gained hands-on experience in after-sales, service and repair operations.

## MR CHANG TE LUNG
CEO, Western Copper (Taiwan) Co., Ltd.

**Mr Chang** is responsible for the marketing and sale of copper balls in Taiwan and China through the Group's Taipei-based subsidiary Western Copper Co Ltd, of which the Group is the largest shareholder. Mr Chang reports to the President. He has more than 20 years of experience in the PCB industry and has developed extensive industrial knowledge as well as a wide network of suppliers and customers of electronic OEM and ODM in Taiwan and China.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Simon Eng
Chairman
Group Chief Executive Officer
Executive Director

Zhang Baoan
Vice Chairman
Non-Independent Director

Attlee Hue Kuan Yew
Lead Independent Director

Chay Yiowmin
Independent Director

Lee Suan Hiang
Independent Director

Peter Choo Chee Kong
Non-Independent Director

Song Tang Yih
President
Executive Director

## AUDIT COMMITTEE

Chay Yiowmin (Chairman)
Attlee Hue Kuan Yew
Lee Suan Hiang

## NOMINATING COMMITTEE

Lee Suan Hiang (Chairman)
Attlee Hue Kuan Yew
Zhang Baoan

## REMUNERATION COMMITTEE

Attlee Hue Kuan Yew (Chairman)
Chay Yiowmin
Peter Choo Chee Kong

## COMPANY SECRETARY

Ng Siew Hoong

## REGISTERED OFFICE

65 Tech Park Crescent
Singapore 637787

## AUDITORS

Moore Stephens LLP
Public Accountants and
Chartered Accountants
Partner-in-charge: Neo Keng Jin
(Appointed since financial year ended 31 December 2012)

## SHARE REGISTRAR/ SHARE TRANSFER AGENT

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

## PRINCIPAL BANKERS

Overseas Chinese-Banking Corporation
63 Chulia Street
Singapore 049514

## GROUP COMPANIES: SINGAPORE

**Asiapac Recycling Pte Ltd**
*CORE BUSINESS:*
- Dealer of ferrous and non-ferrous metals

**Everglory Cooling Systems Pte Ltd**
*CORE BUSINESS:*
- Manufacturer of copper cooling systems

**Everglory Environment Pte Ltd**
*CORE BUSINESS:*
- Investment holding

**Green World Holdings Ltd**
*CORE BUSINESS:*
- Investment holding

**Greenworld Metals Pte Ltd**
*CORE BUSINESS:*
- Dealer of ferrous and non-ferrous metals

## SAMOA

**SCT Western Pte Ltd**
*CORE BUSINESS:*
- Investment holding

## PEOPLE'S REPUBLIC OF CHINA

**B&F Envirotech (Shenyang) Co Ltd**
*CORE BUSINESS:*
- Wastewater treatment

**Everglory Radiators (Shenyang) Co Ltd**
*CORE BUSINESS:*
- Manufacturer of CuproBraze radiators

**Shenzhen Jestern Technology Co Ltd**
*CORE BUSINESS:*
- Trading of copper balls

**Western Metal Co Ltd**
*CORE BUSINESS:*
- Manufacturer of copper balls

## TAIWAN

**Western Copper Co Ltd**
*CORE BUSINESS:*
- Trading of copper balls

# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

The Board of Directors of Advance SCT Limited ("ASCT" or the "Group") is committed to achieving and maintaining high standards of corporate governance within the ASCT Group. We have adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") where applicable to the Group. ASCT recognizes the importance of good corporate governance for continued growth and investors' confidence. This statement outlines the corporate governance framework and practices adopted by the Company with specific reference made to each of the principles of the Code.

The Monetary Authority of Singapore ("MAS") issued the revised Code of Corporate Governance on 2 May 2012 and is effective for annual reports relating to financial years commencing from 1 November 2012. The Code is not mandatory, but listed companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the 2012 Code in their Annual Reports.

This report describes the Company's corporate governance practices that were in place throughout the 12-month financial period ended 31 December 2014 ("FY2014"), with specific reference to the Code. Where there are deviations from the Code, appropriate explanations are provided. The Company has complied with the principles of the Code where appropriate.

The Board confirms the Group has adhered to all principles and guidelines set out in the Code for FY2014 except as otherwise stated.

**The Code**

The Code is divided into four main sections, namely:

(A) Board Matters
(B) Remuneration Matters
(C) Accountability and Audit
(D) Shareholders rights and Responsibilities

## (A) BOARD MATTERS

***Principle 1: Board's Conduct of its Affairs***

***Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.***

The primary role of the Board of Directors (the "Board") is to protect and enhance long-term shareholders' value. The Board's key responsibilities include charting and reviewing the Group's overall business strategies and policies, supervising Executive Management and reviewing the Group's financial and managerial performance.

The Board is also responsible for the approval of major investment and divestment proposals. The Executive Directors play an active role in the management of the Group. They are involved in the formulation of corporate strategies and are responsible for the day-to-day operations and administrative activities of the Group.

# CORPORATE GOVERNANCE STATEMENT

The Board comprises the following Directors:

| | | |
|---|---|---|
| Simon Eng | – | Chairman and Executive Director (Chief Executive Officer) |
| Zhang Baoan | – | Vice Chairman and Director (Non-Executive) |
| Attlee Hue Kuan Yew | – | Lead Independent Director |
| Chay Yiowmin | – | Director (Independent Non-Executive) |
| Lee Suan Hiang | – | Director (Independent Non-Executive) |
| Peter Choo Chee Kong | – | Director (Non-Executive) |
| Song Tang Yih | – | Director (Executive) |

To assist the Board in the execution of its responsibilities, the Board has established a number of Board Committees, namely the Nominating Committee (the "NC"), the Remuneration Committee (the "RC"), the Audit Committee (the "AC") and the Risk Management Committee (the "RMC"). These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board.

The full Board meets at least three times a year. Whenever warranted by particular circumstances, adhoc, non-scheduled Board meetings are convened. In addition to these meetings, some matters concerning the Group are also put to the Board for its decision by way of written resolutions. A Board meeting may also be conducted by way of tele-conferences and video conferences.

The number of Board meetings and other meetings held in 2014 and the attendances of the Directors at these meetings are set out below:

| Name of Directors | Board Meetings | | Audit Committee Meetings | | Nominating Committee Meetings | | Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Simon Eng | 4 | 4 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| Attlee Hue Kuan Yew | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Chay Yiowmin | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Peter Choo Chee Kong | 4 | 4 | 4 | NA | 1 | 1 | 1 | 1 |
| Lee Suan Hiang[1] | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Song Tang Yih[2] | 4 | 4* | 4 | NA | 1 | NA | 1 | NA |
| Zhang Baoan[3] | 4 | 1 | 4 | NA | 1 | NA | 1 | NA |

1 Appointed on 1 January 2014
2 Appointed on 1 March 2014; Attended the Board Meeting on 25 February 2014 as an invitee.
3 Appointed on 1 September 2014

# CORPORATE GOVERNANCE STATEMENT

**Matters Requiring Board Approval**

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

(a) results announcement;
(b) annual report and accounts;
(c) declaration of interim and/proposal of final dividends;
(d) authorisation of new banking facilities;
(e) changes in corporate strategy;
(f) convening of shareholders' meeting; and
(g) acquisitions and disposals and funding of investments.

New Directors receive appropriate orientation to provide them with background information about the Group's history, strategic directions and industry-specific knowledge. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. During the year, the Board was briefed and/or updated on the changes of rules and/or regulations, including but not limited to:

(i) amendments to the SGX-ST Listing Manual;
(ii) amendments to Code of Corporate Governance; and
(iii) recent changes to the accounting standards.

Newly appointed Directors are advised of their statutory duties as well as their other responsibilities as Directors. The Company encourages Directors to attend training courses organised by the Singapore Institute of Directors or other training institutions to better understand and perform their duties.

***Principle 2:* Board Composition and Guidance**

***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 and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

The Board presently comprises two (2) Executive Directors, three (3) Independent, Non-Executive Directors and two (2) Non-Independent, Non-Executive Directors who collectively have the required core competencies and diversity of experience to effectively contribute to the Company. Their varied experience is particularly important in ensuring that the strategies proposed by the Management are fully discussed and examined, taking into account the long term interests of the Company and the Group. Profiles of the Directors are set out in the Board of Directors section of this Annual Report.

**Members of the Board of Directors**

The Board has three (3) independent members, representing about half of the Board. They are Mr Attlee Hue Kuan Yew, Mr Chay Yiowmin, and Mr Lee Suan Hiang. This does not satisfy the Code. However, the Nominating Committee is in the process of reviewing candidates' suitability to join the Board as an Independent Director. The criterion for independence is based on the definition set out in the Code. The Board is satisfied that they fulfill the definition of an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment. The Board is of the view that no individual or small group of individuals dominates the Board's decision making process.

# CORPORATE GOVERNANCE STATEMENT

***Principle 3:* Chairman and Chief Executive Officer ("CEO")**

***There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing company's business. No one individual represents a considerable concentration of power.***

Mr Simon Eng is both the Chairman and the Chief Executive Officer ("CEO") of the Company. The Chairman is responsible for the effective conduct of Board meetings. The Chairman's responsibilities in respect of Board proceedings include:

(a) scheduling of meetings to enable the Board to perform its duties in a responsible manner while, at the same time, not interfering with the flow of the Group's operations;
(b) exercising control over the quality, quantity and timeliness of information exchange between the Board and the Management as well as the effectiveness of decision-making process;
(c) ensuring active participation by every member of the Board; and
(d) taking the leading role in ensuring the Group's compliance with the Code.

As CEO of the Company, Mr Eng is responsible for overseeing the overall management and strategic development of the Group. He is assisted by Mr Song, the President, responsible for corporate affairs, finance and day-to-day operational matters. Both Mr Eng and Mr Song report to the Board and ensure that policies and strategies adopted by the Board are implemented.

As the Chairman and CEO of the Group are not separate roles, Mr Attlee Hue Kuan Yew was appointed as the Lead Independent Director on 31 May 2010 to lead and coordinate the activities of the Non-Executive Directors of the Company. The Board is of the view that the discharge of responsibilities in the two roles by the same person is not compromised as there exists a strong independent element on the Board and there is adequate balance of power and safeguards in place against any uneven concentration of authority in a single individual.

**Principle 4:**

***There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.***

The NC comprises the following Directors:

1. Lee Suan Hiang (Chairman)
2. Attlee Hue Kuan Yew (Member)
3. Zhang Baoan (Member)

# CORPORATE GOVERNANCE STATEMENT

The NC has adopted specific terms of reference and its principal functions are as follows:

- establish the criteria and desirable attributes of new appointees to the Board and to make recommendations to the Board on all Board appointments;
- make recommendations to the Board on all nominations of Directors for re-election having regard to the Director's past contribution and performance;
- determine the independence of Directors annually, guided by the independent guidelines contained in the Code; and
- assess the performance of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board.

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

(a) the geographical spread and diversity of the Group's businesses;
(b) the strategic directions and advancement of the Group;
(c) the current composition of the Board; and
(d) the need for independence.

Pursuant to Article 104 of the Company's Articles of Association, one-third of the Directors shall retire by rotation at every Annual General Meeting ("AGM").

Article 108 of the Company's Articles of Association provides that newly appointed Directors would be required to submit themselves for re-nomination and re-election at the forthcoming AGM. In accordance with the Company's Articles of Association, Zhang Baoan shall retire pursuant to Article 108 at the forthcoming AGM, and has consented for re-election. Subject to being duly re-elected, Mr Zhang will remain as the member of the NC.

The names of the directors submitted for re-appointment have confirmed that there are no relationships, including immediate family relationships between the candidate and the other Directors, the Company or its shareholders.

The Board has reviewed the independence of each director for the financial year ended 31 December 2014 ("FY2014") in accordance with the Code's definition of independence and is satisfied that about half of the Board comprised Independent Non-Executive Directors.

The Board is of the view that, the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors such as whether they are in full-time employment and their other responsibilities. A Director with multiple directorships is expected to ensure that sufficient attention is given to the affairs of the Group. The Board believes that each individual Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Company, bearing in mind his other commitments. In considering the nomination of Directors for appointment or re-election, the NC will take into account, amongst other things, the competing time commitments faced by Directors with multiple Board memberships. All Directors had confirmed that notwithstanding the number of their individual listed company board representations and other principal commitments, which the Directors held, they were able to devote sufficient time and attention to the affairs of the Company. The Board is satisfied that each Director is able to and has been adequately carrying out his duties as a director of the Company.

# CORPORATE GOVERNANCE STATEMENT

As at the date of this report, the members of the Board and their details are set out below:

| Name of Director | Date of appointment/ (last re-election) | Nature of appointment | Other functions | Academic and professional qualifications | Directorships or Chairmanships both present and held over last 3 years in other listed companies and other major appointments |
|---|---|---|---|---|---|
| Simon Eng | 12 March 2009 (30 April 2014)<br><br>Appointed as Chief Executive Officer on 25 March 2009<br><br>Appointed as Chairman on 28 August 2009 | Executive Director<br><br>Chief Executive Officer<br><br>Chairman | N.I.L. | MSc in Engrg (Uni. Hamburg)<br><br>General Management Programme (Harvard) | Present directorship<br><br>Metech International Ltd<br><br>Past directorship<br><br>*Teledata (Singapore) Ltd* |
| Attlee Hue Kuan Yew | 9 November 2009 (30 April 2012)<br><br>Appointed as Lead Independent Director on 31 May 2010 | Non-Executive Independent | Chairman of RC<br><br>Member of AC & NC | LLB (Honours) (NUS)<br><br>MBA (Hull) | Present directorship<br><br>*Asiasons Capital Limited*<br><br>Past directorship<br><br>*NIL* |
| Peter Choo Chee Kong | 1 May 2012 (30 April 2013) | Non-Executive | Member of RC | BSc (First Class Honours) in Mechanical Engrg (Liverpool Uni.)<br><br>MBA (Bradford Uni.) | Present directorship<br><br>*CNMC Goldmine Ltd*<br>*Second Chance Properties Limited*<br>*FDS Networks Group Limited*<br><br>Past directorship<br><br>*Falmac Ltd* |
| Chay Yiowmin | 4 September 2013 (30 April 2014) | Non-Executive Independent | Chairman of AC<br><br>Member of RC | BAcc (Honours) MBus (NTU)<br><br>MBA (Birmingham) | Present directorship<br><br>*UMS Holdings Ltd*<br><br>*8I Holdings Ltd*<br><br>Past directorship<br><br>*NIL* |

# CORPORATE GOVERNANCE STATEMENT

| Name of Director | Date of appointment/ (last re-election) | Nature of appointment | Other functions | Academic and professional qualifications | Directorships or Chairmanships both present and held over last 3 years in other listed companies and other major appointments |
|---|---|---|---|---|---|
| Lee Suan Hiang | 1 January 2014<br>(30 April 2014) | Non-Executive Independent | Chairman of NC<br><br>Member of AC | BA (Honours) Ind Design Engrg (Manchester Poly, UK)<br><br>Leaders in Admin Programme (Civil Svc College)<br><br>Int'l Executive Programme (INSEAD)<br><br>Advanced Management Programme (Harvard) | Present directorship<br><br>Viking Offshore & Marine Ltd<br>United Envirotech Ltd<br>Memstar Technology Ltd<br><br>Past directorship<br><br>The Esplanade Co Ltd |
| Song Tang Yih | 1 March 2014<br>(30 April 2014) | Executive Director<br><br>President | N.I.L. | BSc (NUS) | Present directorship<br><br>*NIL*<br><br>Past directorship<br><br>Metech International Limited |
| Zhang Baoan | 1 September 2014 | Non-Executive<br><br>Vice Chairman | Member of NC | BSc | Present directorship<br><br>*NIL*<br><br>Past directorship<br><br>*NIL* |

Details of Directors' Shareholding in the Company and its subsidiaries are set out in the Directors' Report.

# CORPORATE GOVERNANCE STATEMENT

***Principle 5:* Board Performance**

***There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.***

The Board recognizes the merit of having some degree of formal assessment of the effectiveness of the Board as a whole and the Directors individually. The NC together with the Board have considered the guidelines contained in the Code and formulated a plan to evaluate the performance of the Board as well as the individual Directors using a set of performance criteria.

Each year, the NC adopts the plan by way of questionaires and all Directors participate in the evaluation process to evaluate the effectiveness of the Board as a whole and the Board Committees. The findings collated, evaluated and reported, together with the recommendations were reviewed by the Chairman of the NC, and presented to the Board. The Board was also able to access the Board Committees through their regular reports to the Board on their activities.

***Principle 6:* Access to Information**

***In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

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

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

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

## (B) REMUNERATION MATTERS

***Principle 7:* Procedures for Developing Remuneration Policies**

***There should be formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.***

The RC comprises the following directors:

1. Attlee Hue Kuan Yew (Chairman)
2. Chay Yiowmin (Member)
3. Peter Choo Chee Kong (Member)

# CORPORATE GOVERNANCE STATEMENT

The RC has access to advice from the internal human resource department, and if necessary, expert advice from outside the Company is sought.

The RC's responsibilities include the following:

- reviews and recommends to the Board the remuneration packages of the Executive and Non-Executive Directors of the Board and key executives of the Group. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options or performance shares, and benefits-in-kind;
- reviews and recommends to the Board the terms of service agreements of the Directors; and
- administers the Advance SCT Employee Share Option Scheme and Advance SCT Performance Shares Scheme

***Principle 8:* Level and Mix of Remuneration**

***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.***

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

The remuneration of Non-Executive Directors is determined by the Executive Director on the recommendation of the RC, based on the effort and time spent, and their responsibilities. The total remuneration of the Non-Executive Directors is put up for approval at Annual General Meetings.

The remuneration for Executive Directors comprises a basic salary and a variable component which comes in the forms of an annual bonus and share options or performance shares. Service contracts for the Executive Directors, if any, do not contain clauses that make their removal onerous.

***Principle 9:* Disclosure on Remuneration**

***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 management personnel, and performance.***

# CORPORATE GOVERNANCE STATEMENT

Details of remuneration and fees paid to the Directors' and key executives' for FY2014 are set out below:

| Name of Directors | Remuneration Band | Salary (%) | Bonus (%) | Fee (%) | Allowances and other benefits (%) | Total (%) |
|---|---|---|---|---|---|---|
| Simon Eng[1] | $250,000 to below $500,000 | 80 | 19 | – | 1 | 100 |
| Attlee Hue Kuan Yew[2] | Below $250,000 | – | – | 100 | – | 100 |
| Peter Choo Chee Kong[3] | Below $250,000 | – | – | 100 | – | 100 |
| Chay Yiowmin[4] | Below $250,000 | – | – | 100 | – | 100 |
| Lee Suan Hiang[5] | Below $250,000 | – | – | 100 | – | 100 |
| Song Tang Yih[6] | Below $250,000 | 89 | 7 | – | 4 | 100 |
| Zhang Baoan[7] | Below $250,000 | – | – | 100 | – | 100 |

1 Appointed as Director on 12 March 2009. Appointed as CEO on 25 March 2009. Appointed as Chairman of the Board of Directors on 28 August 2009.
2 Appointed as Director on 9 November 2009. Appointed as Lead Independent Director on 31 May 2010.
3 Appointed as Director on 1 May 2012.
4 Appointed as Director on 4 September 2013.
5 Appointed as Director on 1 January 2014.
6 Appointed as Director on 1 March 2014.
7 Appointed as Director on 1 September 2014.

| Name of Key Executives (who is not a director) | Remuneration Band | Salary (%) | Bonus (%) | Allowances and other benefits (%) | Total (%) |
|---|---|---|---|---|---|
| Wang Daming | Below $250,000 | 88 | 12 | 0 | 100 |
| Yang Jiye | Below $250,000 | 84 | 16 | 0 | 100 |
| Hua Lei Samantha | Below $250,000 | 84 | 10 | 6 | 100 |
| Peter Chue | Below $250,000 | 86 | 7 | 7 | 100 |
| Chang Telung | Below $250,000 | 93 | 7 | 0 | 100 |

The annual aggregate amount of the total remuneration paid to the top 5 key executives for FY2014 is approximately S$594,000, including the share options granted to employees under the Advance SCT Employee Share Option Scheme.

The RC will review the remuneration of the Directors and the executives periodically. There are no employees receiving more than $50,000 in remuneration for FY2014 who are immediate family members of the Directors and the CEO.

# **CORPORATE GOVERNANCE** STATEMENT

## (C) ACCOUNTABILITY AND AUDIT

***Principle 10: Accountability***

***The Board should present a balanced and understandable assessment of the Company's performance, position and prospects***

In presenting the annual financial statements and interim announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced assessment of the Group's performance, financial position and business prospects. The Board is committed to providing shareholders and stakeholders with timely and accurate financial statements, and is accountable to them while the Management is accountable to the Board.

***Principle 11: Risk Management and Internal Controls***

***The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

**Internal Control Systems**

The Board recognizes that it is responsible for ensuring that the Management maintains a sound system of internal control to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the Management.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no internal control system can ever preclude all errors and irregularities. Such a system is designed to manage rather than eliminate the risk of not achieving business objectives, and can provide only reasonable and not absolute assurance against material mis-statement or loss. The Board believes that in the absence of any evidence to the contrary, and from due inquiry, the system of internal controls that has been maintained by the Management is adequate to meet the needs of the Group in its current business environment.

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

As part of the annual statutory audit, the Company's external auditors will highlight any material weaknesses in financial controls over the areas which are significant to the audit. Any material weaknesses in internal controls and recommendations for improvements are reported to the Audit Committee ("AC"). The AC also reviews the effectiveness of the actions taken on the recommendations made by the external auditors in this respect, if any.

# CORPORATE GOVERNANCE STATEMENT

The AC has reviewed the Company's system of internal controls and is satisfied that the overall systems of controls are adequate to meet the needs of the Group in its current environment. Based on the reports by external auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is satisfied and of the opinion that there are adequate and effective overall system of controls in place for the Group to address key financial, operational, compliance and information technology risks during the year. No separate risk committee has been established as the AC has assumed the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Company's risk management systems and procedures. However, the Management has engaged external advisers for consultation on the Company's Risk Governance and Internal Control Framework including requirements under the listing rules of the securities exchange's compliance policies ("Framework") and will continuously review the Framework manuals regularly to ensure its applications and relevance to the Company. The Board also receives, at regular intervals, updates from the Board committees on the key business risks, the material controls to manage these risks, and the internal audit reports on the operational effectiveness of the material controls.

The Company has in place a Whistle-Blowing Policy and a set of accompanying procedures since 1 January 2010 to guide the staff of the Company in reporting matters concerning suspected fraud, corruption, dishonest practices or other similar breaches regarding accounting, financial and audit matters, as well as alleged irregularities and violation of a general, operational and financial nature against the Company or against any applicable law. All employees are given the contact details of the Chairman of the AC for this purpose.

**Risk Management**

The Company is aware that each business and transaction of operation carries risk whether internally and/or externally in the form of environmental, operational, financial and/or Management decision making risk. The operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Other risks would include legal risk and strategic risk (the risk of a loss arising from a poor strategic business decision). The Company's Financial Risk management and policies are further outlined in the Annual Report under the heading **Financial Risk Management Objectives and Policies.**

The Group regularly reviews and improves its business and operation activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

***Principle 12:* Audit Committee**

***The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.***

The AC comprises the following Directors:

1. Chay Yiowmin (Chairman)
2. Attlee Hue Kuan Yew (Member)
3. Lee Suan Hiang (Member)

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

# CORPORATE GOVERNANCE STATEMENT

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

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

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

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

The auditors of the Company's subsidiaries and associate companies are disclosed in Note (12) to the financial statements in this Annual Report. The Board and AC have considered and confirmed that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company and the Group. Accordingly, Rule 716 of the Listing Manual is complied with.

The AC is also tasked to conduct an annual review of the independence of external auditors and the total fees for non-audit compared with audit services to satisfy itself that the nature and volume of non-audit services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination.

There were no non-audit fees paid to the external auditors for FY2014. The AC recommended the re-appointment of Moore Stephens LLP as auditors at the forthcoming AGM, and this recommendation was approved by the Board.

During the financial year 2014, the AC had held four (4) meetings to review and undertake the scope of work as set in above. The independent auditor provides regular updates and briefing to the AC on changes or amendments to accounting standard to enable the member of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

# CORPORATE GOVERNANCE STATEMENT

***Principle 13:* Internal Audit**

***The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.***

The Company has complied with the recommendation of the Code and has set-up its internal audit team effective from 1 January 2013 to ensure that the Company maintains a sound system of internal audit of the Group. The internal audit team shall report directly to the AC. The AC reviews the adequacy of the internal audit function and its standing with the Company to ensure it is able to perform its function effectively and objectively. Based on the information provided to the AC, nothing has come to the AC's attention to cause the AC to believe that the system of internal controls and risk management is inadequate.

The scope of internal audit is to:

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

## (D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

***Principle 14:***

***Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

***Principle 15:* Communication with Shareholders**

***Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

***Principle 16:* Conduct of shareholder meetings**

***Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

The Company believes in a timely and accurate dissemination of information to its shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the SGX-ST's Listing Rules and the Singapore Companies Act (Cap. 50). Where there is inadvertent disclosure made to a select group, the Company will make the same disclosure publicly as soon as practicable. Communication to shareholders is normally made through:

(a) annual reports that are prepared and issued to all shareholders;
(b) half yearly financial results containing a summary of the financial information and affairs of the Group for the period;

# CORPORATE GOVERNANCE STATEMENT

(c) notices and explanatory memoranda for general meetings;
(d) disclosures to the SGX-ST; and
(e) the Group's website at http://www.advancesct.com at which shareholders can access information on the Group.

In addition, shareholders are encouraged to attend the Annual General Meetings to promote a healthy exchange of views between the Company and shareholders. The Annual General Meeting is the principal forum for dialogue with shareholders. During the Annual General Meetings, shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the Annual General Meetings and Extraordinary General Meetings, and shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

The Chairman of the AC, RC, NC and RMC as well as the auditors will be present and on hand to address all issues raised at these meetings.

The Company allows members to appoint proxies to attend and vote at general meetings, as required under Section 181 of the Singapore Companies Act and Article 82 of the Company's Articles of Association.

Separate resolutions are proposed at general meetings for each distinct issue.

## OTHER GOVERNANCE PRACTICES

### INTERESTED PERSON TRANSACTIONS AND MATERIAL CONTRACTS

The Company has adopted an internal policy in respect of any transactions with interested persons and has procedures established for the review and approval of the Company's interested person transactions. Excluding interested person transactions carried out by the Company which fall below S$100,000, there are no interested person transactions carried out or material contracts entered into by the Group, as defined under the Listing Manual for FY2014.

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

### DEALINGS IN SECURITIES

The Company has issued an internal compliance code on securities transactions to Directors and key employees (including employees with access to price-sensitive information on the Company's shares) of the Group setting out the code of conduct on transactions in the Company's shares by these persons and the implications of insider trading. The Company has informed its Officers not to deal in the Company's shares whilst they are in possession of unpublished material and/or price-sensitive information and during the period commencing one month before the announcement of the Company's half year and full year financial results and ending on the date of the announcement of such financial results. Directors and officers are also advised not to deal in the Company's securities for short term consideration.

# CORPORATE GOVERNANCE STATEMENT

## INTERESTED PERSON TRANSACTIONS ("IPT")

The Group has adopted an internal policy in respect of any transactions with interested person within the definition of Chapter 9 of the Listing Manual of SGX-ST and has set out procedures for review and approval of all interested person transactions.

No IPT mandate has been obtained from shareholders and there were no aggregate value of transactions that are more than S$100,000 entered by the Group during the financial year which required disclosure pursuant to Rule 907 of the Listing Manual of SGX-ST.

## MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of SGX-ST, the Company confirms that there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder subsisting at the end of the financial year or have been entered into since the end of the previous financial year.

## USE OF PROCEEDS

Reference is made to the announcement released on 19 June 2014 ("Previous Announcement") in relation to the issue of 1,700,000,000 new ordinary shares in the capital of the Company at the issue price of S$0.0019 per share.

The net proceeds raised from the Placement is approximately S$3,141,000. The Company had since utilized the net proceeds as follows:-

- Approximately S$2,200,000 or about 70% of the Net Proceeds was used in expanding the copper ball business and heat-exchanger business, including the purchase of equipment and machinery, and the setting up of new production facilities;
- Approximately S$941,000 or about 30% of the Net Proceeds was used to provide general working capital for productions and operations, and improve current premises and facilities.

The Company had fully deployed the proceeds from this subscription.

## TREASURY SHARES

There are no treasury shares held by the Company at the end of the FY2014.

# REPORT OF THE DIRECTORS

31 December 2014

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Advance SCT Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

## 1 Directors

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

Simon Eng
Attlee Hue Kuan Yew
Chay Yiowmin
Lee Suan Hiang
Peter Choo Chee Kong
Song Tang Yih
Zhang Baoan (Appointed on 1 September 2014)

## 2 Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrange whose object was 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, other than as disclosed under "Share Plans" on page 26 of this report.

## 3 Directors' Interests in Shares and Debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year in shares or debentures of the Company and its related corporations (other than wholly-owned subsidiaries) are as follows:

| | Shareholdings registered in the name of directors | | Shareholdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| **Name of Directors** | **At the beginning of the financial year** | **At the end of the financial year** | **At the beginning of the financial year** | **At the end of the financial year** |
| **The Company** | | | | |
| *Number of ordinary shares* | | | | |
| Simon Eng | – | – | 794,381,365 | 1,274,644,521[1] |
| Zhang Baoan | – | – | 277,293,018 | 1,348,495,104[2] |
| Peter Choo Chee Kong | 70,941,009 | 150,941,008 | – | – |
| Song Tang Yih | 408,543,806 | 408,543,806 | – | – |
| Chay Yiowmin | 10,128,561 | 10,128,561 | – | – |

# REPORT OF THE DIRECTORS

31 December 2014

## 3 Directors' Interests in Shares and Debentures (Cont'd)

The directors' interests in the shares of the Company at 21 January 2015 were the same as at 31 December 2014.

[1] Simon Eng is deemed interested in shares held through Belle Forte Ltd.

[2] Zhang Baoan is deemed interested in the shares held through Fort Canning (Asia) Pte Ltd.

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

## 4 Directors' Contractual Benefits

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

## 5 Share Plans

### Advance SCT Employee Share Option Scheme

The Advance SCT Employee Share Option Scheme was approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 20 September 2004.

A revision to the Advance SCT Employee Share Option Scheme to abolish the "par value" was approved at the EGM on 18 February 2011.

The Remuneration Committee (the "RC") administering the Advance SCT Employee Share Option Scheme comprises directors, Mr Attlee Hue Kuan Yew (Chairman of the Committee), Mr Chay Yiowmin and Mr Peter Choo Chee Kong.

# REPORT OF THE DIRECTORS

31 December 2014

## 5 Share Plans (Cont'd)

### Advance SCT Employee Share Option Scheme (Cont'd)

Options granted and exercised during the financial year and unissued ordinary shares under option at the end of the financial year pursuant to the Advance SCT Employee Share Option Scheme were as follows:

| Date of grant | Balance at 1 January 2014 | Granted | Exercised | Lapsed | Balance at 31 December 2014 | Exercise price per share | Exercisable period |
|---|---|---|---|---|---|---|---|
| | | | | | | S$ | |
| 12 October 2010 | 8,286,000 | – | – | – | 8,286,000 | 0.0500 | 12 October 2011 to 11 October 2020 |
| 12 August 2011 | 10,200,000 | – | – | – | 10,200,000 | 0.0250 | 12 August 2012 to 11 August 2021 |
| 27 March 2012 | 9,800,000 | – | – | – | 9,800,000 | 0.0290 | 27 March 2013 to 26 March 2022 |
| 11 April 2014 | – | 22,500,000 | – | – | 22,500,000 | 0.0024 | 11 April 2015 to 10 April 2024 |
| | 28,286,000 | 22,500,000 | – | – | 50,786,000 | | |

Each share option entitles the director or employee of the Company to subscribe for one new ordinary share in the Company.

The exercise price for each share in respect of the Option, which the Option is exercisable shall be determined by the RC at its absolute discretion, and fixed by the RC at a price (the "Market Price") equal to the average of the last dealt price for a share, as determined by reference to the daily official list or other publication published by the SGX-ST for the 5 consecutive trading days immediately preceding the Grant Date of the Option, rounded up to the nearest whole cent in the event of fractional prices provided in the case of a Market Price Option that is proposed to be granted to a Controlling Shareholder or his associate, the Exercise Price for each Share shall be equal to the average of the last dealt process for a Share, as determined by reference to the daily official list published by the SGX-ST, for the 5 consecutive trading days immediately preceding the latest practicable date prior to the date of any circular, letter or notice to the shareholder proposing to seek their approval of the grant of such Options to such Controlling Shareholder or his associate.

An option shall, to the extent unexercised, immediately lapse and become null and void and a participant shall have no claim against the Company in the event that the RC shall deem it appropriate that the option granted to a participant shall lapse on the grounds that any of the objectives of the Advance SCT Employee Share Option Scheme have not been met.

These options are exercisable during the period commencing after the first anniversary of the offer date of that option and expiring on the tenth anniversary of the relevant offer date, provided that the Options are granted to a participant not holding a salaried office or employment in the Group, such exercise period shall expire on the fifth anniversary of the grant date.

# REPORT OF THE DIRECTORS

31 December 2014

## 5 Share Plans (Cont'd)

**Advance SCT Employee Share Option Scheme (Cont'd)**

The following are participants of the Advance SCT Employee Share Option Scheme who received 5% or more of the total number of options available under the Scheme, or are directors of the Company:

| Name | Options granted during the financial year | Aggregate options granted since commencement of the plan to the end of the financial year | Aggregate options exercised since commencement of the plan to the end of the financial year | Aggregate options outstanding as at the end of the financial year |
|---|---|---|---|---|
| Simon Eng | 10,000,000 | 31,286,000 | – | 31,286,000 |
| Attlee Hue | 3,000,000 | 5,000,000 | – | 5,000,000 |
| Peter Choo | 1,500,000 | 1,500,000 | – | 1,500,000 |
| Wang Daming | 2,000,000 | 3,000,000 | – | 3,000,000 |
| Monica Kwok | 2,000,000 | 4,300,000 | – | 4,300,000 |
| Total | 18,500,000 | 45,086,000 | – | 45,086,000 |

Other than as disclosed in this Report, since the commencement of the employee share option plans till the end of the financial year:

(i) No options have been granted to the controlling shareholders of the Company and their associates;

(ii) No participant other than those mentioned above has received 5% or more of the total options available under the plans;

(iii) No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and

(iv) No options have been granted at a discount.

**ASCT Performance Shares Scheme ("ASCT PS Scheme")**

The ASCT PS Scheme was approved by the shareholders of the Company at an Extraordinary General Meeting held on 13 July 2007. The Remuneration Committee was tasked to administer the Advance SCT Employee Share Option Scheme and the ASCT PS Scheme. As at the date of this report, no shares have been awarded or issued under the ASCT PS Scheme.

# REPORT OF THE DIRECTORS

31 December 2014

## 6 Audit Committee

The Audit Committee ("AC") comprises the following members, all of whom are Non-Executive Directors and Independent Directors:

| | |
|---|---|
| Chay Yiowmin | (Chairman and Independent Director) |
| Attlee Hue Kuan Yew | (Member and Independent Director) |
| Lee Suan Hiang | (Member and Independent Director) |

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

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

- Reviews the financial statements and the auditors' report on the annual financial statements of the Company before submission to the Board of Directors;

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviews the cost effectiveness and the independence and objectivity of the external auditors;

- Reviews the nature and extent of non-audit services provided by the external auditors;

- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors', and reviews the scope and results of the audit;

- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and

- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual.

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

The AC convened 4 meetings in 2014 with full attendance from all members. The AC has also met with the external auditors, without the presence of the Company's management, at least once a year.

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

# REPORT OF THE DIRECTORS

31 December 2014

## 7 Independent Auditors

Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment as the independent auditors.

On behalf of the Board of Directors,

Simon Eng
Director

Chay Yiowmin
Director

Singapore

6 April 2015

# STATEMENT BY DIRECTORS

31 December 2014

In the opinion of the directors:

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 34 to 105 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay their debts as and when they fall due.

On behalf of the Board of Directors,

Simon Eng
Director

Chay Yiowmin
Director

Singapore

6 April 2015

# INDEPENDENT AUDITORS' REPORT

To the Members of Advance SCT Limited

1. We have audited the accompanying financial statements of Advance SCT Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 105, which comprise the balance sheets of the Company and the Group as at 31 December 2014, and the consolidated statement of changes in equity, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's responsibility for the financial statements*

2. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditors' responsibility*

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Basis for Qualified Opinion*

*Limitation of Scope in auditing the financial statements of a subsidiary company for the previous financial year ended 31 December 2013*

6. Our independent auditors' report dated 8 April 2014 on the financial statements for the previous financial year ended 31 December 2013 expressed a qualified audit opinion due to the limitation of scope in auditing the financial statements of a subsidiary company for the previous financial year ended 31 December 2013.

7. The financial statements of Shenzhen Jestern Technology Co. Ltd (a subsidiary company based in the People's Republic of China which was acquired on 3 January 2013), for the previous financial year ended 31 December 2013, were audited by another auditor which was based in the People's Republic of China.

# INDEPENDENT AUDITORS' REPORT

To the Members of Advance SCT Limited

8. The consolidated financial statements of the Group for the previous financial year ended 31 December 2013 included the net profit, total assets, total liabilities and net assets of the subsidiary company amounting to S$443,375, S$7,559,568, S$5,838,985 and S$1,720,583, respectively.

9. We were unable to perform normal audit procedure as auditors of the Company on this subsidiary for the purpose of providing an opinion on the consolidated financial statements of the Group for the previous financial year ended 31 December 2013. Consequently, we were unable to determine what adjustments, if any, might be required to the consolidated financial statements of the Group for the previous financial year ended 31 December 2013.

10. Since the opening balances of the financial statements of the subsidiary company affect the determination of the Group's results of operations, we are unable to determine whether adjustments to the results of the Group's operations and the Group's opening accumulated losses might be necessary for the current financial year ended 31 December 2014.

*Qualified Opinion*

11. In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraphs 6 to 10, the balance sheet of the Company and the consolidated financial statements of the Group, 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 Company and the Group as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

*Report on Other Legal and Regulatory Requirements*

12. In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are auditors have been properly kept in accordance with the provisions of the Act.

**Moore Stephens LLP**
Public Accountants and
Chartered Accountants

Singapore
6 April 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year ended 31 December 2014

| | Note | Group 2014 S$'000 | Group 2013 S$'000 |
|---|---|---|---|
| Revenue | 4 | 69,878 | 80,880 |
| Cost of sales | | (67,071) | (77,527) |
| Gross profit | | 2,807 | 3,353 |
| Other income | 5 | 8,061 | 3,033 |
| Selling and distribution costs | | (416) | (666) |
| Administrative expenses | | (7,212) | (6,603) |
| Other expenses | | (949) | (4,632) |
| Finance costs | 6 | (1,242) | (1,302) |
| Profit/(Loss) before income tax | 7 | 1,049 | (6,817) |
| Income tax expense | 8 | (46) | (137) |
| Net profit/(loss) for the year | | 1,003 | (6,954) |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| – Net gain relating to translation of financial statements of foreign subsidiaries | | 196 | 277 |
| – Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary | | 125 | – |
| Other comprehensive income, net of tax | | 321 | 277 |
| **Total comprehensive profit/(loss) for the year** | | 1,324 | (6,677) |
| Total profit/(loss) after tax attributable to: | | | |
| Equity holders of the Company | | 1,999 | (6,342) |
| Non-controlling interests | | (996) | (612) |
| | | 1,003 | (6,954) |
| Total comprehensive profit/(loss) attributable to: | | | |
| Equity holders of the Company | | 2,148 | (6,077) |
| Non-controlling interests | | (824) | (600) |
| | | 1,324 | (6,677) |
| Earnings/(Losses) per share attributable to owners of the Company (Cents) | | | |
| Basic | 9 | 0.02 | (0.18) |
| Diluted | 9 | 0.02 | (0.18) |

The accompanying notes form an integral part of these financial statements

# BALANCE SHEETS

As at 31 December 2014

| | Note | Group 2014 S$'000 | Group 2013 S$'000 | Company 2014 S$'000 | Company 2013 S$'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 10 | 3,365 | 2,626 | – | – |
| Intangible assets | 11 | 1,714 | 1,016 | – | – |
| Investment in subsidiaries | 12 | – | – | 1,474 | 3,596 |
| Financial receivables | 15 | 7,359 | 7,027 | – | – |
| | | 12,438 | 10,669 | 1,474 | 3,596 |
| **Current Assets** | | | | | |
| Inventories | 16 | 3,619 | 2,757 | – | – |
| Prepayments | | 811 | 554 | 9 | 10 |
| Trade and other receivables | 17 | 13,272 | 19,529 | 8,868 | 5,675 |
| Financial receivables | 15 | 126 | 132 | – | – |
| Cash and cash equivalents | 18 | 9,735 | 13,332 | 388 | 2,025 |
| | | 27,563 | 36,304 | 9,265 | 7,710 |
| Assets classified as held for sale | 19 | – | 2,140 | – | – |
| **Current Assets** | | 27,563 | 38,444 | 9,265 | 7,710 |
| **Total Assets** | | 40,001 | 49,113 | 10,739 | 11,306 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 20 | 9,859 | 14,926 | 3,169 | 6,109 |
| Interest-bearing liabilities | 21 | 16,212 | 20,438 | 1,687 | 1,562 |
| Provision | 24 | – | 1,868 | – | – |
| Income tax payable | | – | 4 | – | – |
| Liabilities directly associated with assets classified as held for sale | 19 | – | 1,338 | – | – |
| | | 26,071 | 38,574 | 4,856 | 7,671 |
| **Net Current Assets/(Liabilities)** | | 1,492 | (130) | 4,409 | 39 |
| **LIABILITIES** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Interest-bearing liabilities | 21 | 4,054 | 10,776 | 3,889 | 10,776 |
| Deferred tax liabilities | 8 | 436 | 254 | – | – |
| | | 4,490 | 11,030 | 3,889 | 10,776 |
| **Total Liabilities** | | 30,561 | 49,604 | 8,745 | 18,447 |
| **Net Assets/(Liabilities)** | | 9,440 | (491) | 1,994 | (7,141) |
| **Capital and Reserves** | | | | | |
| Share capital | 22(b) | 195,155 | 178,147 | 195,155 | 178,147 |
| Capital reserve | 22(c) | (146) | (361) | – | – |
| Share application monies | 22(a) | 1,127 | 9,510 | 1,127 | 9,510 |
| Share options reserve | 22(d) | 815 | 815 | 815 | 815 |
| Revaluation reserve | 22(e) | – | 1,245 | – | – |
| Foreign currency translation reserve | 23 | 174 | 25 | – | – |
| Accumulated losses | | (190,208) | (193,452) | (195,103) | (195,613) |
| **Total attributable to equity holders of the Company** | | 6,917 | (4,071) | 1,994 | (7,141) |
| Non-controlling interests | | 2,523 | 3,580 | – | – |
| **Capital surplus/(deficit)** | | 9,440 | (491) | 1,994 | (7,141) |

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 December 2014

| | | Attributable to the equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | Note | Share capital S$'000 | Capital reserve S$'000 | Share application monies S$'000 | Share option reserve S$'000 | Revaluation reserve S$'000 | Foreign currency translation reserve S$'000 | Accumulated losses S$'000 | Total attributable to equity holders of the Company S$'000 | Non-controlling interests S$'000 | Equity S$'000 |
| **2014** | | | | | | | | | | | |
| Balance at 1 January | | 178,147 | (361) | 9,510 | 815 | 1,245 | 25 | (193,452) | (4,071) | 3,580 | (491) |
| Net profit for the year | | - | - | - | - | - | - | 1,999 | 1,999 | (996) | 1,003 |
| Other comprehensive income | | - | - | - | - | - | 149 | - | 149 | 172 | 321 |
| Total comprehensive income/(loss) for the year | | - | - | - | - | - | 149 | 1,999 | 2,148 | (824) | 1,324 |
| Issuance of ordinary shares | 22(b) | 7,029 | - | - | - | - | - | - | 7,029 | - | 7,029 |
| Share application monies | 22(a) | - | - | (3,734) | - | - | - | - | (3,734) | - | (3,734) |
| Conversion of Scheme Convertible Notes/ serviceable loans to Shares | 22(a)(b) | 10,217 | - | (4,649) | - | - | - | - | 5,568 | - | 5,568 |
| Acquisition of additional interest in subsidiaries | 12(d) | - | 215 | - | - | - | - | - | 215 | (295) | (80) |
| Disposal of subsidiaries | 12(c) | - | - | - | - | - | - | - | - | 62 | 62 |
| Transfer of revaluation reserve | 22(e) | - | - | - | - | (1,245) | - | 1,245 | - | - | - |
| Share issue expenses | 22(b) | (238) | - | - | - | - | - | - | (238) | - | (238) |
| Balance at 31 December | | 195,155 | (146) | 1,127 | 815 | - | 174 | (190,208) | 6,917 | 2,523 | 9,440 |

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 December 2014

| Group | Note | Share capital S$'000 | Capital reserve S$'000 | Share application monies S$'000 | Share option reserve S$'000 | Revaluation reserve S$'000 | Foreign currency translation reserve S$'000 | Accumulated losses S$'000 | Total attributable to equity holders of the Company S$'000 | Non-controlling interests S$'000 | Equity S$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to the equity holders of the Company | | | | | | | | | |
| **2013** | | | | | | | | | | | |
| Balance at 1 January | | 125,444 | (224) | 31,386 | 815 | 1,245 | (240) | (187,107) | (28,681) | 1,240 | (27,441) |
| Net loss for the year | | – | – | – | – | – | – | (6,342) | (6,342) | (612) | (6,954) |
| Other comprehensive income | | – | – | – | – | – | 265 | – | 265 | 12 | 277 |
| Total comprehensive income/(loss) for the year | | – | – | – | – | – | 265 | (6,342) | (6,077) | (600) | (6,677) |
| Transferred from accumulated losses | | – | 3 | – | – | – | – | (3) | – | – | – |
| Issuance of ordinary shares | 22(b) | 2,000 | – | – | – | – | – | – | 2,000 | – | 2,000 |
| Share application monies | 22(a) | – | – | 3,671 | – | – | – | – | 3,671 | – | 3,671 |
| Conversion of Scheme Convertible Notes/ serviceable loans to Shares | 22(a)(b) | 49,703 | – | (25,547) | – | – | – | – | 24,156 | – | 24,156 |
| Acquisition of interest in subsidiaries | 12(b) | – | – | – | – | – | – | – | – | 2,910 | 2,910 |
| Loss on dilution on interest in subsidiary | 22(c) | – | (140) | – | – | – | – | – | (140) | 140 | – |
| Disposal of subsidiaries | 12(c) | – | – | – | – | – | – | – | – | (110) | (110) |
| Share issue expenses | 22(b) | (130) | – | – | – | – | – | – | (130) | – | (130) |
| Capitalisation of eligible debts | 22(b) | 1,130 | – | – | – | – | – | – | 1,130 | – | 1,130 |
| Balance at 31 December | | 178,147 | (361) | 9,510 | 815 | 1,245 | 25 | (193,452) | (4,071) | 3,580 | (491) |

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 December 2014

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| **Cash Flows from Operating Activities** | | |
| Profit/(Loss) before tax | 1,049 | (6,817) |
| Adjustments for: | | |
| Allowance for stock obsolescence | 72 | – |
| Unrealised future trading loss | 47 | 107 |
| Unrealised foreign exchange (gain)/loss | (149) | 95 |
| Depreciation of property, plant and equipment | 315 | 649 |
| Interest and bank charges | 1,242 | 1,302 |
| Interest income | (9) | (3) |
| Goodwill written off | – | 560 |
| Impairment of property, plant and equipment | 117 | 109 |
| Gain on deemed disposal of an associate | – | (536) |
| (Gain)/loss on disposal of subsidiaries | (1,708) | 86 |
| (Gain)/loss on disposal of property, plant and equipment | (1,094) | 187 |
| Gain on disposal of assets held for sale | (1,300) | – |
| Write back of impairment of trade and other receivables, net | (519) | (92) |
| Write back of provision for legal/corporate claims (Note 24) | (1,868) | – |
| Write off of interest-bearing liabilities | (124) | – |
| Write off of property, plant and equipment | 150 | – |
| **Operating cash flows before changes in working capital** | (3,779) | (4,353) |
| Working capital changes: | | |
| Inventories | (904) | (552) |
| Trade and other receivables | 3,866 | 2,761 |
| Trade and other payables | (5,486) | 4,852 |
| **Cash (used in)/generated from operations** | (6,303) | 2,708 |
| Interest and bank charges paid | (1,242) | (1,302) |
| Interest received | 9 | 3 |
| Income tax paid | (54) | (199) |
| **Net cash (used in)/generated from operating activities** | (7,590) | 1,210 |
| **Cash Flows from Investing Activities** | | |
| Net cash (outflow)/inflow from acquisition of subsidiaries | (469) | 4,611 |
| Purchase of property, plant and equipment | (1,021) | (189) |
| Proceeds from disposal of property, plant and equipment | 2,700 | 374 |
| Net cash inflow from disposal of subsidiaries | 233 | 855 |
| Proceeds from disposal of assets held for sale | 2,095 | – |
| **Net cash generated from investing activities** | 3,538 | 5,651 |
| **Cash Flows from Financing Activities** | | |
| Repayment of borrowings | (5,512) | – |
| Issuance of ordinary shares/share application monies | 7,029 | 5,671 |
| Cash restricted in use | (551) | (1,605) |
| Repayment of finance lease payables | (751) | (51) |
| Expenses incurred in issuance of shares | (238) | (130) |
| Acquisition of additional interest in subsidiary from non-controlling interest | (80) | – |
| **Net cash (used in)/generated from financing activities** | (103) | 3,885 |
| Net (decrease)/increase in cash and cash equivalents | (4,155) | 10,746 |
| Cash and cash equivalents at the beginning of the financial year | 11,734 | 988 |
| **Cash and cash equivalents at the end of the financial year (Note 18)** | 7,579 | 11,734 |

The accompanying notes form an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

## 1 Corporate Information

Advance SCT Limited ("the Company") is a limited liability company, incorporated and domiciled in Singapore with its registered office and principal place of business at 65 Tech Park Crescent, Singapore 637787. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

The Board of Directors has authorised the issue of the financial statements with a resolution of the directors on the date of the Statement by Directors.

## 2 Summary of Significant Accounting Policies

### (a) Basis of Preparation

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (b) Changes in Accounting Policies

*Adoption of New and Revised FRS*

For the financial year ended 31 December 2014, the Group has adopted the following new/revised FRS that are mandatory for application in the said year and which are relevant to the Group.

FRS 27 (Revised) *Separate Financial Statements*

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

FRS 28 (Revised) *Investment in Associates and Joint Venture*

FRS 28 (Revised) *Investment in Associates and Joint Ventures* changes in scope as a result of the issuance of FRS 111 *Joint Arrangements*. It continues to prescribe the mechanics of equity accounting. It is effective for accounting periods beginning on or after 1 January 2014. The adoption of this standard does not have any impact on the financial position or financial performance of the Group.

Amendments to FRS 36 *Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or Cash-Generating Unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. The adoption of this standard does not have any impact on the financial position or financial performance of the Group.

FRS 110 *Consolidated Financial Statements*

FRS 110 supersedes FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities*, which is effective for accounting periods beginning on or after 1 January 2014. It changes the definition of control and applies it to all investees to determine the scope of consolidation. It requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The changes are effective for accounting periods beginning on or after 1 January 2014. The adoption of this standard does not have any impact on the financial position or financial performance of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (b) Changes in Accounting Policies (Cont'd)

*Adoption of New and Revised FRS* (Cont'd)

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It requires an entity to provide summarised financial information about the assets, liabilities, profit or loss and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity. The changes are effective for accounting periods beginning on or after 1 January 2014. The adoption of FRS 112 are disclosed in Note 12 to the financial statements.

*New and Revised FRS issued but not yet effective*

At the date of authorisation of these financial statements, the relevant new/revised FRS that have been issued but are not yet effective is as follows:

Improvements to FRSs January 2014 – FRS 24 *Related Party Disclosures*

The amendment clarifies that an entity providing key management personnel services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expense incurred for management services. The amendment is effective for accounting periods beginning on or after 1 July 2014. As this is a disclosure requirement, it will not have any impact on the financial position or financial performance of the Group when implemented.

Improvements to FRSs January 2014 – FRS 27 *Equity Method in Separate Financial Statements*

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39 or IFRS 9), which currently exists and will continue to be available. The standard is effective for accounting period beginning on or after 1 January 2016. The amendment will not have any impact on the financial position or financial performance of the Group when implemented.

Improvements to FRSs January 2014 – FRS 16 & 38 *Property, Plant & Equipment and Intangible Assets*

The amendment prohibits revenue-based depreciation and amortisation methods for property, plant and equipment, and with some exceptions, intangible assets. This standard is effective for accounting period beginning on or after 1 January 2016. The amendment will not have any impact on the financial position or financial performance of the Group when implemented.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (b) Changes in Accounting Policies (Cont'd)

*New and Revised FRS issued but not yet effective* (Cont'd)

Improvements to FRSs January 2014 – FRS 102 *Share-based Payment*

The amendment changes the definitions of 'vesting conditions' and 'market condition' and add the definitions of 'performance condition' and 'service condition' to clarify various issues, including: (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment is effective prospectively for which the grant date of the share-based transaction is on or after 1 July 2014. The Group is in the process of assessing the impact on the financial statements.

Improvements to FRSs January 2014 – FRS 103 *Business Combinations*

The amendment clarifies that contingent consideration of an acquirer in a business combination shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with FRS 39. This amendment is effective prospectively to business combinations for which the acquisition date is on or after 1 July 2014. The Group is in the process of assessing the impact on the financial statements.

Improvements to FRSs January 2014 – FRS 108 *Operating Segments*

The amendment requires an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014. As this is a disclosure requirement, it will not have any impact on the financial position or financial performance of the Group when implemented.

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. This standard also provides a simplified hedge accounting model that will align more closely with the entity's risk management strategies. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is in the process of assessing the impact on the financial statements.

# **NOTES TO THE** FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (b) Changes in Accounting Policies (Cont'd)

*New and Revised FRS issued but not yet effective* (Cont'd)

FRS 115 *Revenue Contracts from Customers*

FRS 115 changes the revenue recognition model under Singapore Financial Reporting Standards. The core principle of FRS 115 is to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The standard is effective for accounting periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact on the financial statements.

### (c) Basis of Consolidation

*Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

*Acquisition of business*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (c) Basis of Consolidation (Cont'd)

*Acquisition of business (Cont'd)*

Contingent consideration arrangements arising from business combinations under the revised FRS 103 Business Combinations, are recognised at fair value at initial recognition, even if it is deemed not to be probable of payment at the date of the acquisition. All subsequent changes in the contingent consideration are recognised in profit or loss, rather than the goodwill.

Acquisition-related costs are expensed as incurred.

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

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable 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 net identifiable assets acquired is recorded as goodwill.

Disposals of subsidiaries or businesses

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

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

### (d) Transactions with Non-Controlling Interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (e) Foreign Currency

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

Transactions in currencies other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and a net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement presenting profit or loss and other comprehensive income shall be translated at exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (f) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Land and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made annually to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

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

| | **Years** |
|---|---|
| Leasehold building | Over the remaining term of lease |
| Plant and equipment | 5 to 10 |
| Office equipment, furniture and fittings | 1 to 10 |
| Motor vehicles | 5 to 10 |

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (g) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

### (h) Assets held-for-Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell.

The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

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

*(i) Goodwill*

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

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

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

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

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

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

*(ii) Intangible assets (other than goodwill), property, plant and equipment and investments in subsidiaries and associate*

Intangible assets, property, plant and equipment and investments in subsidiaries and associate are tested for impairment whenever there is any indication that these assets may be impaired.

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (j) Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### (k) Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's and Company's investment in an associate are accounted for using the equity method. Under the equity method, the investment in an associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group. In the Company's separate financial statements, investment in an associate is recognised at cost less impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (l) Financial Assets

Financial assets are recognised on the balance sheet when, and only when, the Group and Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

*(i) Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables including trade and other receivables, and cash and cash equivalents. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

*(ii) Available-for-sale financial assets*

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (m) Impairment of Financial Assets

The Group and Company assess at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(i) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) *Available-for-sale financial assets*

A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense.

The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (n) Inventories

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

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

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

### (o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, fixed deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### (p) Financial Liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group and Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised or impaired, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (q) Financial Guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are measured initially at their fair values and, if not designated as financial asset at fair value through profit or loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions with regards to the financial guarantee are eliminated on consolidation.

### (r) Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale. All other borrowing costs are charged to profit or loss.

### (s) Provisions

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (t) 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. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund and Social Insurance Schemes participated by the subsidiaries (in respect of retirement insurance and medical insurance scheme organised by the People's Republic of China ("PRC") provisional social security bureau pursuant to the relevant provisions), and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group's contributions to defined contributions are recognised as employee compensation expense when they are due.

*Share-based payments*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (u) Leases

*(i) As lessee*

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

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

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

*(ii) As lessor*

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

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

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

### (v) Revenue

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

*(i) Sales of goods*

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

*(ii) Rendering of services*

Revenue from testing services is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is determined by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (v) Revenue (Cont'd)

*(iii) Interest income*

Interest income is recognised using the effective interest method.

*(iv) Rental income*

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

*(v) Finance income*

Finance income, which represents the interest income on the financial receivable arising from a service concession arrangement, is recognised using the effective interest method.

*(vi) Dividend income*

Dividend income is recognised when the right to receive payment is established.

*(vii) Futures contracts*

Revenue of marked to market commodity futures contracts is included in profit or loss when the Group has transferred to the buyer the significant risks and rewards of the contracts.

### (w) Income Taxes

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

*(i) Current tax*

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (w) Income Taxes (Cont'd)

*(ii) Deferred tax*

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 2 Summary of Significant Accounting Policies (Cont'd)

### (x) Segment Reporting

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

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

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

### (z) Service Concession Arrangement

The Group has entered into a service concession arrangement with a governing body of the PRC (the "grantor") to operate a wastewater treatment plant for a concession period of 30 years and transfer the plant to the grantor at the end of the concession period. Such concession arrangement falls within the scope of INT FRS 112 Service Concession Arrangements and is accounted for as follows:

The Group recognises a financial receivable arising from a service concession arrangement when it has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the concession infrastructure. The financial receivable is accounted for in accordance with the accounting policy set out in Note 2(m).

### (aa) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

### (bb) Convertible Loan

The total proceeds from convertible loans issued are allocated to the liability component and the derivative financial instruments, which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible loans.

### (cc) Derivative Financial Instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

# **NOTES TO THE** FINANCIAL STATEMENTS

31 December 2014

## 3 Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### (a) Judgements made in applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

*Scheme of Arrangement (the "Scheme")*

Pursuant to a debt restructuring plan under the Scheme, the Company converted 50% of the eligible debt as serviceable loans ("Serviceable Loans"), 49% of the eligible debt into non-interest bearing redeemable convertible notes ("Convertible Notes A"), and converted the remaining 1% of the eligible debt into interest-bearing redeemable convertible notes ("Convertible Notes B"). The Scheme Creditors unanimously approved the Scheme on 30 September 2011. The Scheme has also been approved at a Court Sanction on 5 January 2012 ("Effective Date").

With the conditions precedent fulfilled, the Effective Date for the Scheme was determined to be 29 June 2012. In addition, the directors have taken steps to stem the losses by controlling expenditures, re-organising the management team and business activities, forming strategic alliances with strong partners to tap on their strength, and disposing unproductive assets to improve liquidity.

The management has assessed the information available to them and exercised judgement that this Scheme is a contractual obligation. Thus, the Group classified the Serviceable Loans and Convertible Notes B as financial liabilities, while the Convertible Notes A is classified as part of Share Application Monies in the balance sheets. The carrying amounts of the Serviceable Loans and Convertible Notes B, and Share Application Monies, are disclosed in Notes 21 and 22(a) respectively.

*Impairment of investment in subsidiaries*

The Company assesses at each balance sheet date whether there is any indication that the investment in a subsidiary is impaired. To determine whether there is indication of impairment, the Company considers factors such as the industry/sector performance, technology changes, and operational and financing cash flow. Management will exercise significant judgement to evaluate the financial conditions and business prospects of the investment.

Where there is indication of impairment, the amount and timing of future cash flows are estimated based on the forecasted performance of the subsidiary. The carrying amounts and the amounts of impairment of the Company's investments in subsidiary companies at the balance sheet date are disclosed in Note 12 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 3 Significant Accounting Judgements and Estimates (Cont'd)

### (a) Judgements made in applying Accounting Policies (Cont'd)

*Impairment of trade and other receivables*

The Group and the Company assess at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts and the amounts of impairment of the Group's and the Company's trade and other receivables at the balance sheet date are disclosed in Note 17 to the financial statements.

### (b) Key Sources of Estimation Uncertainty

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

*Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these plant and equipment to be within 1 to 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as at 31 December 2014 was S$3,365,000 (2013: S$2,626,000). 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. If depreciation on property, plant and equipment increases/decreases by 10% from management's estimate, the Group's profit for the year will increase/decrease by approximately S$32,000 (Loss for 2013: S$65,000).

## 4 Revenue

| | Group | |
|---|---|---|
| | 2014 S$'000 | 2013 S$'000 |
| Sale of goods | 68,901 | 78,510 |
| Services rendered | 54 | 2,231 |
| Finance income from service concession arrangement | 775 | 390 |
| Future contracts – realised | 148 | (251) |
| | 69,878 | 80,880 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 5 Other Income

| | Group 2014 S$'000 | Group 2013 S$'000 |
|---|---|---|
| Gain on disposal of subsidiaries | 1,708 | – |
| Write back of provision for legal/corporate claims (Note 24) | 1,868 | – |
| Write back of impairment of trade and other receivables | 1,170 | 549 |
| Gain on disposal of property, plant and equipment | 1,094 | – |
| Rental income | 150 | 762 |
| Write off of interest-bearing liabilities | 124 | – |
| Write off of trade and other payables | 158 | 182 |
| Management fees | 31 | 198 |
| Interest income | 9 | 3 |
| Net foreign exchange (loss)/gain | (47) | 250 |
| Government grant | 60 | – |
| Gain on disposal of assets held for sale | 1,300 | – |
| Miscellaneous income | 436 | 514 |
| Recovery of bad debts – non-trade | – | 39 |
| Gain on deemed disposal of an associate (Note 13) | – | 536 |
| | 8,061 | 3,033 |

## 6 Finance Costs

| | Group 2014 S$'000 | Group 2013 S$'000 |
|---|---|---|
| Bank charges | 70 | 13 |
| Interest expense: | | |
| – serviceable loans | 214 | 512 |
| – convertible notes | – | 248 |
| – convertible loans | – | 13 |
| – bank and short term loan | 915 | 463 |
| – finance leases | 14 | 8 |
| – others | 29 | 45 |
| | 1,242 | 1,302 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 7 Profit/(Loss) before Income Tax

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| In addition to the disclosures made elsewhere, this is arrived at after charging: | | |
| Audit fees paid/payable to: | | |
| Auditors of the Company | 140 | 147 |
| Other auditors | 50 | 29 |
| Non-audit fees paid/payable to: | | |
| Other auditors | 2 | – |
| Bad debt (non-trade) written off (included in other operating expenses) | 31 | 790 |
| Depreciation of property, plant and equipment (Note 10) | 315 | 649 |
| Directors' fees | 137 | 115 |
| Goodwill written off (included in other operating expenses) | – | 560 |
| Impairment of trade and other receivables (included in other operating expenses) | 651 | 457 |
| Impairment of property, plant and equipment (included in other operating expenses) | 117 | 109 |
| Staff costs | | |
| – salaries, bonuses and other benefits | 2,056 | 3,112 |
| – contribution to defined contribution plan | 163 | 221 |
| Operating lease expenses | 85 | 1,594 |
| Provision for legal/corporate claims (Note 24) (included in other operating expenses) | – | 1,868 |
| Allowance for stock obsolescence | 72 | – |
| Write off of property, plant and equipment (included in other operating expenses) | 150 | – |
| Loss on disposal of subsidiaries | – | 86 |
| Loss on disposal of property, plant and equipment | – | 187 |

## 8 Income Tax Expense

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| Current income tax: | | |
| – current financial year | (136) | 63 |
| – deferred income tax | 182 | (63) |
| – underprovision in respect of prior financial year | – | 137 |
| | 46 | 137 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 8 Income Tax Expense (Cont'd)

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

| | Group 2014 S$'000 | Group 2013 S$'000 |
|---|---|---|
| Profit/(Loss) before income tax | 1,049 | (6,817) |
| Income tax expense/(benefit) calculated at applicable rates | 178 | (1,159) |
| Effect of income that is exempt from taxation | – | (203) |
| Expenses not deductible for tax purposes | 431 | 533 |
| Non-taxable income | (432) | – |
| Productivity and innovation credit | (13) | – |
| Tax exemption | (4) | – |
| Deferred tax assets not recognised | 81 | 829 |
| Utilisation of deferred tax assets previously not recognised | (195) | – |
| Underprovision of income tax in prior financial year | – | 137 |
| | 46 | 137 |

Expenses not deductible for tax purposes comprise mainly certain corporate expenses and allowance for impairment for non-trade receivables. Non-taxable income comprises mainly of write-back of impairment for non-trade receivables and gain on disposal of assets.

The tax rate used for the years 2014 and 2013 reconciliations above are the corporate tax rate of 17% payable by corporate entities in Singapore and the Republic of China, Taiwan on taxable profits under tax law in that jurisdiction, and the corporate income tax rate applicable to Malaysia and the corporate entities in the People's Republic of China of 25% for the years 2014 and 2013.

| | Revaluation of property, plant and equipment S$'000 | Capital allowance claims in excess of related depreciation S$'000 | Total S$'000 |
|---|---|---|---|
| 2014 | | | |
| Deferred tax liabilities | | | |
| At 1 January | – | 254 | 254 |
| Charged to profit or loss | – | 182 | 182 |
| At 31 December | – | 436 | 436 |
| 2013 | | | |
| Deferred tax liabilities | | | |
| At 1 January | 255 | 128 | 383 |
| Charged to profit or loss | (255) | 192 | (63) |
| Disposal of subsidiary | – | (73) | (73) |
| Exchange difference of foreign operations | – | 7 | 7 |
| At 31 December | – | 254 | 254 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 8 Income Tax Expense (Cont'd)

### Unrecognised deferred tax assets

At the balance sheet date, the Group has tax losses of approximately S$18,527,000 (2013: S$28,533,000) that are available for offset against future taxable profit of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The deferred tax assets arising from these tax losses amounted to S$3,150,000 (2013: S$4,911,000) are not recognised in accordance to the accounting policy disclosed in Note 2(w) to the financial statements. The tax losses arose by the PRC entities of the Group amounting to S$626,000 will expire in 5 years from the year that the tax loss arose.

According to a joint circular of the Ministry of Finance and the State Administration of Taxation, Cai Shui [2008] No. 1, only the profits earned by a foreign-investment enterprise in the PRC prior to 1 January 2008, when distributed to foreign investors, can be exempted from withholding tax. Whereas, dividends distributed out of the profit generated thereafter, shall be subject to EIT at 10% (or 5% if applicable) and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules.

As at 31 December 2014, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries of the Group for which no deferred tax liability has been recognised amounted to approximately S$1,611,000 (2013: S$993,000) based on the Group's accounting policy as stated in Note 2(w). The deferred tax liability not recognised is estimated to be S$81,000 (2013: S$50,000).

## 9 Earnings/(Losses) per Share

Basic and diluted earnings/(losses) per share are calculated by dividing the Group's profit/(loss) attributable to shareholders by the weighted average number of shares in issue during the financial year.

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | Cents | Cents |
| *Earnings/(Losses) per share* | | |
| – Basic | 0.02 | (0.18) |
| – Diluted | 0.02 | (0.18) |

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| Profit/(Loss) for the purposes of calculating basic earnings per share | 1,999 | (6,342) |
| Add: Interest arising from convertible notes | – | 248 |
| Profit/(Loss) for the purposes of calculating diluted earnings per share | 1,999 | (6,094) |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 9 Earnings/(Losses) per Share (Cont'd)

| | No. of shares (in million) | No. of shares (in million) |
|---|---|---|
| Weighted average number of ordinary shares for basic earnings/(losses) per share computation | 10,665 | 3,543 |
| Effect of dilution: | | |
| – interest-bearing convertible instruments | 14 | 16 |
| Weighted average number of ordinary shares for diluted earnings/(losses) per share computation | 10,679 | 3,559 |

**Diluted earnings/(losses) per share**

For the purpose of calculating diluted earnings/(losses) per share, profit/(loss) attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding (including the share application monies) are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: interest-bearing convertible notes and share options.

Interest-bearing convertible notes are assumed to have been converted into ordinary shares at the Scheme Creditors' meeting held on 30 September 2011. The average value of the interest-bearing convertible loan agreements outstanding during the year are assumed to have been converted at the beginning of the year.

The share options of the Company as disclosed in Note 22(d) of the financial statements could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because there is no dilutive effect for the financial years ended 31 December 2014 and 31 December 2013.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 10 Property, Plant and Equipment

| | Leasehold building S$'000 | Plant and equipment S$'000 | Office equipment, furniture and fittings S$'000 | Motor vehicles S$'000 | Work in progress S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Cost or valuation | | | | | | |
| At 1 January 2013 | 1,658 | 9,345 | 1,054 | 202 | – | 12,259 |
| Additions | – | 226 | 65 | 219 | 31 | 541 |
| Acquisition of subsidiaries | – | 16 | 5 | 78 | – | 99 |
| Disposals | – | (1,128) | (37) | (46) | – | (1,211) |
| Derecognised on disposal of subsidiaries | – | (1,963) | (83) | – | – | (2,046) |
| Reclassified as held for sale | (1,658) | (524) | – | (151) | – | (2,333) |
| Reclassified to financial receivables | – | (122) | – | – | – | (122) |
| Currency realignment | – | 284 | 33 | 10 | 1 | 328 |
| At 31 December 2013 | – | 6,134 | 1,037 | 312 | 32 | 7,515 |
| Additions | – | 210 | 89 | 370 | 1,068 | 1,737 |
| Acquisition of subsidiaries | – | 1,400 | 1 | 97 | 115 | 1,613 |
| Disposals | – | (2,007) | (40) | – | – | (2,047) |
| Derecognised on disposal of subsidiaries | – | (341) | (7) | (110) | (31) | (489) |
| Transfers | – | 135 | (7) | (13) | (115) | – |
| Write off | – | (3,577) | (861) | – | – | (4,438) |
| Currency realignment | – | (8) | – | (4) | (1) | (13) |
| At 31 December 2014 | – | 1,946 | 212 | 652 | 1,068 | 3,878 |
| Accumulated depreciation and impairment loss | | | | | | |
| At 1 January 2013 | 77 | 5,012 | 963 | 50 | – | 6,102 |
| Impairment losses recognised in profit or loss | – | 109 | – | – | – | 109 |
| Depreciation charged for the financial year | 124 | 425 | 53 | 47 | – | 649 |
| Disposals | – | (624) | (7) | (19) | – | (650) |
| Derecognised on disposal of subsidiaries | – | (1,131) | (54) | – | – | (1,185) |
| Reclassified as held for sale | (201) | (60) | – | (14) | – | (275) |
| Currency realignment | – | 112 | 24 | 3 | – | 139 |
| At 31 December 2013 | – | 3,843 | 979 | 67 | – | 4,889 |
| Impairment losses recognised in profit or loss | – | 117 | – | – | – | 117 |
| Depreciation charged for the financial year | – | 179 | 12 | 124 | – | 315 |
| Disposals | – | (407) | (34) | – | – | (441) |
| Derecognised on disposal of subsidiaries | – | (22) | (3) | (52) | – | (77) |
| Write off | – | (3,451) | (837) | – | – | (4,288) |
| Currency realignment | – | (1) | – | (1) | – | (2) |
| At 31 December 2014 | – | 258 | 117 | 138 | – | 513 |
| Net book value | | | | | | |
| At 31 December 2014 | – | 1,688 | 95 | 514 | 1,068 | 3,365 |
| At 31 December 2013 | – | 2,291 | 58 | 245 | 32 | 2,626 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 10 Property, Plant and Equipment (Cont'd)

During the current financial year, additions to property, plant and equipment acquired under finance lease agreements amounted to approximately S$716,000 (2013: S$355,000).

As at 31 December 2014, the Group has certain motor vehicles and plant and equipment under finance leases with a net book value of S$420,000 (2013: S$ Nil).

As at 31 December 2014, the Group leased out certain plant and equipment amounting to S$ Nil (2013: S$871,000) under an operating lease agreement.

## 11 Intangible Assets

| | Goodwill S$'000 |
|---|---|
| **Group** | |
| At 1 January 2013 | 1,016 |
| Acquisition of a subsidiary | 560 |
| Write off during the year | (560) |
| At 31 December 2013 | 1,016 |
| Acquisition of subsidiaries | 698 |
| At 31 December 2014 | 1,714 |

**Goodwill**

As at 31 December 2013, the goodwill amounting to S$1,016,000 arose from the acquisition of a subsidiary company, B&F Envirotech (Shenyang) Co., Ltd. The principal activity of this subsidiary is the operation of a wastewater treatment plant for the provision of wastewater treatment services.

During the current financial year, the additions to goodwill arose mainly from the acquisition of the 100% equity interest in Western Metals Co., Ltd which resulted in goodwill amounting to S$582,000. The principal activity of this subsidiary is the manufacture of copper balls.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and direct costs during the relevant years. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. The growth rate did not exceed the long-term average growth rate in which the CGU operates.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 11 Intangible Assets (Cont'd)

### Goodwill (Cont'd)

The Group assessed the recoverable amount of goodwill based on a value in use calculation which uses cash flow projection on financial forecasts provided by management using a 5-year period cash flows beyond the five year period were extrapolated using the estimated growth rates stated below. The key assumptions for the value in use calculation are as follows:

| | B&F Envirotech (Shenyang) Co., Ltd | Western Metal Co., Ltd |
|---|---|---|
| 1. Estimated discount rates using pre-tax rates that reflect market assessments of the risks specific to the CGU | 10% | 12% |
| 2. Growth rates used based on industry growth forecasts | 2% | 4% |

## 12 Investment in Subsidiaries

| | Company | |
|---|---|---|
| | 2014 S$'000 | 2013 S$'000 |
| Unquoted equity shares, at cost | 32,669 | 35,293 |
| Accumulated impairment losses | (31,195) | (31,697) |
| | 1,474 | 3,596 |
| Movements in allowance for impairment losses were as follows: | | |
| Balance at the beginning of the financial year | 31,697 | 32,037 |
| Impairment made during the year | 202 | – |
| Reversal of impairment loss due to disposal of subsidiaries | (704) | (340) |
| Balance at the end of the financial year | 31,195 | 31,697 |

During the current financial year, certain subsidiaries continued to incur operating losses. The impairment loss of S$31,195,000 (2013: S$31,697,000) was recognised by the Company as at year end to write-down the carrying value of the investment in these subsidiaries to their recoverable amounts based on the subsidiaries' fair value less cost to sell, which is the estimated realisable value of the net assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

Details of subsidiaries are as follows:

| Name of Company/ Country of incorporation | Principal activities | Effective ownership interest 2014 % | 2013 % |
|---|---|---|---|
| ***Held by the Company*** | | | |
| Asiapac Metals Pte Ltd ("APM")* Singapore | Processing of electronic waste and refining of precious metals | – | 50 |
| Green World Holdings Limited ("GWH")[1] Singapore | Investment holding | 100 | 90 |
| New Tsingyi Pte Ltd* Singapore | Dealer in recycling of all kinds of ferrous and non-ferrous metals, electrical and electronic and insulated cable scraps | – | 30.03 |
| Asiapac Recycling Pte Ltd[1] Singapore | Dealer in all kinds of ferrous and non-ferrous metals, electrical and electronics and insulated cable scraps | 100 | 100 |
| SCT Technologies (M) Sdn Bhd* Malaysia | Provision of Printed Circuit Board (PCB) testing and finishing services, distribution of value-added PCB-related materials and equipment, and rental of PCB-related equipment | – | 100 |
| SCT Technologies (Kunshan) Ltd* People's Republic of China ("PRC") | Provision of Printed Circuit Board (PCB) testing and finishing services, distribution of value-added PCB-related materials and equipment, and rental of PCB-related equipment | – | 90 |
| Western Copper Co., Ltd[4] Republic of China, Taiwan | Distribution of copper balls | 30.90 | 30.90 |
| ***Held by Asiapac Recycling Pte Ltd*** | | | |
| New Tsingyi Pte Ltd* Singapore | Dealer in recycling of all kinds of ferrous and non-ferrous metals, electrical and electronic and insulated cable scraps | – | 64 |
| Everglory Environment Pte. Ltd. (Formerly known as Everglory Copper Pte. Ltd.)[1] Singapore | Investment holding | 100 | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

| Name of Company/ Country of incorporation | Principal activities | Effective ownership interest 2014 % | 2013 % |
|---|---|---|---|
| ***Held by Green World Holdings Limited*** | | | |
| Greenworld Metals Pte Ltd ("GWM")[1] Singapore | Dealer in all kinds of ferrous and non-ferrous metals, electrical and electronics and insulated cable scraps | 100 | 90 |
| SCT Copper Industry (Shenyang) Co., Ltd* PRC | Trading of copper products | – | 90 |
| B&F Envirotech (Shenyang) Co., Ltd[2] PRC | Operation of wastewater treatment plant for provision of wastewater treatment services | 100 | 90 |
| Everglory Cooling Systems Pte Ltd[1,6] Singapore | Manufacture and repair of heating boilers, radiators and correctors and wholesale trade | 50 | – |
| Western Copper Co., Ltd[4] Republic of China, Taiwan | Distribution of copper balls | 21.88 | 19.69 |
| Western Metals Co., Ltd[3] PRC | Manufacture of copper balls | 100 | – |
| ***Held by Western Copper Co., Ltd*** | | | |
| SCT Western Pte Ltd[4] Samoa | Investment holding | 52.78 | 50.59 |
| Shenzhen Jestern Technology Co., Ltd[5] PRC | Distribution of copper balls | 52.78 | 50.59 |
| ***Held by Everglory Cooling Systems Pte. Ltd.*** | | | |
| Everglory Radiators (Shenyang) Co., Ltd[2,6] PRC | Manufacture and repair of heating boilers, radiators and correctors and wholesale trade | 50 | – |

1 Audited by Moore Stephens LLP, Singapore.

2 Audited/reviewed by Moore Stephens LLP Singapore for consolidation purposes.

3 Audited by Moore Stephens Da Hua, Shanghai.

4 Audited by BDO Taiwan Union Co.

5 Audited by BDO China Shu Lun Pan Certified Public Accountants LLP Shenzhen Branch (previously audited by Shenzhen HuiTian CPA in 2013).

6 Deemed as it is able to exercise control.

* Disposed of/Struck-off during the year.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

### (a) Interest in subsidiaries with material controlling interests

The Group has the following subsidiaries that have material non-controlling interests:

| Name of subsidiaries | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit/(Loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2014 % | 2013 % | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Western Copper Co., Ltd and its subsidiaries | Republic of China, Taiwan | 47.22 | 49.41 | (497) | 15 | 2,249 | 2,903 |
| Individually immaterial subsidiaries with non-controlling interests | | | | (499) | (627) | 274 | 677 |
| Total | | | | (996) | (612) | 2,523 | 3,580 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

### (a) Interest in subsidiaries with material controlling interests (Cont'd)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

***Western Copper Co., Ltd and its subsidiaries***

| | 2014<br>S$'000 | 2013<br>S$'000 |
|---|---|---|
| Current assets | 21,871 | 24,558 |
| Non-current assets | 119 | 144 |
| Current liabilities | (17,226) | (18,826) |
| Equity attributable to owners of the Company | 4,764 | 5,876 |
| Revenue | 67,376 | 62,219 |
| (Loss)/Profit for the year | (1,053) | 31 |
| (Loss)/Profit attributable to owners of the Company | (556) | 16 |
| (Loss)/Profit attributable to the non-controlling interests | (497) | 15 |
| (Loss)/Profit for the year | (1,053) | 31 |
| Total comprehensive (loss)/income attributable to owners of the Company | (556) | 16 |
| Total comprehensive (loss)/income attributable to the non-controlling interests | (497) | 15 |
| Total comprehensive (loss)/income for the year | (1,053) | 31 |
| Net cash inflow/(outflow) from operating activities | 686 | (2,931) |
| Net cash inflow/(outflow) from investing activities | 635 | (1,556) |
| Net cash (outflow)/inflow from financing activities | (369) | 4,192 |
| Net cash inflow/(outflow) | 952 | (295) |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

### (b) Acquisition of Subsidiaries

***Financial year 2014***

During the current financial year ended 31 December 2014, the Group acquired certain subsidiaries, the details of which are as follows:

(i) On 1 January 2014, an agreement was entered into between GWH and a third party to purchase a 50% equity interest in Everglory Cooling Systems Pte. Ltd. for a consideration of S$100,000.

| | **2014 S$'000** |
|---|---|
| Effect on cash flow of the Group | |
| Cash paid | (100) |
| Less: | |
| Cash and cash equivalents of subsidiary acquired | 656 |
| Net cash inflow from acquisition of subsidiary | 556 |

Carrying amount of identifiable assets acquired and liabilities assumed, which approximates fair value:

| | **2014 S$'000** |
|---|---|
| Assets | |
| Cash and cash equivalents | 656 |
| Trade and other receivables and other current assets | 140 |
| Inventories | 12 |
| Total assets | 808 |
| Liabilities | |
| Trade and other payables | 824 |
| Total liabilities | 824 |
| Total identifiable net liabilities | (16) |
| Consideration transferred | 100 |
| Add: Fair value of identifiable net liabilities acquired | 16 |
| Goodwill arising on acquisition | 116 |

Revenue and profit contribution

The acquired business contributed revenue of approximately S$111,000 and net loss of S$382,000 to the Group for the financial year from 1 January 2014 to 31 December 2014.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

### (b) Acquisition of Subsidiaries (Cont'd)

***Financial year 2014 (Cont'd)***

(ii) On 1 October 2014, an agreement was entered into between GWH and a third party to purchase a 100% equity interest in Western Metals Co., Ltd for a consideration of US$1 million (S$1.26 million).

| | 2014<br>S$'000 |
|---|---|
| Effect on cash flow of the Group | |
| Cash paid | (1,259) |
| Less: | |
| Cash and cash equivalents of subsidiary acquired | 234 |
| Net cash outflow from acquisition of subsidiary | (1,025) |

Carrying amount of identifiable assets acquired and liabilities assumed, which approximates fair value:

| | 2014<br>S$'000 |
|---|---|
| Assets | |
| Cash and cash equivalents | 234 |
| Trade and other receivables and other current assets | 880 |
| Property, plant and equipment | 1,613 |
| Inventories | 59 |
| Other assets | 159 |
| Total assets | 2,945 |
| Liabilities | |
| Trade and other payables | 2,268 |
| Total liabilities | 2,268 |
| Total identifiable net assets | 677 |
| Consideration transferred | 1,259 |
| Less: Fair value of identifiable net assets acquired | (677) |
| Goodwill arising on acquisition | 582 |

Goodwill

The goodwill of S$582,000 arose from the acquisition because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

### (b) Acquisition of Subsidiaries (Cont'd)

***Financial year 2014 (Cont'd)***

(ii) (Cont'd)

Revenue and profit contribution

The acquired business did not contribute any revenue and incurred a net loss of approximately S$532,000 to the Group for the financial year from the date of acquisition to 31 December 2014.

If the subsidiary company had been acquired from 1 January 2014, the consolidated revenue and consolidated net profit for the current financial year ended 31 December 2014 would have been S$69,878,000 and S$1,005,000 respectively.

***Financial year 2013***

During the previous financial year ended 31 December 2013, the Group acquired an 11.04% additional interest in Western Copper Co., Ltd for a consideration of S$1.21 million. The effective ownership interest held by the Group was increased from 39.55% to 50.59% subsequent to the acquisition (Note 13). The investment in Western Copper Co., Ltd was reclassified from an associate to a subsidiary (Note 13).

| | Total S$'000 |
|---|---|
| Effect on cash flow of the Group | |
| Cash consideration | (1,210) |
| Less: | |
| Cash and cash equivalents of subsidiaries acquired | 5,821 |
| Cash inflow from acquisition of subsidiaries | 4,611 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

### (b) Acquisition of Subsidiaries (Cont'd)

***Financial year 2013 (Cont'd)***

The carrying amount of identifiable assets acquired and liabilities of the acquired subsidiaries, which approximates fair value were as follows:

| | Total S$'000 |
|---|---|
| Assets | |
| Property, plant and equipment | 99 |
| Cash and cash equivalents | 5,821 |
| Trade and other receivables and other current asset | 18,807 |
| Inventories | 285 |
| Total assets | 25,012 |
| Liabilities | |
| Trade and other payables | 19,123 |
| Total liabilities | 19,123 |
| Total identifiable net assets | 5,889 |
| Cash consideration | 1,210 |
| Add: Non-controlling interest | 2,910 |
| Add: Fair value of previously held interest | 2,329 |
| | 6,449 |
| Less: Fair value of identifiable net assets acquired | (5,889) |
| Goodwill | 560 |

Non-controlling interest

The Group has chosen to recognise the 49.41% non-controlling interest at its proportionate share of net assets of the subsidiaries.

Revenue and profit contribution

The acquired business contributed revenue of S$62,277,000 and net profit of S$31,000 to the Group for the financial period from the date of acquisition to 31 December 2013.

If the subsidiary company had been acquired from 1 January 2013, there would be no significant impact on the revenue and loss for the year of the Group for the financial year ended 31 December 2013.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 12 Investment in Subsidiaries (Cont'd)

### (c) Disposal of Subsidiaries

***Financial year 2014***

During the current financial year ended 31 December 2014, the Group entered into agreements with various third parties to dispose of certain subsidiaries for a total amount of S$622,000. Details of the Group's disposal of subsidiaries are as follows:

| | Total S$'000 |
|---|---|
| Effect on cash flow of the Group | |
| Net liabilities of the subsidiaries disposed of | (1,273) |
| Non-controlling interest | 62 |
| Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary | 125 |
| Gain on disposal of subsidiaries | 1,708 |
| Consideration received | 622 |
| Less: Cash and cash equivalents of subsidiaries disposed of | (389) |
| Net cash inflow from disposal of subsidiaries | 233 |

***Financial year 2013***

During the previous financial year ended 31 December 2013, the Company disposed of a subsidiary for a total amount of S$900,000. Details of the disposal were as follows:

| | Total S$'000 |
|---|---|
| Effect on cash flow of the Group | |
| Net assets of the subsidiary disposed of | 1,096 |
| Non-controlling interest | (110) |
| Loss on disposal of subsidiary | (86) |
| Consideration received | 900 |
| Less: Cash and cash equivalents of subsidiary disposed of | (45) |
| Net cash inflow from disposal of subsidiary | 855 |

### (d) Change in the Group's ownership interest in subsidiaries

During the current financial year ended 31 December 2014, the Company acquired additional 10% shareholding interest in GWH for S$80,000. Following this acquisition, the Company's effective interest in GWH increased from 90% to 100%. The Group recognised an increase in other reserves and a decrease in non-controlling interest of S$215,000 and S$295,000 respectively.

### (e) Incorporation of subsidiary

During the current financial year ended 31 December 2014, the Group's 50% owned subsidiary, Everglory Cooling Systems Pte. Ltd., incorporated a wholly-owned subsidiary, Everglory Radiator (Shenyang) Co., Ltd in the PRC with a registered capital of S$6.5 million.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 13 Investment in Associates

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Beginning of financial year | – | 1,793 | – | 1,595 |
| Deemed disposal | – | (1,793) | – | (1,595) |
| End of financial year | – | – | – | – |

| Name of Company/Country of incorporation | Principal activities | Effective ownership interest 2014 % | Effective ownership interest 2013 % |
|---|---|---|---|
| Western Copper Co., Ltd<br>Republic of China, Taiwan | Distribution of copper balls | – | – |

**Financial year 2013 – Disposal of an associate**

During the previous financial year 31 December 2013, the Group acquired an additional 11.04% equity interest in Western Copper Co., Ltd through a 90% owned subsidiary. The Group has recognised the acquired 50.59% interest in Western Copper Co., Ltd as a subsidiary company subsequent to the acquisition. The transaction had resulted in the recognition of a gain of S$535,960 in profit or loss, calculated as follows:

| | Total S$'000 |
|---|---|
| Computation of gain on deemed disposal | |
| Fair value of previously held interest | 2,329 |
| Less: | |
| Carrying amount of investment in associate on the date of disposal | (1,793) |
| Gain on deemed disposal of associate | 536 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 14 Available-for-sale financial assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Unquoted shares | S$'000 | S$'000 | S$'000 | S$'000 |
| Cost | | | | |
| As at 1 January | 3,598 | 3,598 | 3,598 | 3,598 |
| Write off | (3,598) | – | (3,598) | – |
| As at 31 December | – | 3,598 | – | 3,598 |
| Accumulated impairment losses | | | | |
| As at 1 January | 3,598 | 3,598 | 3,598 | 3,598 |
| Write off | (3,598) | – | (3,598) | – |
| As at 31 December | – | 3,598 | – | 3,598 |
| Net carrying amount | | | | |
| As at 31 December 2014 | – | – | – | – |
| As at 31 December 2013 | – | – | – | – |

## 15 Financial Receivables

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| Current | 126 | 132 |
| Non-current | 7,359 | 7,027 |
| | 7,485 | 7,159 |

The financial receivables relate to a service concession arrangement for a wastewater treatment plant entered with a municipal government in the PRC in year 2012. The significant aspects of the service concession arrangement are summarised as follow:

a) The arrangement is a concession arrangement for a wastewater treatment plant with a municipal government in the PRC under INT FRS 112 *Service Concession Arrangements*. As the counterparty of the service concession arrangement is the municipal government in the PRC ("Grantor"), management is of the view that the associated credit risk is not significant.

b) This wastewater treatment plant which is located in a city in the PRC has a concession period of 30 years, of which the Group ("Operator") has a contractual right under the concession arrangement to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the plant. Under the terms of the arrangement, the Group will receive a yearly minimum amount of RMB2,993,000 (approximately S$621,000) for the first year, RMB2,891,000 (approximately S$600,000) for the second year, RMB5,088,100 (approximately S$1,056,000) for the third year and RMB5,986,000 (approximately S$1,242,000) for the fourth year onwards from the contracted party (grantor) in exchange for services performed by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 15 Financial Receivables (Cont'd)

c) The wastewater treatment arrangement states the rights and obligations for the grantor and operator as follows:

(i) The operator has the obligation to treat the required amount of wastewater and also to ensure the treated water fulfills the standard quality requirement of the grantor.

(ii) The infrastructure, including the plant and equipment, "know-how", operations manual, hand-over report, design of infrastructure and related documents, for the wastewater treatment plant will be transferred over to the grantor or any grantor appointed agencies at the end of the concession period.

(iii) The arrangement is terminated only when the other party breaches the contract or due to unforeseeable circumstances.

(iv) The operator has the obligation to maintain and restore the wastewater plant to its operational condition upon transferring to the grantor at the end of the concession period.

d) The fair value of the non-current portion of financial receivables approximates its carrying amount, as management is of the opinion that the effective interest rate of 10.5% (2013: 14%) is similar to the market interest rate. The fair value is classified under Level 2 of Fair Value Hierarchy.

## 16 Inventories

| | Group | |
|---|---|---|
| | 2014<br>S$'000 | 2013<br>S$'000 |
| Raw materials | 1,775 | 27 |
| Work-in-progress | 609 | – |
| Finished goods | 1,235 | 2,730 |
| | 3,619 | 2,757 |
| Consolidated statement of comprehensive income: | | |
| Inventories recognised as an expense in cost of sales | 66,738 | 60,746 |

As at 31 December 2014, inventories amounting to S$314,000 (2013: S$275,000) are pledged for bank borrowings (Note 21).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 17 Trade and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Trade receivables | 13,825 | 18,348 | – | – |
| Less: Allowance for impairment of trade receivables | (4,672) | (3,295) | – | – |
| | 9,153 | 15,053 | – | – |
| Other receivables | | | | |
| – third parties* | 21,019 | 23,257 | 16,888 | 14,279 |
| – subsidiaries | – | – | 14,056 | 14,625 |
| Derivative financial assets | 4 | 17 | – | – |
| Deposits | 205 | 207 | 36 | 54 |
| Less: Allowance for other receivables | (17,109) | (19,005) | (22,112) | (23,283) |
| Total trade and other receivables | 13,272 | 19,529 | 8,868 | 5,675 |

* Other receivables from third parties includes an amount due from a former subsidiary of S$8,990,000 which has been fully impaired.

Trade receivables amounting to S$4,166,000 (2013: S$7,868,000) are pledged for bank borrowings (Note 21).

Trade receivables are non-interest bearing and are generally on an average credit period of 30 days (2013: 30 days).

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

The following derivative financial assets are included in the Group's balance sheet at the end of financial year:

| | Group | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Contract/ Notional Amount S$'000 | Assets/ (Liabilities) S$'000 | Contract/ Notional Amount S$'000 | Assets/ (Liabilities) S$'000 |
| Commodities future contracts | 331 | 4 | 2,917 | 35 |
| Foreign exchange forward contracts | – | – | 1,900 | (18) |
| | 331 | 4 | 4,817 | 17 |

Commodities future contracts relate to aluminum, copper and nickel futures contracts which were denominated in United States Dollar. As at 31 December 2013, the foreign exchange forward contracts relate to Euro, Great Britain Pound and United States Dollar.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 17 Trade and Other Receivables (Cont'd)

### Receivables that are past due but not impaired

The Group has trade and other receivables that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Trade receivables past due: | | | | |
| Less than 30 days | 253 | 7,024 | – | – |
| More than 30 days | 740 | 1,128 | – | – |
| | 993 | 8,152 | – | – |
| Other receivables past due: | | | | |
| Less than 30 days | 403 | 549 | – | 11 |
| More than 30 days | 3,574 | 3,703 | 8,831 | 5,610 |
| | 3,977 | 4,252 | 8,831 | 5,621 |

### Receivables that were impaired

The Group's and Company's trade and other receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Trade and other receivables | 21,781 | 22,300 | 22,112 | (23,283) |
| Less: Allowance for impairment losses | (21,781) | (22,300) | (22,112) | (23,283) |
| | – | – | – | – |
| Movement in allowance accounts: | | | | |
| At 1 January | 22,300 | 23,967 | 23,283 | 19,147 |
| Charge for the year | 651 | 457 | – | 4,310 |
| Write-back of allowances during the year | (1,170) | (549) | (1,171) | (174) |
| Due to reclassification of assets held for sale | – | (1,575) | – | – |
| At 31 December | 21,781 | 22,300 | 22,112 | 23,283 |

Trade and other receivables which are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 18 Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Cash and bank balances | 7,579 | 13,230 | 388 | 2,025 |
| Fixed deposits | 2,156 | 102 | – | – |
| | 9,735 | 13,332 | 388 | 2,025 |

Fixed deposits earns interest at an effective rate of 0.02% to 0.45% per annum (2013: 0.45%) and will mature within 3 months from the end of the financial year.

Cash and cash equivalents at the end of the reporting period as shown in the consolidated cash flow statements are as follows:

| | Group | |
|---|---|---|
| | 2014 S$'000 | 2013 S$'000 |
| Cash and cash equivalents, as above | 9,735 | 13,332 |
| Cash at bank and fixed deposits pledged | (2,156) | (1,605) |
| | 7,579 | 11,727 |
| Cash and bank balances included in a disposal group held for sale (Note 19) | – | 7 |
| | 7,579 | 11,734 |

Certain cash at bank and fixed deposits are pledged for bank borrowings (Note 21).

## 19 Assets Classified as Held for Sale

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Plant and equipment[(i)] | – | 602 | – | – |
| Assets related to subsidiary[(ii)] | – | 1,538 | – | – |
| | – | 2,140 | – | – |
| Liabilities related to subsidiary[(ii)] | – | 1,338 | – | – |

(i) The Group disposed of these plant and equipment during the current financial year ended 31 December 2014 for a consideration of S$602,000. These plant and equipment are accordingly stated at fair value less cost to sale as at 31 December 2013.

(ii) During the current financial year, the Group entered into mediation with the parties of litigation claims and agreed to dispose of all shares of New Tsingyi Pte. Ltd. to these parties for S$1,500,000.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 19 Assets Classified as Held for Sale (Cont'd)

| | Group | |
|---|---|---|
| | 2014 S$'000 | 2013 S$'000 |
| Plant and equipment | – | 1,456 |
| Trade and other receivables | – | 82 |
| Assets classified as held for sale | – | 1,538 |
| Trade and other payables | – | 1,327 |
| Tax payable | – | 11 |
| Liabilities associated with assets held for sale | – | 1,338 |

## 20 Trade and Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Trade payables | 2,530 | 5,910 | – | – |
| Other payables | | | | |
| – third parties | 5,538 | 7,601 | 2,303 | 4,287 |
| – related companies (a) | – | – | – | 1,276 |
| Financial derivatives liabilities (b) | 619 | 128 | – | – |
| Accrued operating expenses | 1,172 | 1,287 | 866 | 546 |
| Total trade and other payables | 9,859 | 14,926 | 3,169 | 6,109 |

The average credit period on trade purchases of goods is 30 days (2013: 30 days).

(a) Amounts due to related companies are unsecured, interest-free and repayable on demand.

(b) The following derivative financial liabilities are included in the Group's balance sheet at the end of financial year:

| | Group | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Contract/ Notional Amount S$'000 | Liabilities S$'000 | Contract/ Notional Amount S$'000 | Liabilities S$'000 |
| Commodities future contracts | 1,594 | 52 | 1,910 | 85 |
| Foreign exchange forward contracts | 18,772 | 567 | 1,223 | 43 |
| | 20,366 | 619 | 3,133 | 128 |

Commodities future contracts relate to aluminum, copper and nickel futures contracts which were denominated in United States Dollar. The foreign exchange forward contracts relate to Euro, Great Britain Pound and United States Dollar.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 21 Interest-Bearing Liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| **Current liabilities** | | | | |
| Finance lease payables (a) | 255 | 227 | – | – |
| Bank loans (b) | 12,270 | 12,841 | – | – |
| Interest bearing loans (c) | 2,000 | 6,808 | – | 1,000 |
| Serviceable loans (d) | 1,687 | 562 | 1,687 | 562 |
| | 16,212 | 20,438 | 1,687 | 1,562 |
| **Non-Current liabilities** | | | | |
| Serviceable loans (d) | 3,888 | 10,680 | 3,888 | 10,680 |
| Interest-bearing convertible notes (e) | 1 | 96 | 1 | 96 |
| Finance lease payables (a) | 165 | – | – | – |
| | 4,054 | 10,776 | 3,889 | 10,776 |
| Total interest-bearing liabilities | 20,266 | 31,214 | 5,576 | 12,338 |

(a) As at 31 December 2014, the Group had obligations under finance leases that were repayable as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Minimum lease payments S$'000 | Present value of payments S$'000 | Minimum lease payments S$'000 | Present value of payments S$'000 |
| Minimum lease installments payable | | | | |
| – within one financial year | 292 | 255 | 230 | 227 |
| – after one financial year but within five financial years | 194 | 165 | – | – |
| | 486 | 420 | 230 | 227 |
| Finance charges allocated to future periods | (66) | – | (3) | – |
| Net present value payable | 420 | 420 | 227 | 227 |

| | 2014 S$'000 | 2013 S$'000 |
|---|---|---|
| Current finance lease payables | 255 | 227 |
| Non-current finance lease payables | 165 | – |
| | 420 | 227 |

The average effective interest rate is approximately 8.9% to 22.2% (2013: 4.6% to 8%) per annum.

(b) The bank loans which bear interest rates ranging from 2% to 9% (2013: 2.4% to 8%) are secured by inventories, trade receivables, cash at bank and fixed deposits.

(c) The loans from third parties are unsecured and bear interest rates ranging from 10% to 12% (2013: 6% to 15%).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 21 Interest-Bearing Liabilities (Cont'd)

(d) The effective date for the Scheme, including the Serviceable Loans and Convertible Notes A and B is 29 June 2011 ("Effective Date"). The Serviceable Loans bear interest at SWAP rate plus 1.13% to 1.40% per annum according to the interest period. The Company shall repay the Serviceable Loans in accordance with the terms of the Scheme in installments and on the respective repayment dates as set out below:

(i) at least 5% of the Serviceable Loans shall be repaid in four equal quarterly installments on or before the date falling three years after the date on which all the conditions of the Scheme are fulfilled or waived after the Effective Date;

(ii) at least 10% of the Serviceable Loans shall be repaid in four equal quarterly installments on or before the date falling four years after the Effective Date;

(iii) at least 25% of the Serviceable Loans shall be repaid in four equal quarterly installments on or before the date falling five years after the Effective Date;

(iv) at least 30% of the Serviceable Loans shall be repaid in four equal quarterly installments on or before the date falling six years after the Effective Date; and

(v) at least 30% the balance of the Serviceable Loans shall be repaid in four quarterly installments on or before the date falling seven years after the Effective Date.

Serviceable loans of approximately S$103,000 were due on 28 February 2015. However, the Group held its Eligible Creditors' meeting on 27 February 2015 and obtained the approval from the eligible creditors to extend the due date from 28 February 2015 to 31 May 2015.

(e) The interest-bearing convertible notes bear interest at 55% per annum payable annually in arrears through the issuance of shares. Each interest-bearing convertible note shall entitle the noteholder to convert such interest-bearing convertible notes into conversion shares. The conversion price is 90% of the volume weighted average price of shares sold on the Singapore Exchange ("VWAP") 5 market days immediately preceding the conversion date.

Unless previously purchased and cancelled, redeemed or converted as herein provided, half of the initial number of interest-bearing convertible notes that were issued on or about the effective date will be redeemed on the 5th anniversary of the Effective Date ("First Maturity Date") and all outstanding interest-bearing convertible notes will be redeemed on the 10th anniversary of the Effective Date ("Final Maturity Date"). Mandatory redemptions on the First Maturity Date and Final Maturity Date shall be made in shares. Mandatory redemption price will be 85% of the VWAP for the 5 market days immediately preceding the First Maturity Date or Final Maturity Date as the case may be.

The interest-bearing convertible notes bear interest at 55% per annum payable annually in The Company may at any time after the Effective Date and before the First Maturity Date redeem the interest-bearing convertible notes on any date ("Optional Redemption Date") at their principal amount through the issue of conversion shares, provided that at no time during the 5 years commencing on the effective date will the aggregate number of interest-bearing convertible notes that have been redeemed or converted at any one time exceed half of the initial number of interest-bearing convertible notes that are issued on or about the effective date. The Company may at any time after the First Maturity Date, redeem all or some of the interest-bearing convertible notes. The Optional Redemption price will be 85% of VWAP for the 5 market days immediately preceding the Optional Redemption Date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 22 Capital and Reserves

### (a) Share Application Monies

| | Group and Company | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| At 1 January | 9,510 | 31,386 |
| (Reversal)/Additions of shares application monies | (3,671) | 3,671 |
| Conversion of Scheme Convertible Notes to Shares | (4,649) | (25,547) |
| Waiver of Eligible Debts | (63) | – |
| At 31 December | 1,127 | 9,510 |

These relates to the non-interest bearing Convertible Notes A classified as shares application monies (Note 3a).

The conversion price for Convertible Notes A is based on 90% of the VWAP 5 market days immediately preceding the conversion date.

Unless previously purchased and cancelled, redeemed or converted, half of the initial number of Convertible Notes A that were issued on or about the Effective Date will be redeemed on the First Maturity Date and the remaining outstanding Convertible Notes A will be redeemed on the Final Maturity Date.

Mandatory redemptions on the First Maturity Date and Final Maturity Date shall be made in shares, which will be 85% of the VWAP for the 5 market days immediately preceding the First Maturity Date or Final Maturity Date as the case may be.

The Company may at any time after the Effective Date and before the First Maturity Date redeem the Convertible Notes A on any date ("Optional Redemption Date") at their principal amount. The Company may at any time after the First Maturity Date, redeem all or some of the Convertible Notes A. The Optional Redemption price will be 85% of VWAP for the 5 market days immediately preceding the Optional Redemption Date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 22 Capital and Reserves (Cont'd)

### (b) Share Capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | No. of shares '000 | S$ '000 | No. of shares '000 | S$ '000 |
| Issued and fully-paid: | | | | |
| At 1 January | 6,784,263 | 178,147 | 1,174,572 | 125,444 |
| Issuance of ordinary shares for scheme convertible notes/serviceable loans and interest: | | | | |
| – ordinary shares for S$0.015 each | – | – | 17,006 | 255 |
| – ordinary shares for S$0.016 each | – | – | 92 | 1 |
| – ordinary shares for S$0.014 each | – | – | 18,092 | 255 |
| – ordinary shares for S$0.016 each | – | – | 127 | 2 |
| – ordinary shares for S$0.014 each | – | – | 697,842 | 9,700 |
| – ordinary shares for S$0.015 each | – | – | 4,992 | 77 |
| – ordinary shares for S$0.015 each | – | – | 3,990 | 59 |
| – ordinary shares for S$0.014 each | – | – | 18,486 | 255 |
| – ordinary shares for S$0.015 each | – | – | 138 | 2 |
| – ordinary shares for S$0.013 each | – | – | 526,316 | 7,000 |
| – ordinary shares for S$0.013 each | – | – | 19,180 | 255 |
| – ordinary shares for S$0.015 each | – | – | 149 | 2 |
| – ordinary shares for S$0.013 each | – | – | 60,253 | 801 |
| – ordinary shares for S$0.015 each | – | – | 468 | 7 |
| – ordinary shares for S$0.014 each | – | – | 139,324 | 1,937 |
| – ordinary shares for S$0.015 each | – | – | 1,091 | 17 |
| – ordinary shares for S$0.014 each | – | – | 18,222 | 255 |
| – ordinary shares for S$0.015 each | – | – | 145 | 2 |
| – ordinary shares for S$0.009 each | – | – | 275,915 | 2,401 |
| – ordinary shares for S$0.010 each | – | – | 13,308 | 133 |
| – ordinary shares for S$0.008 each | – | – | 108,774 | 827 |
| – ordinary shares for S$0.009 each | – | – | 1,150,362 | 10,227 |
| – ordinary shares for S$0.007 each | – | – | 34,550 | 256 |
| – ordinary shares for S$0.007 each | – | – | 139,317 | 1,003 |
| – ordinary shares for S$0.007 each | – | – | 206,125 | 1,505 |
| – ordinary shares for S$0.007 each | – | – | 591,336 | 4,198 |
| – ordinary shares for S$0.007 each | – | – | 830,512 | 5,515 |
| – ordinary shares for S$0.006 each | – | – | 39,970 | 256 |
| – ordinary shares for S$0.007 each | – | – | 38,189 | 256 |
| – ordinary shares for S$0.005 each | – | – | 47,415 | 256 |
| – ordinary shares for S$0.005 each | – | – | 47,425 | 256 |
| – ordinary shares for S$0.005 each | – | – | 227,692 | 1,230 |
| – ordinary shares for S$0.005 each | – | – | 56,944 | 256 |
| – ordinary shares for S$0.005 each | – | – | 54,550 | 246 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 22 Capital and Reserves (Cont'd)

### (b) Share Capital (Cont'd)

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | No. of shares '000 | S$ '000 | No. of shares '000 | S$ '000 |
| – ordinary shares for S$0.0036 each | 244,992 | 883 | – | – |
| – ordinary shares for S$0.0043 each | 262,791 | 1,131 | – | – |
| – ordinary shares for S$0.0018 each | 532,459 | 959 | – | – |
| – ordinary shares for S$0.0018 each | 116,536 | 210 | – | – |
| – ordinary shares for S$0.0018 each | 64,464 | 116 | – | – |
| – ordinary shares for S$0.0018 each | 56,056 | 101 | – | – |
| – ordinary shares for S$0.0018 each | 66,873 | 120 | – | – |
| – ordinary shares for S$0.0012 each | 265,771 | 319 | – | – |
| – ordinary shares for S$0.0012 each | 96,138 | 115 | – | – |
| – ordinary shares for S$0.0011 each | 182,466 | 201 | – | – |
| – ordinary shares for S$0.0011 each | 273,698 | 301 | – | – |
| – ordinary shares for S$0.0012 each | 100,361 | 121 | – | – |
| – ordinary shares for S$0.0009 each | 223,132 | 201 | – | – |
| – ordinary shares for S$0.0046 each | 109,462 | 504 | – | – |
| – ordinary shares for S$0.0036 each | 69,970 | 252 | – | – |
| – ordinary shares for S$0.0037 each | 81,761 | 303 | – | – |
| – ordinary shares for S$0.0039 each | 64,663 | 253 | – | – |
| – ordinary shares for S$0.0039 each | 223,941 | 872 | – | – |
| – ordinary shares for S$0.0032 each | 78,858 | 252 | – | – |
| – ordinary shares for S$0.0027 each | 93,499 | 252 | – | – |
| – ordinary shares for S$0.0027 each | 93,561 | 253 | – | – |
| – ordinary shares for S$0.0018 each | 140,456 | 253 | – | – |
| – ordinary shares for S$0.0018 each | 67,432 | 121 | – | – |
| – ordinary shares for S$0.0018 each | 112,386 | 202 | – | – |
| – ordinary shares for S$0.0018 each | 67,434 | 121 | – | – |
| – ordinary shares for S$0.0018 each | 402,234 | 724 | – | – |
| – ordinary shares for S$0.0019 each | 106,483 | 202 | – | – |
| – ordinary shares for S$0.0018 each | 140,519 | 253 | – | – |
| – ordinary shares for S$0.0018 each | 140,577 | 253 | – | – |
| – ordinary shares for S$0.0019 each | 133,236 | 253 | – | – |
| – ordinary shares for S$0.0020 each | 57,448 | 116 | – | – |
| | 4,669,657 | 10,217 | 5,388,297 | 49,703 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 22 Capital and Reserves (Cont'd)

### (b) Share Capital (Cont'd)

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | No. of shares '000 | S$ '000 | No. of shares '000 | S$ '000 |
| Issuance of ordinary shares for debt settlement | – | – | 83,704 | 1,130 |
| Issuance of ordinary shares | | | | |
| – 59,259,259 ordinary shares for S$0.01350 each | – | – | 59,259 | 800 |
| – 78,431,372 ordinary shares for S$0.01530 each | – | – | 78,431 | 1,200 |
| – 584,376 ordinary shares for S$0.0065 each | 584,376 | 3,799 | – | – |
| – 1,700,000 ordinary shares for S$0.0019 each | 1,700,000 | 3,230 | – | – |
| Expenses incurred in issuance of shares | – | (238) | – | (130) |
| At 31 December | 13,738,296 | 195,155 | 6,784,263 | 178,147 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares, which have no par value, carry one vote per share without restrictions.

### (c) Capital Reserve

Capital reserve of the Group represents the excess/(deficit) of the consideration received from the non-controlling interests over the interests attributable to the net assets of the subsidiaries acquired/disposed.

### (d) Share Options Reserve

| | Group and Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | No. of share options '000 | Share option reserves S$'000 | No. of share options '000 | Share option reserves S$'000 |
| At the beginning of the year | 28,286 | 815 | 35,786 | 815 |
| Share options granted | 22,500 | – | – | – |
| Share options lapsed/exercised | – | – | (7,500) | – |
| At the end of the year | 50,786 | 815 | 28,286 | 815 |

As at 31 December 2014, managerial staff of the Group held options over 50,786,000 (2013: 28,286,000) ordinary shares, of which 8,286,000 will expire on 11 October 2020, 10,200,000 will expire on 11 August 2021, 9,800,000 will expire on 26 March 2022, and the remaining 22,500,000 will expire on 10 April 2024.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 22 Capital and Reserves (Cont'd)

### (d) Share Options Reserve (Cont'd)

At the end of the financial year, the number of unissued ordinary shares under option granted is as follows:

| Date of grant | Balance at 1 January 2014 | Granted | Exercised | Lapsed | Balance at 31 December 2014 | Exercise price per share S$ | Exercisable Period |
|---|---|---|---|---|---|---|---|
| 12 October 2010 | 8,286,000 | – | – | – | 8,286,000 | 0.0500 | 12 October 2011 to 11 October 2020 |
| 12 August 2011 | 10,200,000 | – | – | – | 10,200,000 | 0.0250 | 12 August 2012 to 11 August 2021 |
| 27 March 2012 | 9,800,000 | – | – | – | 9,800,000 | 0.0290 | 27 March 2013 to 26 March 2022 |
| 11 April 2014 | – | 22,500,000 | – | – | 22,500,000 | 0.0024 | 11 April 2015 to 10 April 2024 |
| | 28,286,000 | 22,500,000 | – | – | 50,786,000 | | |

Based on the Advance SCT Employee Share Option Scheme, the share options have a contractual life of ten years and are subject to a vesting period of one year. 28,286,000 (2013: 28,286,000) options are exercisable as at 31 December 2014.

Fair Value of Share Options Granted

There is no share options granted in financial year 2013. The fair value of the share options granted during the current financial year ended 31 December 2014 is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The fair value of the share options has not been accounted as it is insignificant to the financial statements.

The inputs into the model were as follows:

| | 2014 | 2013 |
|---|---|---|
| Expected volatility (%) | 427% | – |
| Dividend yield (%) | – | – |
| Risk-free interest rate (% p.a.) | 0.34% | – |
| Expected life of option (years) | 9.25 | – |
| Exercise price | S$0.0024 | – |
| Grant date share price | S$0.003 | – |

The expected volatility is derived from historical volatility of the share price over the most recent period that is generally commensurate with the expected life of the option.

Share options granted under the employee share option plan carry no rights to dividends and no voting rights.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 22 Capital and Reserves (Cont'd)

### (e) Revaluation Reserve

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| Balance as at the beginning of the financial year | 1,245 | 1,245 |
| Less: Disposal of assets during the year | (1,245) | – |
| Balance as at the end of the financial year | – | 1,245 |

The revaluation reserve is used to record the revaluation surplus of the Group's leasehold property that was revalued. As at 31 December 2014, revaluation reserve has been reversed due to the disposal of assets classified as held for sale (Note 19).

## 23 Foreign Currency Translation Reserve

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| At 1 January | 25 | (240) |
| Net exchange difference on translation of foreign entities' financial statements | 274 | 265 |
| Reversal in relation to disposal of subsidiaries | (125) | – |
| At 31 December | 174 | 25 |

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the presentation currency of the Company.

## 24 Provision for Legal/Corporate Claims

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| Balance at the beginning of the year | 1,868 | 3,999 |
| Settlement during the year | – | (3,999) |
| (Write back)/Addition of legal claims during the year (Note 30) | (1,868) | 1,868 |
| Balance at the end of the year | – | 1,868 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 25 Related Party Transactions

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

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

In addition to the information disclosed elsewhere in the financial statements, during the financial year, the Group had significant transactions with related parties on terms agreed between the parties as follows:

### (a) Transactions with Related Parties

| | Group | |
|---|---|---|
| | 2014 S$'000 | 2013 S$'000 |
| Advisory fees paid to directors | 30 | 78 |

### (b) Compensation of Key Management Personnel

| | Group | |
|---|---|---|
| | 2014 S$'000 | 2013 S$'000 |
| Salaries, bonuses and other benefits | 1,289 | 872 |
| Contribution to defined contribution plan | 35 | 40 |
| Employee share option scheme | | |
| – a director | – | 140 |
| – other key management | – | 68 |
| Directors' fees | | |
| – current year expense | 107 | 115 |
| Other short-term benefits | – | 32 |
| | 1,431 | 1,267 |
| Comprise amounts paid to: | | |
| Directors of the Company | 837 | 752 |
| Other key management personnel | 594 | 515 |
| | 1,431 | 1,267 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 26 Operating Lease Commitments

### (a) Operating Lease Commitments – where the Group is a lessee

The Group has entered into commercial leases on certain properties. These leases have an average tenure of between 1 & 2 years (2013: 1 and 2 years). The properties are only for authorised use as approved by the lessor and the Group is restricted from subletting the properties without prior consent from the lessor. Certain leases include a clause to enable upward revision of the rental charge on an annual basis based on the prevailing market conditions.

Future minimum rental payable under non-cancellable operating leases at the balance sheet date are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| Payable within one financial year | 716 | 39 |
| Payable after one financial year but within five financial years | 611 | 2 |
| | 1,327 | 41 |

### (b) Operating Lease Commitments – where the Group is a lessor

Operating leases relate to plant and equipment lease out to related party with a lease term of 3 years. During the previous financial year ended 31 December 2013, operating leases relate to a property rented by the Group and leased out to respective parties with lease terms ranging from 7 months to 2 years. All operating lease contracts contain market review clauses in the event that the lessee exercised its option to renew the lease terms.

Future minimum rentals receivable under non-cancellable operating leases at the balance sheet date are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | S$'000 | S$'000 |
| Within one financial year | – | 151 |
| Within five financial years | – | 450 |
| | – | 601 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 26 Operating Lease Commitments (Cont'd)

### (c) Capital Commitments

Capital expenditure contracted for at the end of the financial year but not recognised in the financial statements are as follows:

| | Group | |
|---|---|---|
| | 2014 S$'000 | 2013 S$'000 |
| Authorised and contracted for | | |
| – construction of property, plant and equipment | 33 | – |

As at 31 December 2014, in relation to the capital expenditure authorised and contracted for the construction of property, plant and equipment amounting to S$33,000 (2013: S$Nil) were made for the the construction of one of its subsidiary's manufacturing plant located in the PRC.

## 27 Segment Information

For management purposes, the Group is organised into business units based on their product and services, and has reporting operating segments as follows:

1. Waste water treatment segment relates to operations of a wastewater treatment plant and provision of wastewater treatment services.

2. Recycling and supply chain management segment acts as a dealer in all kinds of ferrous and non-ferrous metals, electrical and electronics and insulated cable scraps.

3. Manufacturing segment relates to refining copper and manufacturing copper products, smelting of aluminum and manufacturing aluminum deoxidisers.

4. Corporate segment includes Group-level investment and treasury function.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, loans and borrowings and related expenses.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

**Information about a Major Customer**

Revenue from one major customer amounted to S$10,163,000 – manufacturing segment (2013: S$8,723,000 – manufacturing segment).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 27 Segment Information (Cont'd)

### (a) Business Segments

The following table presents revenue and results information regarding the Group's business segments for the years ended 31 December 2014 and 2013:

| | Wastewater treatment | | Recycling and supply chain management | | Manufacturing | | Corporate | | Adjustments and eliminations | | Notes | Per consolidated financial statements | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 | | 2014 S$'000 | 2013 S$'000 |
| **Revenue:** | | | | | | | | | | | | | |
| Inter-segment | – | – | – | – | 5,002 | – | – | – | (5,002) | – | A | – | – |
| External customers | 1,114 | 1,197 | (75) | 5,291 | 68,691 | 79,885 | – | – | – | (5,493) | | 69,878 | 80,880 |
| Total revenue (Note 4) | 1,114 | 1,197 | (75) | 5,291 | 73,693 | 79,885 | – | – | (5,002) | (5,493) | | 69,730 | 80,880 |
| **Results:** | | | | | | | | | | | | | |
| Interest income | 1 | – | 65 | – | 26 | 3 | 30 | – | (113) | – | | 9 | 3 |
| Depreciation and amortisation | (8) | (2) | (33) | (354) | (246) | (293) | (28) | – | – | – | | (315) | (649) |
| Impairment loss on property, plant and equipment | – | – | (117) | (109) | – | – | – | – | – | – | | (117) | (109) |
| Impairment loss on subsidiaries | – | – | – | – | – | – | (474) | – | 474 | – | | – | – |
| Impairment of trade and other receivables | – | – | (651) | (457) | – | – | – | – | – | – | | (651) | (457) |
| Bad debts (non-trade) written off | – | – | – | – | (31) | (83) | – | (707) | – | – | | (31) | (790) |
| Write back of impairment of trade and other receivables | – | – | – | – | – | – | 1,170 | 549 | – | – | | 1,170 | 549 |
| Segment profit/(loss) | 791 | 791 | (124) | 491 | (2,410) | (1,906) | 121 | (10,018) | 2,671 | 3,825 | A | 1,049 | (6,817) |
| **Assets:** | | | | | | | | | | | | | |
| Segment assets | 8,763 | 8,132 | 2,693 | 6,494 | 28,710 | 36,916 | 20,000 | 19,909 | (20,165) | (22,338) | A | 40,001 | 49,113 |
| Segment assets include: – additions to non-current assets | 76 | 15 | 29 | 39 | 2,080 | 1,047 | 250 | – | – | – | B | 2,435 | 1,101 |
| Segment liabilities | (3,794) | (3,685) | (5,677) | (12,452) | (22,642) | (15,196) | (18,673) | (10,105) | 20,225 | (8,166) | A | (30,561) | (49,604) |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 27 Segment Information (Cont'd)

### (a) Business Segments (Cont'd)

Notes:

A Inter-segment transactions and balances are eliminated on consolidation.

B Additions to non-current assets consists of additions to property, plant and equipment and intangible assets.

### (b) Geographical segments

The Group's geographical segmentation of sales is based on the country in which the customers are headquartered. The Group's revenue are generated from the following geographical locations:

The following table presents revenue, regarding the Group's geographical segments for the years ended 31 December 2014 and 2013:

| | Singapore | | People's Republic of China | | Taiwan | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Revenue | 1,130 | 11,200 | 1,224 | 7,404 | 67,524 | 62,276 | 69,878 | 80,880 |
| Non-current assets | 331 | 1,838 | 4,629 | 1,660 | 119 | 144 | 5,079 | 3,642 |

The non-current assets are classified based on the physical location of the assets.

## 28 Financial Risk Management Objectives and Policies

### Financial risk factors

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28 Financial Risk Management Objectives and Policies (Cont'd)

### Financial risk factors (Cont'd)

*(a) Credit Risk*

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

Trade and other receivables by country:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Singapore | 1,427 | 3,145 | 7,490 | 5,675 |
| People's Republic of China | 5,625 | 708 | 898 | – |
| Malaysia | 480 | – | 480 | – |
| Taiwan | 5,740 | 15,676 | – | – |
| | 13,272 | 19,529 | 8,868 | 5,675 |

<u>Financial assets that are neither past due nor impaired</u>

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

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 to the financial statements.

Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade and other receivables.

At the end of the reporting period, approximately 38% (2013: 45.1%) of the Group's trade receivables were due from 5 major customers. In addition, 100% (2013: 100%) of the Group's financial receivables is due from 1 party (2013: 1).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28 Financial Risk Management Objectives and Policies (Cont'd)

### Financial risk factors (Cont'd)

(b) *Foreign Currency Risk*

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

The Group has transactional currency exposures arising from its ordinary course of business that are denominated in a currency other than the functional currency of the Group's entities, which is S$. The foreign currencies in which these transactions are denominated are mainly Renminbi ("RMB"), Taiwan Dollars ("TWD") and United States Dollars ("USD").

As at 31 December 2014 and 31 December 2013, the Group's and the Company's financial assets and financial liabilities are denominated in SGD and have no foreign currency risk exposure except for the followings:

| | RMB S$'000 | TWD S$'000 | USD S$'000 |
|---|---|---|---|
| **Group** | | | |
| **2014** | | | |
| *Financial assets* | | | |
| Trade and other receivables | 5,622 | 2,416 | 3,323 |
| Financial receivables | 7,485 | – | – |
| Cash and cash equivalents | 2,057 | 1,419 | 3,159 |
| | 15,164 | 3,835 | 6,482 |
| *Financial liabilities* | | | |
| Trade and other payables | 6,168 | 213 | 593 |
| Interest-bearing liabilities | 2,572 | 10,118 | – |
| | 8,740 | 10,331 | 593 |
| Net financial assets/(liabilities) | 6,424 | (6,496) | 5,889 |
| **2013** | | | |
| *Financial assets* | | | |
| Trade and other receivables | 1,282 | 15,675 | – |
| Financial receivables | 7,159 | – | – |
| Cash and cash equivalents | 2,465 | 2,589 | 1,448 |
| | 10,906 | 18,264 | 1,448 |
| *Financial liabilities* | | | |
| Trade and other payables | 5,391 | 2,635 | 797 |
| Interest-bearing liabilities | – | 12,841 | – |
| | 5,391 | 15,476 | 797 |
| Net financial assets | 5,515 | 2,788 | 651 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28 Financial Risk Management Objectives and Policies (Cont'd)

### Financial risk factors (Cont'd)

*(b) Foreign Currency Risk (Cont'd)*

| | RMB S$'000 | TWD S$'000 | USD S$'000 |
|---|---|---|---|
| **Company** | | | |
| **2014** | | | |
| *Financial assets* | | | |
| Trade and other receivables | 895 | – | – |
| Cash and cash equivalents | – | – | 296 |
| | 895 | – | 296 |
| *Financial liabilities* | | | |
| Trade and other payables | 1,638 | – | – |
| Net financial (liabilities)/assets | (743) | – | 296 |
| **2013** | | | |
| *Financial assets* | | | |
| Trade and other receivables | – | – | – |
| Cash and cash equivalents | – | – | 3 |
| | – | – | 3 |
| *Financial liabilities* | | | |
| Trade and other payables | – | – | – |
| Net financial assets | – | – | 3 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28 Financial Risk Management Objectives and Policies (Cont'd)

**Financial risk factors (Cont'd)**

*(b) Foreign Currency Risk (Cont'd)*

Sensitivity Analysis

If the RMB, TWD and USD change against the SGD by 3% (2013: 3%) respectively with all other variables including the income tax rate being held constant, the effects arising from the net financial asset/liability position on net profit after tax and equity will increase/(decrease) as follows:

| | 2014 S$'000 | 2013 S$'000 |
|---|---|---|
| **Group** | | |
| RMB against SGD | | |
| – strengthened | 160 | 137 |
| – weakened | (160) | (137) |
| TWD against SGD | | |
| – strengthened | (162) | 69 |
| – weakened | 162 | (69) |
| USD against SGD | | |
| – strengthened | 147 | 16 |
| – weakened | (147) | (16) |
| **Company** | | |
| RMB against SGD | | |
| – strengthened | (19) | – |
| – weakened | 19 | – |
| TWD against SGD | | |
| – strengthened | – | – |
| – weakened | – | – |
| USD against SGD | | |
| – strengthened | 7 | – |
| – weakened | (7) | – |

It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

*(c) Liquidity Risk*

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations. The Group and Company manage the liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments.

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations. The Group and Company manage the liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28 Financial Risk Management Objectives and Policies (Cont'd)

### Financial risk factors (Cont'd)

*(c) Liquidity Risk (Cont'd)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

| | | Cash flows | | | |
|---|---|---|---|---|---|
| | Carrying amount S$'000 | Total S$'000 | One year or less S$'000 | One to five years S$'000 | Over five years S$'000 |
| **Group** | | | | | |
| As at 31 December 2014 | | | | | |
| Trade and other payables (Note 20) | 9,859 | 9,859 | 9,859 | – | – |
| Interest-bearing liabilities | | | | | |
| – excluding interest bearing convertible notes (Note 21) | 20,265 | 20,372 | 16,296 | 4,076 | – |
| Total undiscounted financial liabilities | 30,124 | 30,231 | 26,155 | 4,076 | – |
| As at 31 December 2013 | | | | | |
| Trade and other payables (Note 20) | 14,926 | 14,926 | 14,926 | – | – |
| Interest-bearing liabilities | | | | | |
| – excluding interest bearing convertible notes (Note 21) | 31,118 | 32,194 | 21,199 | 10,995 | – |
| Provision for legal/corporate claims (Note 24) | 1,868 | 1,868 | 1,868 | – | – |
| Total undiscounted financial liabilities | 47,912 | 48,988 | 37,993 | 10,995 | – |
| **Company** | | | | | |
| As at 31 December 2014 | | | | | |
| Trade and other payables (Note 20) | 3,169 | 3,169 | 3,169 | – | – |
| Interest-bearing liabilities | | | | | |
| – excluding interest bearing convertible notes (Note 21) | 5,575 | 5,575 | 1,687 | 3,888 | – |
| Total undiscounted financial liabilities | 8,744 | 8,744 | 4,856 | 3,888 | – |
| As at 31 December 2013 | | | | | |
| Trade and other payables (Note 20) | 6,109 | 6,109 | 6,109 | – | – |
| Interest-bearing liabilities | | | | | |
| – excluding interest bearing convertible notes (Note 21) | 12,242 | 12,782 | 1,787 | 10,995 | – |
| Total undiscounted financial liabilities | 18,351 | 18,891 | 7,896 | 10,995 | – |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 28 Financial Risk Management Objectives and Policies (Cont'd)

### (d) *Capital Management*

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

The Group and Company manage its capital structure and makes adjustments to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group and Company may adjust the dividend payment, issue new shares or obtain new borrowings. The Group's and Company's overall strategy remains unchanged from 2013.

The Group and Company monitor capital based on net debt to equity ratio, which is interest bearing liabilities divided by total shareholders' equity.

The net debt to equity ratio is calculated as borrowings divided by total equity.

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 S$'000 | 2013 S$'000 | 2014 S$'000 | 2013 S$'000 |
| Borrowings | 20,266 | 31,214 | 5,576 | 12,338 |
| Equity | 9,440 | (491) | 1,994 | (7,141) |
| Net debt to equity ratio | 2.15 | N.M | 2.80 | N.M |

N.M – Not meaningful due to deficit in shareholders' funds.

### (e) *Interest Rate Risk*

The Group's and Company's interest rate risk mainly arises from its variable rate borrowings. The Group and Company monitor the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates.

Sensitivity analysis for interest rate risk

Should the variable interest rates of the borrowings increase/decrease by 0.75% (2013: 0.75%) with all other variables including tax rates being held constant, the profit or loss will be higher/lower by approximately S$134,000 (2013: S$234,000) as a result of the changes in the interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

## 29 Fair Value of Financial Instruments

**Fair value of financial assets and liabilities that are measured at fair value on a recurring basis and non-recurring basis**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

| | | Group | |
|---|---|---|---|
| | Level 1 S$'000 | Level 2 S$'000 | Level 3 S$'000 |
| **Recurring basis** | | | |
| 31 December 2014 | | | |
| Derivative financial assets | – | 4 | – |
| Derivative financial liabilities | – | (619) | – |
| 31 December 2013 | | | |
| Derivative financial assets | – | 17 | – |
| Derivative financial liabilities | – | (128) | – |
| **Non-recurring basis** | | | |
| 31 December 2014 | | | |
| Assets classified as held for sale | – | – | – |
| 31 December 2013 | | | |
| Assets classified as held for sale | – | 602 | – |

There were no financial assets measured as Level 1 and Level 3.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of commodities forward and foreign exchange forward contracts are determined using observable commodities futures and foreign exchange forward prices at the balance sheet date. These investments are classified as Level 2 and comprise derivative financial instruments. The fair value of assets classified as held for sale is based on the subsequent disposal consideration price and accordingly classified as Level 2.

# **NOTES TO THE** FINANCIAL STATEMENTS

31 December 2014

## 29 Fair Value of Financial Instruments (Cont'd)

**Fair value of financial assets and liabilities that are measured at fair value on a recurring basis and non-recurring basis (Cont'd)**

*Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis*

The carrying amount of cash at bank, trade receivables and payables, and other receivables and payables, approximate their respective fair value due to the relatively short-term nature of these financial instruments.

The fair value of the interest bearing liabilities are calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates available to the Group and the Company at the balance sheet date. The fair value of the interest bearing liabilities approximate its respective fair value as the interest rates are primarily pegged to the floating market rate.

## 30 Contingent Liability

The Group entered into an agreement to acquire a copper smelting operation in the PRC (the "Acquisition") from a third party vendor ("Vendor") in August 2011. The Group and Advance SCT (Qingyuan) Co. Ltd ("ex-subsidiary") has been named as defendants to an arbitration proceeding commenced in the PRC for the sum of S$11,366,248 (RMB54,785,316) and relevant interest, in relation to the proposed acquisition of working capital and the legal proceedings arising from the termination of the proposed acquisition. The ex-subsidiary has counter-claimed for the sum of S$8,955,975 (RMB43,167,800) and relevant interest in respect of this transaction.

As at the date of this report, the outcome of the legal case is uncertain and accordingly it is not practical to provide an estimate of the financial effect, or the amount and timing of any outflow of resources, or the possibility of any reimbursement in relation to this lawsuit.

## 31 Subsequent Events

As announced by the Company on 16 February 2015, the plaintiffs of the legal cases, namely, the Suit No. 648 of 2013 against the Company and the Originating Summons No. 826 of 2013 against New Tsingyi Pte. Ltd. (which ceased to be a subsidiary of the Company in 2014), have been discontinued.

On 25 Nov 2014, the Company has entered into a non-binding Memorandum of Understanding (the "MOU") with Meike International Assets Management (Beijing) Co., Ltd. ("Meike"). Both parties have expressed the intention to incorporate a joint venture holding company (the "JVC") that will acquire and operate wastewater treatment facilities in China. Four wastewater treatment plants in the provinces of Anhui, Jiangsu and Liaoning have been identified by both parties as potential assets for immediate injection into the JVC. Parties have also identified some potential investors to provide funding to the JVC. Based on the MOU, the management has required a consulting fee of S$500,000 made payable to the Company. However, as at the date of this financial statements, due to the delay in the project time frame, the management has assessed that the consulting fee of S$500,000 will not be recognised in the current financial year.

# STATISTICS OF SHAREHOLDINGS

| | | |
|---|---|---|
| Number of issued and paid-up shares | : | 14,942,564,101 |
| Number of treasury shares held by the Company | : | Nil |
| Class of shares | : | Ordinary Share |
| Voting rights | : | One vote per share |

Based on the information available to the Company as at 13 March 2015, approximately 78.6% of the issued shares of the Company is held by the public. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

(as shown in the Company's Register of Substantial Shareholders)

| | Number of shares | | | |
|---|---|---|---|---|
| NAME OF SUBSTANTIAL SHAREHOLDER | Direct Interest | Deemed Interest | Total | % |
| FORT CANNING (ASIA) PTE LTD | 1,348,495,104 | – | 1,348,495,104 | 9.03 |
| Zhang Baoan* | – | 1,348,495,104 | 1,348,495,104 | 9.03 |
| BELLE FORTE LTD | 1,274,644,521 | – | 1,274,644,521 | 8.53 |
| Weng Hua Yu @ Simon Eng** | – | 1,274,644,521 | 1,274,644,521 | 8.53 |

a. Zhang Baoan is deemed interested shares held through Fort Canning (Asia) Pte Ltd.

b. Simon Eng is deemed interested in shares held through Belle Forte Ltd.

c. Hau Chan Yen, wife of Simon Eng, is deemed interested in shares held through Belle Forte Ltd and Simon Eng.

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 176 | 3.36 | 3,532 | 0.00 |
| 100 – 1,000 | 132 | 2.52 | 90,313 | 0.00 |
| 1,001 – 10,000 | 914 | 17.45 | 6,401,998 | 0.04 |
| 10,001 – 1,000,000 | 3,322 | 63.44 | 855,289,789 | 5.73 |
| 1,000,001 AND ABOVE | 693 | 13.23 | 14,080,778,469 | 94.23 |
| **TOTAL** | **5,237** | **100.00** | **14,942,564,101** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | FORT CANNING (ASIA) PTE LTD | 1,348,495,104 | 9.03 |
| 2 | BELLE FORTE LTD | 1,274,644,521 | 8.53 |
| 3 | APZENITH CAPITAL PTE LTD | 990,918,693 | 6.63 |
| 4 | OCBC SECURITIES PRIVATE LIMITED | 618,405,358 | 4.14 |
| 5 | TAN PENG BOON | 590,063,180 | 3.95 |
| 6 | SUNRISE INVESTORS PTE LTD | 570,249,540 | 3.82 |
| 7 | FIRSTLINK CAPITAL PTE. LTD. | 473,415,000 | 3.17 |
| 8 | QUAH CHUNG MING | 442,171,488 | 2.96 |
| 9 | SONG TANG YIH | 408,543,086 | 2.73 |
| 10 | LIM LIANG MENG | 347,540,780 | 2.33 |
| 11 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 268,815,516 | 1.80 |
| 12 | ENG WAH YOUND | 197,000,000 | 1.32 |
| 13 | KWOK MEEI YING MONICA | 182,466,515 | 1.22 |
| 14 | UOB KAY HIAN PRIVATE LIMITED | 180,991,356 | 1.21 |
| 15 | TAN CHEE BENG | 174,769,231 | 1.17 |
| 16 | KIM LAY GEK | 166,490,631 | 1.11 |
| 17 | HENG WEE KIANG | 155,000,000 | 1.04 |
| 18 | CHOO CHEE KONG | 150,941,008 | 1.01 |
| 19 | LIM CHWEE POH | 146,071,294 | 0.98 |
| 20 | LEE HWEE KEOW | 141,884,085 | 0.95 |
| | **TOTAL** | **8,828,876,386** | **59.10** |

# NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

**ADVANCE SCT LIMITED**
Registration No. 200404283C
(Incorporated in Singapore)
(The "Company")

**NOTICE IS HEREBY GIVEN** that the Eleventh Annual General Meeting of Advance SCT Limited will be held at 65 Tech Park Crescent, Singapore 637787 on Thursday, 30th April 2015 at 2:00 p.m. for the following purposes:

**As Ordinary Business**

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Chay Yiowmin, a Director retiring under Article 104 of the Company's Articles of Association who, being eligible, offers himself for re-election.

   *Mr Chay Yiowmin will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Key information on Mr Chay and his shareholdings can be found in the Board of Directors section of the Annual Report 2014. Apart from the above disclosure, there are no relationships (including immediate family relationship) between Mr Chay and the other Directors or the Company or its shareholders.* **(Resolution 2)**

   To re-elect Mr Attlee Hue Kuan Yew, a Director retiring under Article 104 of the Company's Articles of Association who, being eligible, offers himself for re-election.

   *Mr Attlee Hue Kuan Yew will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committees and a member of the Audit and Nominating Committees and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. Key information on Mr Hue and his shareholdings can be found in the Board of Directors section of the Annual Report 2014. Apart from the above disclosure, there are no relationships (including immediate family relationship) between Mr Hue and the other Directors or the Company or its shareholders.* **(Resolution 3)**

   To re-elect Mr Peter Choo Chee Kong, a Director retiring under Article 104 of the Company's Articles of Association who, being eligible, offers himself for re-election.

   *Mr Peter Choo Chee Kong will, upon re-election as a Director of the Company, remain as a member of the Remuneration Committee. Key information on Mr Choo and his shareholdings can be found in the Board of Directors section of the Annual Report 2014. Apart from the above disclosure, there are no relationships (including immediate family relationship) between Mr Choo and the other Directors or the Company or its shareholders.* **(Resolution 4)**

# NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

**ADVANCE SCT LIMITED**
Registration No. 200404283C
(Incorporated in Singapore)
(The "Company")

To re-elect Mr Zhang Baoan, a Director retiring under Article 108 of the Company's Articles of Association who, being eligible, offers himself for re-election.

*Mr Zhang Baoan will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee. Key information on Mr Zhang and his shareholdings can be found in the Board of Directors section of the Annual Report 2014. Apart from the above disclosure, there are no relationships (including immediate family relationship) between Mr Zhang and the other Directors or the Company or its shareholders.* **(Resolution 5)**

3. To approve the payment of Directors' Fees of S$216,000 for the financial year ending 2015. (FY2014: S$135,000) **(Resolution 6)**

4. To re-appoint Messrs Moore Stephens LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

5. To transact any other business that may be transacted at an Annual General Meeting.

**<u>As Special Business</u>**

6. To consider and, if thought fit, to pass with or without any modifications, the following resolutions as ordinary resolutions:

6.1 Authority to allot and issue shares in the capital of the Company (the "Share Issue Mandate")

That pursuant to section 161 of the Companies Act, Chapter 50 (the "Act") and the rules of 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:-

(I) (i) issue shares in the Company ("Shares") 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) options, warrants, debentures or other instruments convertible or exchangeable 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

# NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

**ADVANCE SCT LIMITED**
Registration No. 200404283C
(Incorporated in Singapore)
(The "Company")

(II) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the directors while this resolution was in force,

provided that:

(1) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this resolution (as calculated in accordance with sub-paragraph 2 below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 20% of the Company's total number of issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments 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 total number of issued Shares shall be calculated based on the total number of issued Shares excluding treasury shares, if any, at the time of the passing of this resolution, after adjusting for:-

  (a) new Shares arising from the conversion or exercise of convertible securities;

  (b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

  (c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Act, 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) the authority conferred by this resolution 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. **(Resolution 8)**

# NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

**ADVANCE SCT LIMITED**
Registration No. 200404283C
(Incorporated in Singapore)
(The "Company")

6.2 Authority to offer and grant options and/or grant awards and to allot and issue shares pursuant to the Advance SCT Employee Share Option Scheme and the ASCT Performance Shares Scheme.

That approval be and is hereby given to the Directors to offer and grant options and/or awards from time to time in accordance with the provisions of the Advance SCT Employee Share Option Scheme and ASCT Performance Shares Scheme (collectively the "ASCT Schemes"), and, pursuant to Section 161 of the Act, to allot and issue from time to time such number of shares in the capital of the Company (collectively the "Scheme Shares") as may be required to be issued pursuant to the exercise of options and/or awards granted under the ASCT Schemes and to do all such acts and things as may be necessary or expedient to carry the same into effect, provided always that the aggregate number of Scheme Shares to be issued shall not exceed 15 per cent. of the total number of issued Shares excluding treasury shares of the Company from time to time. **(Resolution 9)**

**On Behalf of the Board**

**Simon Eng**
Executive Chairman and Chief Executive Officer

Singapore, 15 April 2015

Notes:

A Member of the Company entitled to attend and vote at the above meeting may appoint a proxy (or in the case of a corporation, to appoint its authorised representative or proxy) to attend and vote on his behalf. Such proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the registered office of the Company at 65 Tech Park Crescent, Singapore 637787 not less than 48 hours before the time for holding the Meeting.

## EXPLANATORY NOTES:

**Ordinary Resolution 8**
The proposed Resolution 8, if passed, will empower the Directors, from the date of the above Meeting until the next annual general meeting of the Company, to issue Shares and/or Instruments up to an aggregate number not exceeding 50 per cent. of the total number of issued Shares excluding treasury shares, with a sub-limit of 20 per cent. for Shares issued other than on a pro rata basis to Shareholders.

**Ordinary Resolution 9**
The proposed Resolution 9, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next annual general meeting, to offer and grant options and/or awards and to allot and issue Shares in the capital of the Company, pursuant to the exercise of options under the Advance SCT Employee Share Option Scheme and/or the awards under the ASCT Performance Shares Scheme provided that the aggregate number of Shares to be issued does not exceed in total fifteen per centum (15%) of the total number of issued Shares excluding treasury shares of the Company for the time being.

**IMPORTANT**

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

# ADVANCE SCT LIMITED

Registration No. 200404283C
(Incorporated in Singapore)

# PROXY FORM

I/We* ______________________________________________

of ______________________________________________

being a member/members* of **ADVANCE SCT LIMITED** (the "Company"), hereby appoint:

| Name | Address | NRIC/ Passport Number | Proportion of Shareholdings |
|---|---|---|---|
| | | | |
| and/or (delete as appropriate) | | | |
| | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting ("AGM") as my/our* proxy/proxies* to vote on my/our* behalf, at the Eleventh AGM of the Company, to be held at 65 Tech Park Crescent, Singapore 637787 on Thursday, 30th April 2015 at 2:00 p.m. 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/their* discretion, as he/they* will on any other matter arising at the Meeting.

| No. | Resolutions Relating To: | For ** | Against ** |
|---|---|---|---|
| | AS ORDINARY BUSINESS | | |
| 1. | Adoption of the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014 together with the Auditors' Report. | | |
| 2. | Re-election of Mr Chay Yiowmin as a Director (under Article 104). | | |
| 3. | Re-election of Mr Attlee Hue Kuan Yew as a Director (under Article 104). | | |
| 4. | Re-election of Mr Peter Choo Chee Kong as a Director (under Article 104). | | |
| 5. | Re-election of Mr Zhang Baoan as a Director (under Article 108). | | |
| 6. | Approval of Directors' Fees of S$216,000.00 for the financial year ending 31 December 2015. | | |
| 7. | Re-appointment of Messrs Moore Stephens LLP as auditors of the Company. | | |
| | AS SPECIAL BUSINESS | | |
| 8. | Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Cap. 50. | | |
| 9. | Authority to offer and grant options and to issue shares under the Advance SCT Employee Share Option Scheme and/or to grant awards and issue shares in accordance with the provisions of the ASCT Performance Shares Scheme. | | |

* Please delete accordingly
** Please indicate your vote "For" or "Against" with an "X" within the box provided

Dated this ____________ day of ________________ 2015.

| Total Number of Shares | |
|---|---|

.................................................................

Signature(s) of member(s)/Common Seal
of corporate member

**Notes:**

1. Please insert the total number of ordinary shares in the capital of the Company ("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 instrument appointing a proxy or proxies will be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a Meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

4. This instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 65 Tech Park Crescent, Singapore 637787 not less than 48 hours before the time appointed for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies.

8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names 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.

Designed and produced by
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