Matex®

Matex International Limited
万得国际有限公司

Living the Culture of COLOUR

ECO-FRIENDLY ★ NATURAL ★ BIODEGRADABLE

2013 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Board of Directors

Dr John Chen Seow Phun
Non-Executive Chairman and
Independent Director

Dr Tan Pang Kee
CEO / Managing Director

Dr Wang Kai Yuen
Independent Director

Mr Robson Lee Teck Leng
Independent Director

Dr Chua Geok Koon
Executive Director

Mr Dro Tan Guan Liang
(Chen Guanliang)
Executive Director

Company Secretaries

Mr Teo Chin Kee

Share Registrar

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Registered and Business Office

15 Tuas View Square
Singapore 637556
Tel: (65) 6861 0028
Fax: (65) 6861 0128
Website: www.matex.com.sg

Auditors

Ernst & Young LLP
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge:
Mr Lim Tze Yuen
(Appointed since FY 2010)

Principal Bankers

Bank of China
No. 4958 Chuansha Road
Pudong District
Shanghai, PRC

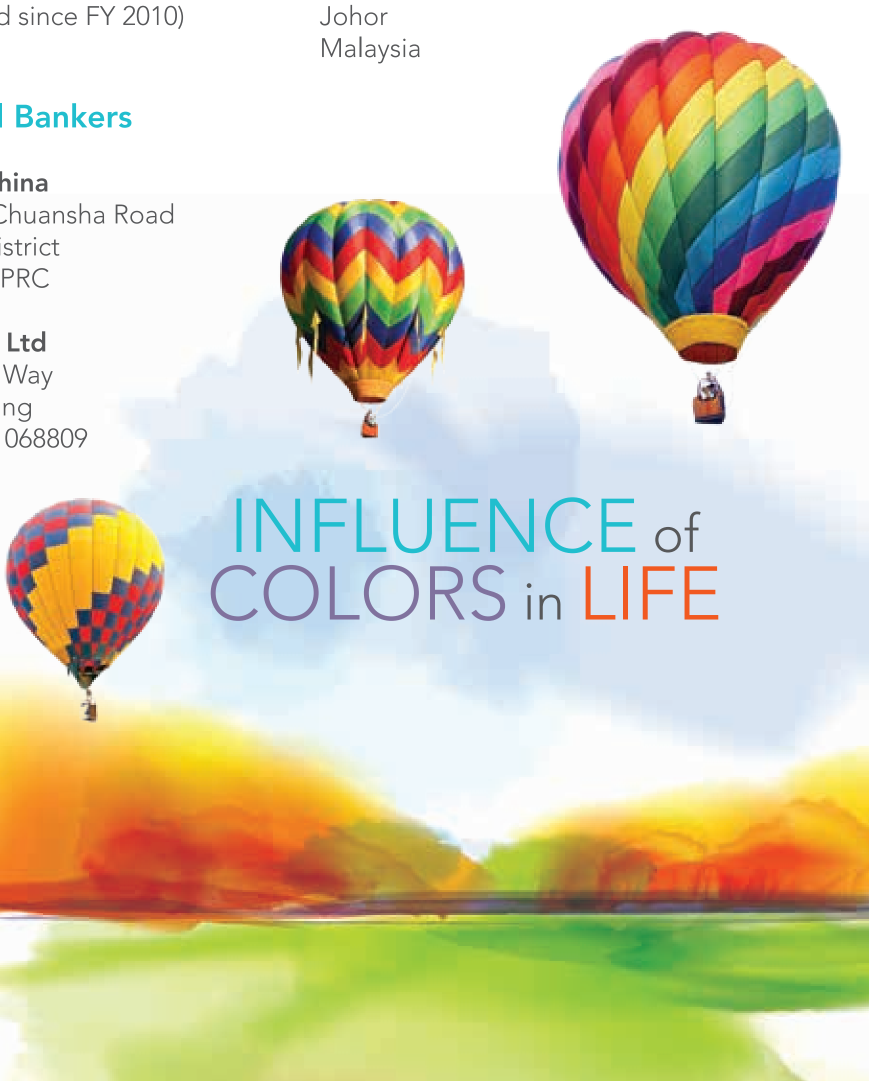
DBS Bank Ltd
6 Shenton Way
DBS Building
Singapore 068809

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 049513

Citibank N.A.
8 Marina View
#17-01 Asia Square Tower 1
Singapore 018960

CIMB BANK
Bgn Umno Johor Bahru
51 Jalan Segget
80000 Johor Bahru
Johor
Malaysia



CORPORATE PROFILE

Established since September 1989 and listed in the Mainboard of Singapore Exchange in February 2004, Matex International limited is a leading manufacturer, supplier and agent of quality dyestuffs and auxiliary chemicals, colour measurement and computer aided systems to the global textile industry. We also tailor-made dyestuffs and specialty chemicals to meet our customers' unique requirements for the various industries such as textile, papers, leather and polymers.

Dedicated to serve, Matex has established a network of well-trained sales and marketing team with a strong presence in china and the global markets. We are widely recognized for our strength in providing excellent technical support services in order to satisfy our customers' needs. We won numerous awards and accolades and Matex is ranked in China's top 500 chemical companies from 2003 to 2009.

Committed to continuous research and development, Matex is constantly producing innovative range of products. We collaborate closely with renown strategic alliance and partners to augment our in-house technical expertise. Our world famous Megafix reactive dye series is a testimonial of our ability to develop unique products by combining the latest technologies with our intimate knowledge and business experience. We continually add value to our customers' products, ensuring higher quality, better performance, price competitiveness and eco-friendliness to achieve a long term "win-win partnership".

Headquartered in Singapore, Matex has subsidiaries and affiliates in China, Malaysia, Vietnam, Myanmar, Thailand, Taiwan, Hong Kong, Sri Lanka, Pakistan, Bangladesh, India, Indonesia, Europe, South America and Africa to support its wide base of global customers.

Matex VISION

Create a WORLD-LEADER in
CLEAN COLOUR SCIENCE TECHNOLOGIES
Center of Excellence in Singapore for
NEW INNOVATIONS, NEW PRODUCTS,
NEW SERVICES, NEW TECHNOLOGIES
and DELIVER to the Global Markets.

Matex MISSION

To EXCEL as an INTERNATIONAL
Competent SOLUTIONS PROVIDER with
Pools of INNOVATIVE TALENTS to
Explore NEW BUSINESS Opportunities in the
COMPLEX and DYNAMIC INDUSTRY.

Matex VALUE

We Are CUSTOMER-FOCUSED for full SATISFACTION and we aim TO BE ON-TARGET to the RIGHT NEEDS, provide on time DELIVERY on-demand for the HIGHEST AND CONSISTENT QUALITY and AFFORDABLE PRICE.

GROUP STRUCTURE

Unimatex

Amly Chemicals

Matex International Limited

Shanghai Matex

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

2013 Matex's Comeback Year!

2013 marked an important turning point and a historical milestone for the group as we registered a new high in the Group's revenue turnover.

The group was recognized for its efforts and awarded the 2013 Specialty Chemicals Company of the Year in Frost & Sullivan's Singapore Excellence Awards. It further picked up first runner up at the Young CSR Leaders Award 2013 organised by CDL-Singapore Compact. As part of its ongoing CSR initiatives, it released its 2013 COP Communication on Progress Report on the UN Global Compact Website at the end of the year, where it has been a member since 2011.

A very big thank you to our business partners, suppliers and our shareholders, for your dedicated support and confidence, especially in these challenging times. Deep gratitude to our staff around the world, who continue to rally behind the company, and your dedicated contributions.

As a result, Matex returned to profitability. This enables it to strive for a more balanced, sustainable and profitable growth.

Following the necessary measures taken, the group reported a 71.5% improvement in total revenue against 2012, thus increasing our gross profit by 87.6% and profit before tax by 111.8%. We achieved this despite difficult global economic situation where raw materials had skyrocketed at least 4.5 times.

The measures the Group has taken include, inter alia:

A continuous and systematic effort to increase revenue and profitability through cost-cutting, cash-generating and efficiency improvement measures.

Reinforcing group-wide initiatives that focused on continuous sales improvements and value enhancements.

Further integration of a culture of continuous improvement into all our business units and activities based on operational, environmental, innovation and people excellence.

The enhanced capacities at our plants further improved our competitive edge. The increased market share was a result of our strategy to continue producing consistent quality, ecologically friendly and better products at competitive prices to achieve a 'win-win' strategic partnership with our esteemed customers. This helped them to optimize their productivity and profitability and in turn, ours.

REVIEW OF OPERATIONAL RESULTS

Revenue

The Group achieved total revenue of $69.7m for the financial year ended 31 December 2013 ("FY2013"). This is an increase of $29.0m or 71.5% as compared to $40.7m for the previous financial year ended 31 December 2012 ("FY2012").

The apparels and garments sourcing landscape had continued to restructure and change considerably due to market competition, environmental factors, labor and social constraints in FY2013. The Group had earlier on detected these shifts in the demand for its products in early FY2012. As such, the Group continued to double its marketing efforts on ecological sustainable products, especially in the PRC market.

This increased the Group's sales within the PRC market by $30.2m (115.7%), while sales outside the PRC market registered a slight decline of $1.1m (-7.7%) in 2013, when compared to FY2012.

Gross Profit

The Group's FY2013 gross profit increased by $5.6m or 87.6% to $12m (FY2012: $6.4m), resulting from an increase of gross profit margin from 15.7% in FY2012 to17.2% in FY2013. The improvement in gross profit margin is mainly due to a significant increase in sales, group's continuous efforts to manage costs for both raw materials and labour, and also as a result of higher margins from the sale of new products.

Net Operating Expenses

Net operating expenses decreased by $0.2m from $11.3m in FY2012 to $11.1m in FY2013. The reasons for this decrease are:

i) General and administrative expenses decreased by $0.43m or 6.4% mainly due to lower staff costs. This decrease is contributed by an overall reduction in staff headcount in the Group, and also included voluntary reduction of salaries by the Management;

ii) Other operating income decreased by $0.23m or 85.8%. The decrease in other operating income was due to the one-off Productivity and Innovation Credit and Singapore Internationalisation Capability Development grants that were received by the holding company in FY 2012;

iii) Selling and distribution expenses decreased by $0.05m or 1.0%.

Net Financial Expense

The Group recorded a net financial expense of $0.30m in FY2013, as compared to an amount of $0.52m in FY2012. This decrease of $0.22m in net financial expense is mainly due to a decrease in interest expense which arose from loan repayment in FY2013 and better interest rate negotiated.

Tax

The income tax charge for FY2012 and FY2013 relates to profits made by three profitable subsidiaries in China. There is no such tax charge for one other entity in China as well as other entities in the Group due to their unutilised losses carried forward. The losses made by these entities cannot be used to offset the profits generated by the three profitable subsidiaries, as they are not assessed by the same tax authority.

Net Results

As a result of the above, the Group recorded a profit attributable to equity holders of the Company of approximately $0.2m in FY2013, as compared to a loss of $3.8m in FY2012. This favourable variance is contributed by the significant improvements in the revenue and gross profit, as well as better cost management leading to lower overall expenses in FY2013.

Financial Position

The Group's property, plant and equipment ("PPE") including land use rights are at $24.8m and $20.8m as at 31 December 2012 and 31 December 2013 respectively. The decrease of $4.0m is mainly contributed by depreciation and amortisation charges. There was no significant capital expenditure in FY2013.

Trade receivables has increased from $16.4m for FY 2012 to $21.7m for FY 2013, which is in line with increase in revenue. However, the turnover days has improved by 46 days from 181 days for FY2012 to 135 days for FY 2013.

For trade payables and bills payable to banks, the turnover days has increased from 65 days in FY2012 to 85 days in FY2013, which is in line with increase in cost of sales.

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Inventories are at $16.4 m and $19.8m as at 31 December 2012 and 31 December 2013 respectively. The increase of $3.4m is mainly due to the increase in Group's sales.

Term loans are at $9.9m and $4.0m as at 31 December 2012 and 31 December 2013 respectively. The decrease of $5.9m is due to loan repayments. There was no new term loan secured in FY2013.

Future Outlook

Generally, 2014 will continue to be another challenging year for the industry we serve – although there is cautious optimism for an improved business environment. Issues such as compliance, sustainability and product safety will continue to feature prominently. Trade talks to expand duty-free opportunities such as the Trans-Pacific Partnership (TPP) could yield further opportunities in the many countries we are already in and have strategically chosen to do business with.

Opportunities that we could focus on this year include developing strategic relationships to improve flexibility across the supply chain; focusing on adding value through design, innovation and branding to protect margins; and the better use of technologies to service our customers.

The Group will thus need to remain nimble enough to respond to changing buying patterns, develop strong partnerships across the supply chain, and focus on a sourcing portfolio that balances costs and risks.

The Group will continue to diversify into complementary areas of the clean colour science technology business. It will continue its efforts to improve sales performance outside PRC market in its global long-term vision and efforts to internationalize the Matex and Megafix brand, further optimizing its manufacturing facilities.

Sincere appreciation

On behalf of the Board, we wish once again to extend our most sincere gratitude and appreciation to our business partners, suppliers and our shareholders, for your unwavering support and confidence, especially in these challenging times.

People will always be the greatest assets of the Group. To our staff around the world, we say a very big thank you for your loyalty and high level of commitment.

Barring any unforeseen circumstances, the Group is very much encouraged by its current direction and future prospect, and is ready for further developments and new opportunities in the year ahead.

Yours sincerely,

Dr John Chen Seow Phun
Non-Executive Chairman

Dr Alex Tan Pang Kee
CEO/Managing Director

BOARD OF DIRECTORS

Dr JOHN CHEN SEOW PHUN
Non-Executive Chairman & Independent Director

Dr Chen has been our Chairman and Independent Director since 11 July 2003. He was a Member of Parliament ("MP") since September 1988 to 2006. He was the Minister of State for Communications from March 1997 to June 1999. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Dr Chen holds a Doctor of Philosophy ("Ph.D") degree in Electrical Engineering from the University of Waterloo, Canada. He taught at the National University of Singapore from 1983 to 1991. In 1991, he became the Assistant Secretary General of the National Trades Union Congress (NTUC) until 1997. Dr Chen also served as the Deputy Chairman and Managing Director of the NTUC Healthcare Cooperative Ltd from 1992 to 1997. Dr Chen has been a board member of the Economic Development Board (EDB), the Housing & Development Board (HDB), the then Port of Singapore Authority (PSA) and Singapore Power Ltd. He is presently the Executive Chairman of Thai Village Holdings Ltd and Chairman of SAC Capital Pte Ltd. He also sits on the board of several public listed companies as an independent director.

Dr WANG KAI YUEN
Independent Director

Dr Wang was appointed as our Independent Director on 11 July 2003. He retired as the Managing Director of Fuji Xerox Singapore Software Centre in December 2009. He served as a Member of Parliament from 1984 to 2006. Dr Wang holds a Bachelor of Engineering with First Class Honours in Electrical and Electronics from the University of Singapore, a Master of Science in Industrial Engineering, a Master of Science in Electrical Engineering, and a Ph.D in Engineering (Systems) from Stanford University, USA. He was awarded a Merit Scholarship in 1968 and a Ford Foundation Scholarship for postgraduate studies in the United States in 1973. He also received a Friends of Labour Award in 1988 for his contributions to the Singapore labour movement.

Dr ROBSON LEE TECK LENG
Independent Director

Mr Lee Teck Leng, Robson is our Non-executive and Independent Director. Mr Lee is currently a partner in Shook Lin & Bok LLP's corporate finance and international finance practice and has been with the firm since 1994. Mr. Lee is also a partner in the firm's China practice, focusing on cross-border corporate transactions in the PRC. In addition, Mr Lee currently serves as an independent director on the boards of Best World International Ltd (appointed in 2004), Sheng Siong Group Limited (appointed in 2011), Serial System Ltd (appointed in 2002), Sim Lian Group Ltd (appointed in 2002), and YouYue International Limited, formerly known as Youcan Foods International Ltd (appointed in 2004), all of which are companies listed on the SGX-ST. He is also an independent director on the board of Man Wah Holdings Ltd, a company listed on the Hong Kong Stock Exchange. Mr Lee is a member of the Board of Governors of Hwa Chong Institution, a director and secretary to the board of directors of Singapore Chinese High School, as well as legal adviser to the Hwa Chong Alumni Association and the Singapore Plastic Industry Association. He was conferred the Bronze and Silver Service to Education Awards by the Ministry of Education respectively in 2004 and 2010, and was appointed a member of the Feedback Supervisory panel for 2005/2006 by the Prime Minister of Singapore. Mr Lee graduated from the National University of Singapore in 1993 with a Bachelor's degree in Law (Hons), and was admitted as a solicitor in England and Wales in 2008. He is a member of the Singapore Academy of Law, and the Law Society of Singapore.

Dr TAN PANG KEE
Managing Director &
Chief Executive Officer

Dr Tan founded our Company in September 1989 and was appointed as our Managing Director since early 1990. Dr Tan has more than 30 years of related experience and is instrumental in the development of our Company since its inception. He is in charge of formulating corporate strategies and management of our growth and development. He is also involved in developing new products and identifying new markets for our Group. Dr Tan holds a Bachelor of Science degree in Chemistry from the University of London and obtained an honorary Ph.D in business administration from the Honolulu University, Hawaii, USA, in 2003. Between 1967 and 1989, Dr Tan was the Regional Technical Manager of the Sandoz Division of F.E. Zuellig (Trading) Pte Ltd (1976 to 1988), Technical Supervisor of Guthrie (M.S.) Pte Ltd (1973 to 1975) and a Chemical Analyst in the Malaysia Chemistry Department (1967 to 1972).

Dr CHUA GEOK KOON
Executive Director

Dr Chua was appointed to the Board since 1989. He obtained a Ph.D in Chemistry from the University of Manitoba, Canada. He is involved in market research, process improvement and product development activities of our Group. Dr Chua has more than 25 years of experience in research studies and scientific project consultancy. He was Managing Director of Penta Scientific (S) Pte Ltd between 1976 and 2003 and has been involved in a variety of projects over the years, including water and wastewater treatment consultancy, studies on chloroalkali industry, studies on mercury and mercury compounds, mineral industries and slack wax.

Mr DRO TAN GUAN LIANG
Executive Director

Mr Dro Tan was appointed as our Executive Director since 2010. He was our Business Development Manager since 2006. He is responsible for the Group's business, projects that cater to branding of the company and product innovation and development. He helps out with the design, expansion and overseeing of the group's buildings and infrastructures. He is actively involved in the group's diversification projects that aim to complement the group's existing core businesses. He is currently appointed as the assistant secretary general at Textile and Fashion Federation Singapore a non-profit organisation, and an active member of its executive and management committee dedicated to help the Singapore textile and fashion industry and its members globalize. Mr Tan graduated with Masters in Architecture and Minor in Technopreneurship from the National University of Singapore in 2008, his research thesis focused on the global study and development of sustainable suburban communities. He has worked with various architectural firms in Seoul, Korea and Singapore, prior to joining us.

KEY MANAGEMENT

Dr MA JIANG
General Manager

Dr Ma Jiang is our General Manager currently in charge of Matex business operations in China, namely, Shanghai Matex Chemicals Co. Ltd, Matex Chemicals (Taixing) Co. Ltd and Amly Chemicals Co. Ltd. Dr Ma Jiang was graduated in 1982 and holds a Bachelor of Fine Chemicals Engineering Degree from Dalian Technology University. He joined Shenyang Research Institute as a Research Chemist for 8 years specialize in organic pigments, dyestuff and Intermediates synthesis and analysis. From 1991 – 1997, he pursued and obtained his Ph.D in Molecular Engineering from Kyushu University, Japan and continued his career as Deputy Director of Shenyang Research Institute.

Dr Ma Jiang was the founder in 1998 of a successful optical brightening agent manufacturing company, Shenyang XinJi (New Era) Chemical Co. Ltd. This company is the second largest producer of OBA CF-351 in the world and was later acquired by Sinochem Group in 2009. He was then appointed as Assistant General Manager of Sinochem Dyestuff and Organic Colorant Division. Dr Ma Jiang also holds a Master of Business Administration from Central City University, USA.

Mr TAN PANG SIM
Director / General Manager of Unimatex Sdn Bhd

Mr Tan has been the General Manager of Unimatex Sdn Bhd (USB) since 2000. He is in charge of the management and development of corporate policies and procedures for USB. Mr Tan holds a diploma in commercial accounting from the Singapore Commercial Accounting Institute and is an Associate Financial Planner with the Financial Planner Association of Malaysia. Having started his career as an Accountant and Office Administrator in Pacific Food Product Sdn Bhd in 1971, Mr Tan has more than 30 years of experience in company administration and management as well as financial planning. Prior to joining us, he was the Financial Controller/Director of Macinda Sdn Bhd between 1989 and 2000.

Dr PRABHAKAR REDDY NITHILA
Chief Technical Officer

Dr Nithila is our Chief Technical Officer since 2006. She is responsible for the Quality Control and Standards of specialty chemicals and auxiliary chemicals. Prior to joining us in 2000, she was a research scientist with Tablets (India) Ltd between 1994 and 1995. Dr Nithila obtained a Ph.D from Sri Venkateswara University, Tirupati, India, where she was the top student for Master of Science in Chemistry. Between 1988 and 1989, she was selected to attend a contact program at the Indian Institute of Technology sponsored by the government of India to research on the topic of "Estimation of Mercury Using Sodium Hyposulphite". In 1989, she received training through demonstrative experiments at BHABHA Atomic Research Centre, Mumbai.

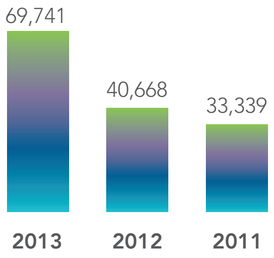
Ms SERINE YEO NGEN HUAY
Chief Financial Officer

Ms Serine is our Chief Financial Officer. She has joined the Group in February 2013. She is in charge of finance, accounting and treasury of the Group. Prior to joining us, Ms Serine was the Financial Controller with one of the Multi-National Company. She has acquired vast amount of working experience working as Group Financial Controller with various private, local and overseas listed companies.

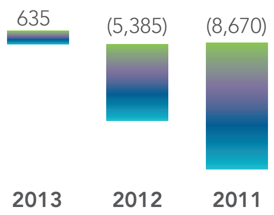
Ms Serine holds a Bachelor in Commerce, major in Accounting & Finance from The University of Southern Queensland and Diploma in Computer Studies from The National Centre For Information Technology of United Kingdom. She is also a Fellow Certified Public Accountant with CPA, Australia.

FINANCIAL HIGHLIGHTS

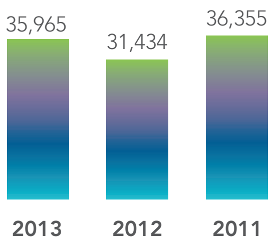
REVENUE ($'000)



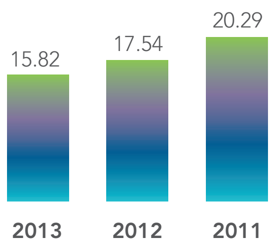
PROFIT/(LOSS) BEFORE TAX ($'000)



SHAREHOLDERS' EQUITY ($'000)



NET ASSET VALUE PER SHARE (CENTS)



GROUP CONSOLIDATED STATEMENTS

	FY2013	FY2012	FY2011
Statement of Comprehensive Income ($'000)			
Revenue	69,741	40,668	33,339
Gross profit	12,014	6,404	3,827
Net operating & financial expenses	(11,379)	(11,789)	(12,497)
Profit/(loss) before tax	635	(5,385)	(8,670)
Income tax	(143)	(141)	(30)
Profit/(loss) after tax	492	(5,526)	(8,700)
Attributable to:			
Owners of the parent	156	(3,812)	(6,648)
Non-controlling interests	336	(1,714)	(2,052)
	492	(5,526)	(8,700)
Earning/(Loss) per share (cents)*	0.07	(2.13)	(3.71)
Balance Sheet ($'000)			
Property, plant and equipment	19,636	23,559	26,267
Other non-current assets	5,333	5,139	1,677
Current assets	50,146	40,552	57,482
Less current liabilities	(19,658)	(19,342)	(27,837)
Net current assets	30,488	21,210	29,645
Non current liabilities	(48)	(81)	(117)
	55,409	49,827	57,472
Owners of the parent	35,965	31,434	36,355
Non-controlling interests	19,444	18,393	21,117
	55,409	49,827	57,472
Net asset value per share (cents) **	15.82	17.54	20.29

* Earnings per share is calculated by dividing the net profit/(loss) attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year of 210,842,332 (2012/2011: 179,193,600/179,193,600) shares.

** The net asset value per share as at 31 December 2013 are computed based on 227,392,320 (2012/2011: 179,193,600/179,193,600) ordinary shares.

FINANCIAL CONTENTS

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2013.

DIRECTORS

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

Dr John Chen Seow Phun
Dr Tan Pang Kee
Dr Chua Geok Koon
Dr Wang Kai Yuen
Mr Robson Lee Teck Leng
Mr Dro Tan Guan Liang (Chen Guanliang)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company as stated below:

	Direct interest			Deemed interest		
	At 1.1.2013	At 31.12.2013	At 21.1.2014	At 1.1.2013	At 31.12.2013	At 21.1.2014
The Company (Ordinary shares)						
Dr John Chen Seow Phun	100,000	100,000	100,000	–	–	–
Dr Tan Pang Kee	58,232,000	58,232,000	58,232,000	–	–	–
Dr Chua Geok Koon	9,170,000	9,170,000	9,170,000	–	–	–
Dr Wang Kai Yuen	100,000	100,000	100,000	–	–	–

By virtue of Section 7 of the Companies Act, Dr Tan Pang Kee is deemed to be interested in the shares held by the Company in its subsidiary companies.

No other directors who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

DIRECTORS' REPORT

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from a related corporation) 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 the director has a substantial financial interest.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance.

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

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Dr Tan Pang Kee
Managing Director

Dr Chua Geok Koon
Executive Director

Singapore
21 March 2014

STATEMENT BY DIRECTORS

We, Dr Tan Pang Kee and Dr Chua Geok Koon, being two of the directors of Matex International Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the board of directors:

Dr Tan Pang Kee
Managing Director

Dr Chua Geok Koon
Executive Director

Singapore
21 March 2014

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

To the Members of Matex International Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and of the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, 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.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

To the Members of Matex International Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

21 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 $'000	2012 $'000
Revenue	3	69,741	40,668
Cost of sales		(57,727)	(34,264)
Gross profit		12,014	6,404
Other income		38	268
Selling and distribution expenses		(4,760)	(4,808)
Administrative expenses		(6,287)	(6,714)
Other operating expenses		(72)	(15)
Financial income	4	110	152
Financial expenses	4	(408)	(672)
Profit/(loss) before tax	5	635	(5,385)
Income tax expense	7	(143)	(141)
Profit/(loss) after tax		492	(5,526)
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss			
Currency translation difference		1,976	(1,923)
Other comprehensive income/(loss) for the year, net of tax		1,976	(1,923)
Total comprehensive income/(loss) for the year		2,468	(7,449)
Profit/(loss) attributable to:			
Owners of the parent		156	(3,812)
Non-controlling interests		336	(1,714)
		492	(5,526)
Total comprehensive profit/(loss) attributable to:			
Owners of the parent		1,417	(4,921)
Non-controlling interests		1,051	(2,528)
		2,468	(7,449)
Profit/(loss) per share			
– basic and diluted (cents)	28	0.07	(2.13)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets					
Property, plant and equipment	8	19,636	23,559	185	3,345
Land use rights	9	1,174	1,207	–	–
Intangible assets	10	159	201	66	93
Investment properties	11	43	45	–	–
Investment in subsidiaries	12	–	–	12,055	12,055
Long-term staff loans		–	12	–	–
Trade and notes receivables	14	3,957	3,674	3,957	3,674
Current assets					
Inventories	13	19,802	16,425	1,176	1,764
Trade and notes receivables	14	21,719	16,417	5,047	3,517
Other receivables and deposits	15	1,625	1,457	2,186	1,801
Advances to suppliers		160	126	–	–
Prepayments		168	138	38	47
Quoted investments	16	11	15	–	–
Fixed deposits	17	917	593	–	–
Cash and bank balances	17	2,952	5,381	1,582	1,227
Current asset held for sale	18	2,792	–	2,792	–
		50,146	40,552	12,821	8,356
Current liabilities					
Trade payables	19	10,535	3,788	4,988	3,090
Bills payable to banks	20	2,800	3,576	643	1,075
Other payables and accruals	21	1,634	1,823	823	647
Advances from customers		599	164	–	–
Finance lease liabilities	22	30	44	30	38
Term loans	23	3,993	9,895	1,504	4,799
Tax payable		67	52	–	–
		19,658	19,342	7,988	9,649
Net current assets/(liabilities)		30,488	21,210	4,833	(1,293)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current liabilities					
Finance lease liabilities	22	48	81	48	81
Net assets		55,409	49,827	21,048	17,793
Equity					
Share capital	24	20,806	17,692	20,806	17,692
Capital reserve	25	294	294	–	–
Enterprise expansion reserve	26	4,369	4,369	–	–
General reserve	26	4,369	4,369	–	–
Translation reserve	27	394	(867)	–	–
Retained earnings		5,733	5,577	242	101
		35,965	31,434	21,048	17,793
Non-controlling interests		19,444	18,393	–	–
Total equity		55,409	49,827	21,048	17,793

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2013

	Attributable to equity holders of the Company								
Group	Share Capital $'000	Capital reserve $'000	Enterprise expansion reserve $'000	General reserve $'000	Translation reserve $'000	Retained Earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Opening balance as at 1 January 2012	17,692	294	4,337	4,337	242	9,453	36,355	21,117	57,472
Loss for the year	–	–	–	–	–	(3,812)	(3,812)	(1,714)	(5,526)
Other comprehensive loss for the year	–	–	–	–	(1,109)	–	(1,109)	(814)	(1,923)
Total comprehensive loss for the year	–	–	–	–	(1,109)	(3,812)	(4,921)	(2,528)	(7,449)
Transfer of reserves	–	–	32	32	–	(64)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(196)	(196)
Closing balance as at 31 December 2012	17,692	294	4,369	4,369	(867)	5,577	31,434	18,393	49,827
Opening balance as at 1 January 2013	17,692	294	4,369	4,369	(867)	5,577	31,434	18,393	49,827
Profit for the year	–	–	–	–	–	156	156	336	492
Other comprehensive income for the year	–	–	–	–	1,261	–	1,261	715	1,976
Total comprehensive income for the year	–	–	–	–	1,261	156	1,417	1,051	2,468
Issued of new shares (Note 24)	3,114	–	–	–	–	–	3,114	–	3,114
Closing balance as at 31 December 2013	20,806	294	4,369	4,369	394	5,733	35,965	19,444	55,409

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2013

Company	Share capital $'000	Retained earnings $'000	Total $'000
Opening balance as at 1 January 2012	17,692	2,330	20,022
Loss for the year	–	(2,229)	(2,229)
Closing balance as at 31 December 2012	17,692	101	17,793
Opening balance as at 1 January 2013	17,692	101	17,793
Profit for the year	–	141	141
Issue of new ordinary shares	3,114	–	3,114
Closing balance as at 31 December 2013	20,806	242	21,048

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Profit/(Loss) before tax		635	(5,385)
Adjustments:			
Amortisation of intangible asset	10	48	48
Amortisation of land use rights	9	43	104
Depreciation of property, plant and equipment	8	2,433	2,387
Gain on disposal of property, plant and equipment		(10)	(24)
Impairment of trade receivables	14	1	373
Inventories written down	13	86	46
Write back of impairment of doubtful trade receivables		–	(99)
Interest expense	4	408	672
Interest income	4	(110)	(152)
Gain on derivative liabilities		–	(20)
Translation adjustments		666	(815)
Operating income/(loss) before working capital changes		4,200	(2,865)
Decrease in long-term staff loans		12	1
(Increase)/decrease in inventories		(3,463)	6,161
Increase in trade and other receivables		(8,312)	(2,955)
(Increase)/decrease in prepayments		(30)	26
(Increase)/decrease in advances to suppliers		(34)	7
Increase/(decrease) in trade and other payables		6,558	(1,513)
Increase/(decrease) in advances from customers		435	(31)
Cash used in operations		(634)	(1,169)
Interest paid		(408)	(672)
Interest received		110	152
Income taxes refund/(paid)		15	(101)
Net cash used in operating activities		(917)	(1,790)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(171)	(558)
Proceeds from disposal of property, plant and equipment		32	38
Net cash used in investing activities		(139)	(520)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 $'000	2012 $'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		3,114	–
(Decrease)/increase in restricted cash	17	(316)	410
Repayment of finance lease liabilities		(47)	(52)
Repayment of loans and borrowings		(5,902)	(3,904)
Payment of dividends to minority interests		–	(196)
Decrease in note receivables from banks		2,562	341
Decrease in bills payable to banks		(776)	(3,031)
Net cash used in financing activities		(1,365)	(6,432)
Net decrease in cash and cash equivalents		(2,421)	(8,742)
Effect of exchange rate changes on cash and cash equivalents		632	(202)
Cash and cash equivalents at beginning of financial year		5,658	14,602
Cash and cash equivalents at end of financial year	17	3,869	5,658

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. CORPORATE INFORMATION

Matex International Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and publicly traded on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 15 Tuas View Square, Singapore 637556.

The principal activities of the Company are the formulation, manufacturing and sale of specialty chemicals focusing on dyestuff and auxiliaries for the textile industry.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS "INT FRS" that are effective for annual periods beginning on or after 1 January 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.3 *Future changes in accounting policies*

The Group and the Company have not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	*Effective for annual periods beginning on or after*
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interest in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27 *Investments Entities*	1 January 2014

Except for the FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

2.4 *Significant accounting estimates and judgements*

The preparation of the Group's consolidated 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 balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation or 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.

- ***Impairment of property, plant and equipment***

  The Group follows the guidance of FRS 36 in assessing at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

  The carrying amount of the Group's property, plant and equipment as at 31 December 2013 was $19,636,000 (2012: $23,559,000). More details are given in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.4 *Significant accounting estimates and judgements (cont'd)*

(a) *Key sources of estimation uncertainty (cont'd)*

- ***Depreciation of plant and equipment***

  The cost of plant and equipment for the manufacture of dyestuffs is depreciated on a straight-line basis over its useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. These are common life expectancies applied in the dyestuff industry. The carrying amount of the Group's plant and equipment at 31 December 2013 was $6,638,000 (2012: $7,602,000). 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.

- ***Income taxes***

  The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables at 31 December 2013 was $67,000 (2012: $52,000).

- ***Impairment of receivables***

  The Group makes an impairment of receivables based on an assessment of the recoverability of trade and other receivables. Impairment is adopted to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, it requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and expensed off as impairment of receivables in the period in which such estimate has been changed.

  The carrying amount of Group's receivables at the end of the reporting period is disclosed in Note 14 to the financial statements. As at 31 December 2013, the total impairment of receivables is $3,321,000 (2012: $3,695,000)

- ***Impairment of inventory***

  An impairment review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of Group's inventories at the end of the reporting period is disclosed in Note 13 to the financial statements. The total allowance for inventory as at 31 December 2013 is nil (2012: $211,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.4 *Significant accounting estimates and judgements (cont'd)*

(b) *Critical 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 have significant effect on the amounts recognised in the consolidated financial statements.

- ***Impairment of investments and financial assets***

  The Group follows the guidance of FRS 39 and FRS 36 in determining when an investment and financial asset are other than temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its carrying value; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performances, changes in technology and operational and financial cash flow.

- ***Recognition of deferred tax assets***

  Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses of the Group approximately $20,230,000 (2012: $22,382,000) and unabsorbed capital allowance approximately $1,046,000 (2012: $1,335,000).

2.5 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.5 *Foreign currency (cont'd)*

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 *Subsidiaries and principles of consolidation*

(a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

(b) Principal of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.6 *Subsidiaries and principles of consolidation (cont'd)*

(b) Principal of consolidation (cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affect goodwill.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.7 *Transactions with non-controlling interests*

Non-controlling interest represents 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 interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.8 *Revenue recognition*

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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Interest income***

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

(c) ***Dividend income***

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

(d) ***Rental income***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.9 *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 that 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 substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.10 *Leases*

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.11 *Taxes*

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.11 *Taxes (cont'd)*

(b) Deferred tax

Deferred income tax is provided, using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.11 *Taxes (cont'd)*

(c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.12 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.9. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property, plant and equipment are depreciated using the straight-line method to write off the cost (in the case of People's Republic of China ("PRC") subsidiary companies, less estimated residual value of the fixed asset at 10% of cost), over their estimated useful lives. The estimated useful lives have been taken as follows:

Plant and equipment	3 to 10 years
Renovation, electrical and fittings	5 to 10 years
Motor vehicles	5 to 10 years
Leasehold properties	20 to 94 years

Construction in progress assets are stated at cost and are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 the profit and loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.13 *Land use rights*

Land use rights relate to properties in the People's Republic of China.

Land use rights are stated in the financial statements of the Group are measured at cost less accumulated amortisation and any impairment in value. Land use rights are amortised on a straight-line basis over a period of 20 years.

An assessment of the carrying value of land use rights is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exists.

Gains or losses arising from the retirement or disposal of land use rights are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the profit or loss.

2.14 *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of intangible asset.

Intangible assets relate to technology know-how purchased and software. Technology know-how and software are stated in the financial statements of the Group and of the Company at cost less accumulated amortisation and any impairment in value. Technology know-how and software are amortised over a period of 10 years respectively.

2.15 *Investment properties*

Investment properties relate to an office premise that is leased out and investment in land that is not occupied substantially for use in the operations of the Group.

The office premise is stated at cost less accumulated depreciation and any impairment in value. The office premise is depreciated over estimated useful live of 20 years. The leasehold land is stated at cost less any impairment in value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.16 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.17 *Financial assets*

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.17 *Financial assets (cont'd)*

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired and through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and fixed deposits
- trade and other receivables, including notes receivable, amounts due from subsidiaries and related companies.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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 had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group 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.

2.18 *Cash and cash equivalents*

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.19 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in 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 considers 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.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.20 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to its present location and conditions are accounted for as follows:

(a) Raw materials: purchase costs on a weighted average basis;

(b) Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.21 *Quoted investments*

Quoted investments carried in the balance sheets are accounted for as financial assets at fair value through profit or loss under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.17.

2.22 *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 in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the profit and loss.

2.23 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of other financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.23 *Financial liabilities (cont'd)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Financial liabilities include trade payables, which are normally settled on 30-90 days' terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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 2013

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

2.24 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and 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 current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in provision due to passage of time is recognised as a finance cost.

2.25 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. The subsidiary company in Malaysia makes contribution to the Employee Provident Fund ("EPF"). The subsidiary companies incorporated and operating in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary companies' PRC employees.

Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

2.26 *Segment reporting*

Management has identified the Group operating entities by geographical segment. The Group is engaged in providing products within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.27 *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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.28 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(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 (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

2.29 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

2.30 *Current assets held for sale*

Current-asset held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Current assets are classified as held for sale if their carrying amounts will be recovered principally 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.

Property, plant and equipment once classified as held for sale are not depreciated.

3. REVENUE

Revenue represents invoiced trading sales to customers, less discounts given and excludes sales tax.

4. FINANCIAL INCOME/(EXPENSES)

	Group	
	2013	**2012**
	$'000	**$'000**
Interest income		
– fixed deposits and bank balances	110	152
Interest expenses		
– term loans	(356)	(597)
– letters of credit and trust receipts	(46)	(68)
– finance leases	(6)	(7)
	(408)	(672)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

5. PROFIT BEFORE TAX

This is determined after crediting/(charging) the following:

	Group	
	2013 $'000	2012 $'000
Amortisation of intangible assets (Note 10)	(48)	(48)
Amortisation of land use rights (Note 9)	(43)	(104)
Depreciation of property, plant and equipment (Note 8)	(2,433)	(2,387)
Inventories recognised as an expense in cost of sales (Note 13)	(30,181)	(30,623)
Audit fees paid to:		
– Auditor of the Company	(73)	(78)
– Other auditors	(118)	(118)
Non-audit fees paid to:		
– Auditor of the Company	(18)	(11)
– Other auditors	(3)	(1)
Impairment of trade receivables (Note 14)	(1)	(373)
Inventories written down (Note 13)	(86)	(46)
Write back of impairment of trade receivables	–	56
Foreign exchange gain/(loss), net	9	(305)
Gain on disposal of property, plant and equipment	10	24
Operating lease expense	(6)	(148)
Fair value gain on derivatives	–	20
Government grants	15	107

6. PERSONNEL EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2013 $'000	2012 $'000
Salaries and bonus	3,425	3,780
Pension contributions	118	140
Other personnel expenses	219	165
	3,762	4,085

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

7. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 December are:

	Group	
	2013 $'000	2012 $'000
Statement of comprehensive income:		
Current income tax		
– Current income taxation	143	118
Deferred income tax		
– Overprovision for deferred tax assets in respect of prior years	–	23
Income tax expense recognised in profit or loss	143	141

Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December is as follows:

	Group	
	2013 $'000	2012 $'000
Profit/(Loss) before tax	635	(5,385)
Tax at statutory tax rates of 17% (2012: 17%)	108	(915)
Tax effect of:		
Non-deductible expenses	124	3
Income not subject to taxation	(6)	–
Income of a subsidiary company exempted from tax	–	(30)
Difference in tax rates applicable to overseas operations	(283)	(194)
Underprovision in respect of previous year	–	102
Origination and reversal of temporary differences	(412)	(42)
Deferred tax assets not recognised	559	1,194
Others	53	23
Income tax expense recognised in profit or loss	143	141

The subsidiaries in the Group operating in the People's Republic of China are subject to tax rates of between 12.5% and 25% (2012: 12.5% and 25%).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

7. INCOME TAX EXPENSE (CONT'D)

The Group's subsidiaries, operating in Malaysia, are subject to statutory tax of 20% on the first Malaysian Ringgit RM500,000 (2012: RM500,000) of assessable profit for the year and 25% (2012: 25%) on all assessable profit in excess of RM500,000 (2012: RM500,000).

The corporate income tax rate applicable to the Singapore company in the Group is 17% (2012: 17%).

Deferred tax assets and liabilities comprise:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets				
Impairment of trade receivables	–	148	–	–
Impairment for sales incentives	–	19	–	–
Capital allowances carried forward	178	227	178	227
Tax losses carried forward	3,439	3,805	2,943	2,864
Unutilised donations carried forward	2	9	2	9
Excess of tax written down value over net book value of property, plant and equipment	85	35	85	35
Deferred productivity and innovation claim	–	20	–	20
	3,704	4,263	3,208	3,155
Deferred tax assets not recognised	3,704	4,263	3,208	3,155

As at 31 December 2013, the Group and Company has unutilised tax losses of approximately $20,230,000 (2012: $22,382,000) and $17,311,000 (2012: $16,847,000), unabsorbed capital allowances of approximately $1,046,000 (2012: $1,335,000) and unabsorbed approved donations of approximately $12,500 (2012: $52,000) available for set off against future taxable income, subject to the agreement by the tax authorities of the countries in which the Group operates.

Deferred tax asset of $3,704,000 (2012: $4,263,000) and $3,208,000 (2012: $3,155,000) for the Group and Company is not recognised for tax losses and capital allowances due to the uncertainty of its recoverability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

8. PROPERTY, PLANT AND EQUIPMENT, NET/ASSETS UNDER CONSTRUCTION

Group	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost						
As at 1 January 2012	21,247	14,824	1,229	1,955	56	39,311
Additions	353	137	4	62	2	558
Disposals	–	–	–	(231)	–	(231)
Reclassification	–	3	–	–	(3)	–
Exchange differences	(636)	(517)	(20)	(49)	(2)	(1,224)
As at 31 December 2012 and 1 January 2013	20,964	14,447	1,213	1,737	53	38,414
Additions	3	83	28	57	–	171
Disposals	–	(2)	(10)	(176)	–	(188)
Reclassification to current asset held for sale (Note 18)	(4,800)	–	–	–	–	(4,800)
Exchange differences	893	318	439	56	3	1,709
As at 31 December 2013	17,060	14,846	1,670	1,674	56	35,306
Accumulated depreciation and impairment loss						
As at 1 January 2012	4,849	5,829	996	1,370	–	13,044
Charge for the year (Note 5)	914	1,195	99	179	–	2,387
Disposals	–	–	–	(217)	–	(217)
Exchange differences	(129)	(179)	(15)	(36)	–	(359)
As at 31 December 2012 and 1 January 2013	5,634	6,845	1,080	1,296	–	14,855
Charge for the year (Note 5)	995	1,194	77	167	–	2,433
Disposals	–	–	(9)	(157)	–	(166)
Reclassification to current asset held for sale (Note 18)	(2,008)	–	–	–	–	(2,008)
Exchange differences	174	169	170	43	–	556
As at 31 December 2013	4,795	8,208	1,318	1,349	–	15,670
Net carrying amount						
As at 31 December 2013	12,265	6,638	352	325	56	19,636
As at 31 December 2012	15,330	7,602	133	441	53	23,559

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

8. PROPERTY, PLANT AND EQUIPMENT, NET/ASSETS UNDER CONSTRUCTION (CONT'D)

Company	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Total $'000
Cost					
As at 1 January 2012	4,962	1,502	725	601	7,790
Additions	–	34	–	–	34
Disposals	–	–	–	(105)	(105)
As at 31 December 2012 and 1 January 2013	4,962	1,536	725	496	7,719
Additions	–	10	–	–	10
Disposals	–	(2)	–	(46)	(48)
Reclassification to current asset held for sale (Note 18)	(4,800)	–	–	–	(4,800)
As at 31 December 2013	162	1,544	725	450	2,881
Accumulated depreciation and impairment loss					
As at 1 January 2012	1,710	1,374	619	387	4,090
Charge for the year	200	54	55	80	389
Disposals	–	–	–	(105)	(105)
As at 31 December 2012 and 1 January 2013	1,910	1,428	674	362	4,374
Charge for the year	200	52	40	78	370
Disposals	–	–	–	(40)	(40)
Reclassification to current asset held for sale (Note 18)	(2,008)	–	–	–	(2,008)
As at 31 December 2013	102	1,480	714	400	2,696
Net carrying amount					
As at 31 December 2013	60	64	11	50	185
As at 31 December 2012	3,052	108	51	134	3,345

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

8. PROPERTY, PLANT AND EQUIPMENT, NET/ASSETS UNDER CONSTRUCTION (CONT'D)

(a) The net book values of motor vehicles purchased under finance lease as at 31 December were as follows:

	Group and Company	
	2013	2012
	$'000	$'000
Motor vehicles	28	97

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of approximately $171,000 (2012: $558,000) by cash payments.

(b) Construction-in-progress as at 31 December 2013 relates to the construction of the factory building and facilities of subsidiaries in Taixing, Jiangsu Province, People's Republic of China.

9. LAND USE RIGHTS

The land use rights held by the Group relate to properties at No. 8 Zhanan South Road & No. 1 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province, People's Republic of China and Plot 43/1 Hong Si Cun, Tang-Zhen Pudong, Shanghai, People's Republic of China. The land use rights have a 50-year tenure commencing at various dates from 1998 to 2006. The remaining amortisation period of the land use rights in Jiangsu Province and Tang-Zhen Pudong are 10 years (2012: 11 years) and 13 years (2012: 14 years) respectively.

	Group	
	2013	2012
	$'000	$'000
Cost		
At beginning of year	2,058	2,142
Exchange differences	120	(84)
At end of year	2,178	2,058
Accumulated amortisation		
At beginning of year	851	778
Amortisation (Note 5)	43	104
Exchange differences	110	(31)
At end of year	1,004	851
Net carrying amount	1,174	1,207

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10. INTANGIBLE ASSETS

	Group			Company
	Technical Know-how $'000	Software $'000	Total $'000	Technical Know-how $'000
Cost				
At 1 January 2012	267	218	485	267
Exchange differences	–	(8)	(8)	–
At 31 December 2012 and 1 January 2013	267	210	477	267
Exchange differences	–	13	13	–
At 31 December 2013	267	223	490	267
Accumulated amortisation and impairment				
At 1 January 2012	147	84	231	147
Amortisation (Note 5)	27	21	48	27
Exchange differences	–	(3)	(3)	–
At 31 December 2012 and 1 January 2013	174	102	276	174
Amortisation (Note 5)	27	21	48	27
Exchange differences	–	7	7	–
At 31 December 2013	201	130	331	201
Net carrying amount				
At 31 December 2013	66	93	159	66
At 31 December 2012	93	108	201	93

Technical know-how and software

Technical know-how allows the Company to enhance the Group's product range in the pre-treatment and finishing stages of the textile dyeing process and has remaining amortisation period of 2 years (2012: 3 years).

Software, Enterprise Resource Planning (ERP) relates to the enterprise-wide information system designed to coordinate all the resources, information, and activities needed to complete business processes and has remaining amortisation period of 4 years (2012: 5 years).

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11. INVESTMENT PROPERTIES

Group	Leasehold Land $'000
Cost	
As at 1 January 2012 and 31 December 2012	45
Exchange differences	(2)
As at 31 December 2013	43
Net carrying amount	
As at 31 December 2013	43
As at 31 December 2012	45
Fair value	
As at 31 December 2013	43
As at 31 December 2012	45

The investment properties held by the Group relate to long term leasehold land at Lot 198775 & 198776, R.P.T. Ulu Buntong, Mukim Hulu Kinta, Perak, Malaysia. The investment property has a 99-year tenure ending in 2090.

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2013 $'000	2012 $'000
Unquoted equity shares, at cost	12,090	12,090
Less: Impairment loss	(35)	(35)
	12,055	12,055

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries held by the Company as at 31 December 2013 were as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group 2013 %	Effective equity interest held by the Group 2012 %	Cost of investment 2013 $'000	Cost of investment 2012 $'000
Held by the Company						
Shanghai Matex Chemicals Co., Ltd ("SMC") [2]	Manufacturing and sale of dyestuffs	People's Republic of China	60	60	2,454	2,454
Unimatex Sdn Bhd ("USB") [1]	Formulating, manufacturing and sale of dyestuffs, auxiliaries and optical brighteners	Malaysia	100	100	113	113
Amly Chemicals Co., Ltd ("Amly") [2]	Manufacturing and sale of dyestuffs, auxiliaries and textile chemicals	People's Republic of China	100	100	4,965	4,965
Matex Chemicals (Taixing) Co., Ltd ("MCT") [1]	Manufacturing and sale of dyestuffs	People's Republic of China	60	60	4,043	4,043
Dedot Sdn Bhd ("DSB") [3]	Manufacturing and wholesale of all kinds of garments, textile products and chemical products (currently dormant)	Malaysia	100	100	35	35
Dedot Pte Ltd ("DPL") [4]	General wholesale trading (currently dormant)	Singapore	100	100	480	480
					12,090	12,090
Held through a subsidiary						
Dedot Trading (Shanghai) Co., Ltd ("DTS") [2]	Import, export and wholesale of all kinds of garments, textile products and chemical products	People's Republic of China	100	100	–	–

(1) Audited by member firms of Ernst & Young Global
(2) Audited by Shanghai ZhongHui, Certified Public Accountants in the People's Republic of China
(3) Audited by Ling Kam Hoong & Co., Certified Public Accountants in Malaysia
(4) Audited by AccAssurance LLP, Chartered Accountants in Singapore

Impairment on the investment in subsidiary

Dedot Sdn Bhd ("DSB") is currently dormant and is in a net tangible liabilities position. The Company fully impaired the cost of investment in DSB of $35,000 in prior years.

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13. INVENTORIES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance sheet:				
Raw materials	3,215	4,616	–	–
Work in progress	1,586	531	–	–
Finished goods	15,001	11,278	1,176	1,764
Total inventories at lower of cost and net realisable value	19,802	16,425	1,176	1,764
Income statement:				
Inventories recognised as an expense in cost of sales	30,181	30,623	9,806	11,726
Inclusive of the following charge:				
– Inventories written-down	86	46	86	46

14. TRADE AND NOTES RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables				
– Third parties	23,222	15,449	8,025	6,434
– Amount due from related companies	–	–	1,136	914
Less: Impairment of trade receivables (third parties)	(3,321)	(3,695)	(157)	(157)
	19,901	11,754	9,004	7,191
Notes receivables	5,775	8,337	–	–
	25,676	20,091	9,004	7,191

Presented in Balance Sheet as:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Non-current assets	3,957	3,674	3,957	3,674
Current assets	21,719	16,417	5,047	3,517
	25,676	20,091	9,004	7,191

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14. TRADE AND NOTES RECEIVABLES (CONT'D)

Trade receivables are non-interest bearing and are granted 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
United States Dollar	8,004	6,261	8,999	7,175
Renminbi	17,202	13,366	5	16

Notes receivable from financial institutions in the People's Republic of China are non-interest bearing and have repayment terms ranging from 1 to 12 months (2012: 1 to 12 months). All note receivables are denominated in RMB and the nature of note receivables are trade related.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $6,158,000 (2012: $6,706,000) 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	
	2013	2012
	$'000	$'000
Trade receivables past due but not impaired:		
– Lesser than 3 months	1,503	1,532
– 3 months to 6 months	232	507
– 6 months to 12 months	316	581
– More than 12 months	4,107	4,086
	6,158	6,706

Receivables that are impaired

The Group's trade 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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Movement in allowance accounts:				
At beginning of year	3,695	4,318	157	893
Impairment for the year (Note 5)	1	373	–	32
Write back of allowance	–	(56)	–	(5)
Write off against provision	–	(816)	–	(763)
Exchange differences	(375)	(124)	–	–
	3,321	3,695	157	157

Concentration of credit risk relating to trade receivables is mitigated due to well managed dispersion of customers. Therefore, the Group believes that no additional credit risk beyond amounts provided for collection loss is inherent in the Group's trade receivables.

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15. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Other receivables	782	597	270	6
Deposits	843	860	839	840
Amount due from subsidiaries	–	–	1,077	955
	1,625	1,457	2,186	1,801

Other receivables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Renminbi	501	537	1,077	955

The amount due from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand and are to be settled in cash.

Other receivables comprise mainly advances granted to third party and sales offices located at China for operation purpose. The amount is non-interest bearing and repayable on demand.

Deposits comprise mainly commitment fee $830,000 (2012: $830,000) for a research and development project on dye development with a world re-known university upon signing a mutual evaluation agreement. Management has assessed the viability of the project and is comfortable that the project remains feasible. The balance is denominated in Pounds Sterling.

16. QUOTED INVESTMENTS

	Group	
	2013	2012
	$'000	$'000
Equity instruments (quoted)	11	15

NOTES TO THE FINANCIAL STATEMENTS

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17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December were as follows:

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash at banks and on hand	2,952	5,381	1,582	1,227
Fixed deposits	917	593	–	–
	3,869	5,974	1,582	1,227
Less: Restricted cash balances	–	(316)	–	–
	3,869	5,658	1,582	1,227

Cash at bank earns interest at rates based on daily bank deposit rates ranging from 0.03% to 0.15% (2012: 0.09% to 0.50%) per annum.

Fixed deposits are placed with financial institutions for varying periods of between seven days and one year depending on the immediate cash requirements of the Group. The fixed deposits earn interest at fixed deposit rates ranging from 0.12 % to 3.50% (2012: 0.21% to 5.00%) per annum.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
United States Dollar	1,165	986	1,165	987
Renminbi	1,965	4,203	23	32

Restricted cash balances relates to funds placed with a bank of subsidiary for the issuance of commercial bills and amounts pending return to the Company.

18. CURRENT ASSET HELD FOR SALE

On 20 December 2013, the Company obtained shareholders' approval for the sale of the leasehold property and the Company granted the option of purchase of the property to OSK Power Pte Ltd on 26 Dec 2013. The management classified the said property as current asset held-for sale.

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE PAYABLES

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Trade payables				
– Third parties	10,535	3,788	546	956
– Amount due to related companies	–	–	4,442	2,134
	10,535	3,788	4,988	3,090

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
United States Dollar	471	951	461	3,086
Renminbi	10,014	1,926	4,442	–

20. BILLS PAYABLE TO BANKS

	Interest rates (per annum) 2013 %	Interest rates (per annum) 2012 %	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Interest bearing	2.12 – 2.20	1.49 – 3.10	643	1,075	643	1,075
Non-interest bearing	–	–	2,157	2,501	–	–
			2,800	3,576	643	1,075

The bills payable are unsecured and have repayment terms of less than 12 months.

Bills payable denominated in foreign currencies at 31 December are as follows:

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
United States Dollar	643	1,075	643	1,075
Renminbi	2,157	2,501	–	–

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21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Other payables	751	477	314	55
Accrued operating expenses	728	1,258	509	592
Accrued payroll related expenses	155	88	–	–
	1,634	1,823	823	647

Other payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Other payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Renminbi	750	1,065	–	–

22. FINANCE LEASE LIABILITIES

	Group			
	Minimum payments 2013 $'000	Present value of payments 2013 $'000	Minimum payments 2012 $'000	Present value of payments 2012 $'000
Not later than one year	34	30	49	44
Later than one year but not later than five years	54	48	92	81
Total minimum lease payments	88	78	141	125
Less: amounts representing finance charges	(10)	–	(16)	–
Present value of minimum lease payments	78	78	125	125

The Group and the Company has finance leases for certain items of plant and equipment and motor vehicles (Note 8) ranging from 1 to 4 years (2012: 1 to 4 years). Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

Lease obligations bear interest at rates ranging from 3.20% to 3.25% (2012: 3.20% to 3.91%) per annum.

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23. TERM LOANS

	Weighted average effective interest rate (per annum)	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
SGD loan	2.29 %	1,504	4,799	1,504	4,799
RMB loan	7.60 %	2,489	5,096	–	–
		3,993	9,895	1,504	4,799

SGD loan: This bank loan is unsecured and is repayable within 1 month to 12 months from date of draw down but can be rolled over at the bank's discretion. Interest is charged at 1.25% (2012: 1.25%) per annum over SIBOR.

RMB loan: These bank loans are drawn down by two subsidiaries and are secured by a corporate guarantee from the holding company. It is repayable within 6 months from date of draw down but can be rolled over at the bank's discretion. Interest is charged at 6.94% – 7.63% per annum (2012: 7.63% per annum).

24. SHARE CAPITAL

	Group and Company 2013 Number of shares '000	Group and Company 2013 $'000	Group and Company 2012 Number of shares '000	Group and Company 2012 $'000
Issued and fully paid ordinary shares:				
At beginning of year	179,194	17,692	179,194	17,692
Issue of new ordinary shares	48,198	3,114	–	–
At end of year	227,392	20,806	179,194	17,692

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

25. CAPITAL RESERVE

This pertains to a non-distributable capital income arising from the restructuring of subsidiary companies in prior years.

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26. ENTERPRISE EXPANSION AND GENERAL RESERVE

This pertains to a general reserve fund and an enterprise expansion reserve fund set up by the Group's subsidiaries in the PRC, in accordance with local laws and regulations, by way of appropriation from their net profit at a rate determined by the companies. The respective board of directors of the subsidiaries have decided that 20% of the profit after tax be appropriated each year, of which 10% be appropriated to the general reserve fund and 10% be appropriated to the enterprise expansion reserve fund.

The general reserve and the enterprise expansion reserve may be used to offset accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the People's Republic of China authorities. The reserves are not available for dividend distribution to the shareholders.

In prior financial years, the board of directors of a subsidiary has decided to suspend the appropriation to the fund after reviewing the accumulated amount of the fund as at 31 December 2006 which has already exceeded 50% of the subsidiary's paid up share capital.

27. TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2013 $'000	2012 $'000
At beginning of year	(867)	242
Translation of financial statements of foreign operations	1,261	(1,109)
At end of year	394	(867)

28. PROFIT/LOSS PER SHARE

Profit/loss per share is calculated by dividing the net profit attributable to owners of the parent of $156,000 (2012: loss of $3,812,000) by the weighted average number of ordinary shares outstanding during the year of 210,842,332 (2012: 179,193,600) shares.

There was no potential dilutive ordinary shares that affects the profit per share, and thus the basic and diluted income/(loss) per share are the same.

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29. RELATED PARTY DISCLOSURES

(a) Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the group and related parties who are not members of the group took place during the year at terms agreed between the parties:

	Group 2013 $'000	Group 2012 $'000
Fees incurred or paid to an agency firm, where a director is a partner	5	–
Fees incurred or paid to a law firm, where a director is a partner	279	319

(b) Compensation of key management personnel

	Group 2013 $'000	Group 2012 $'000
Short-term employee benefits	898	815
Defined contribution plans	62	25
Other short-term benefits	20	26
	980	866
Comprise amounts paid to:		
• Directors of the Company	524	680
• Other key management personnel	456	186
	980	866

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30. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease commitments

The Group has various operating lease agreements for office and residential premises. These leases have an average term of between 3 and 5 years with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Operating lease payments recognised in the consolidated income statement during the year amount to $119,000 (2012: $148,000).

Future minimum lease payments under non-cancellable leases are as follows as of 31 December:

	Group and Company	
	2013	**2012**
	$'000	**$'000**
Not later than one year	47	167
Later than one year but not later than five years	11	16
	58	183

31. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's geographical segments only as it is not meaningful to present segmental reporting by business segments since revenue of the Group is primarily derived from the manufacture and sale of dyestuffs and auxiliaries.

Inter-segment pricing is determined on an arm's length basis. The Group's operating businesses are organised and managed separately by geographical segments based on location of assets. Revenue, assets and additions to property, plant and equipment are based on the location of those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

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31. SEGMENT INFORMATION (CONT'D)

	People's Republic of China		Other Asia Pacific Countries		Elimination		Note	Group	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000		2013 $'000	2012 $'000
Revenue									
External customers	56,277	26,086	13,464	14,582	–	–		69,741	40,668
Inter-segment	24,421	15,987	1,274	994	(25,695)	(16,981)	A	–	–
Total revenue	80,698	42,073	14,738	15,576				69,741	40,668
Results									
Interest income	110	147	–	5	–	–		110	152
Depreciation and amortisation	2,122	2,104	403	435	–	–		2,525	2,539
Interest expense	290	431	118	241	–	–		408	672
Other non-cash expenses/(income)	3	290	35	(14)	–	–	B	38	276
Segment Profit/(loss)	1,070	(4,022)	(500)	(2,072)	65	709	C	635	(5,385)
Assets									
Additions to non-current assets	158	521	13	37	–	–	D	171	558
Segment assets	82,252	54,357	31,232	27,562	(38,367)	(12,669)	E	75,117	69,250
Segment liabilities	41,517	17,563	9,519	7,569	(31,330)	(5,709)	F	19,706	19,423

NOTES TO THE FINANCIAL STATEMENTS

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31. SEGMENT INFORMATION (CONT'D)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses/(income) consist of gain on disposal of plant and equipment, impairment of trade receivables, impairment of legal claim recoverable, inventories written down and gain on disposal of investments properties as presented in the respective notes to the financial statements.

C The following items are added to/(deducted from) segment profit/(loss) to arrive at "profit/(loss) before tax" presented in the consolidated statement of comprehensive income:

	2013 $'000	2012 $'000
Profit/(Loss) from inter-segment sales	197	653
General and administrative expenses	(132)	80
Other operating income	–	(24)
	65	709

Information about a major customer

Revenue from one major customer of the Group's other Asia Pacific countries segment amount to nil (2012: $4,751,000) of the Group's total revenue.

D Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2013 $'000	2012 $'000
Inter-segment assets	(12,560)	(35,821)
Interco balance	(25,807)	23,152
	(38,367)	(12,669)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2013 $'000	2012 $'000
Inter-segment liabilities	(5,610)	(28,933)
Interco balance	(25,720)	23,224
	(31,330)	(5,709)

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, hire purchase contracts, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The carrying amount of cash and cash equivalents, trade and other receivables (including subsidiaries balances) represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. It is the Group's policy to provide credit terms to creditworthy customers and debts are continually monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. During the financial year, the Group has adopted stricter credit policy for new customers who wish to trade on credit terms in order to mitigate heightened credit risks arising from revenue growth strategies. The Group does not expect to incur material credit losses except as provided for in the financial statements.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets with positive fair value; and

– a nominal amount of $2,489,000 (2012: $5,096,000) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank loan.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the geographical profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2013		2012	
	$'000	% of total	$'000	% of total
By geographical:				
People's Republic of China	11,556	58	5,017	43
Other Asia Pacific countries	8,345	42	6,737	57
	19,901	100	11,754	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 14.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the balance sheet.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance lease and stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that to maintain sufficient liquid financial assets and stand-by credit facilities with few different banks.

The Group monitors its liquidity risk and maintains adequate level of cash and cash equivalents to finance the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group 2013	One year or less $'000	One to five years $'000	Total $'000
Financial assets:			
Trade and other receivables	23,344	3,957	27,301
Cash and short-term deposits	3,869	–	3,869
Total undiscounted financial assets	27,213	3,957	31,170
Financial liabilities:			
Trade and other payables	14,969	–	14,969
Other liabilities	30	48	78
Loans and borrowings	4,216	–	4,216
Total undiscounted financial liabilities	19,215	48	19,263
Total net undiscounted financial assets	7,998	3,909	11,907

Group 2012	One year or less $'000	One to five years $'000	Total $'000
Financial assets:			
Trade and other receivables	17,874	3,674	21,548
Cash and short-term deposits	5,974	–	5,974
Total undiscounted financial assets	23,848	3,674	27,522
Financial liabilities:			
Trade and other payables	9,187	–	9,187
Other liabilities	49	92	141
Loans and borrowings	10,392	–	10,392
Total undiscounted financial liabilities	19,628	92	19,720
Total net undiscounted financial assets/(liabilities)	4,220	3,582	7,802

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Company 2013	One year or less $'000	One to five years $'000	Total $'000
Financial assets:			
Trade and other receivables	7,233	3,957	11,190
Cash and short-term deposits	1,582	–	1,582
Total undiscounted financial assets	8,815	3,957	12,772
Financial liabilities:			
Trade and other payables	6,454	–	6,454
Other liabilities	30	48	78
Loans and borrowings	1,538	–	1,538
Total undiscounted financial liabilities	8,022	48	8,070
Total net undiscounted financial liabilities	793	3,909	4,702
Company 2012			
Financial assets:			
Trade and other receivables	5,318	3,674	8,992
Cash and short-term deposits	1,227	–	1,227
Total undiscounted financial assets	6,545	3,674	10,219
Financial liabilities:			
Trade and other payables	4,812	–	4,812
Other liabilities	44	81	125
Loans and borrowings	4,909	–	4,909
Total undiscounted financial liabilities	9,765	81	9,846
Total net undiscounted financial assets/(liabilities)	(3,220)	3,593	373

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. Information relating to the Group's interest rate exposure is disclosed in the notes on term loans and leasing obligations.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2012: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $20,000 higher/lower in 2013 (the Group's loss before tax would have been $49,000 lower/higher in 2012), arising mainly as a result of lower/higher interest expense on floating rates loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the market environment where Singapore interest rate is influenced by the funds liquidity in Singapore and also the interest rate trend in the U.S. and People's Republic of China.

Surplus funds are placed with reputable banks.

(d) *Foreign currency risk*

The foreign currency risk of the Group arises from its subsidiaries operating in the People's Republic of China and Malaysia, which generate revenue and incur costs denominated in foreign currencies. The Company also generates revenues and incurs costs in foreign currencies. These give rise to foreign currency risk. The Group has entered into foreign currency option contracts to hedge against its foreign currency risk against the account receivables denominated in USD and RMB. The foreign currency option contracts are used where possible to reduce the exposure in the fluctuations of foreign currency rates. However, the Group tries to match the timing of its receipts and payments in the same foreign currency in an effort to reduce foreign currency risk. It is the Group's policy not to enter into derivative foreign currency option contracts for speculative purposes.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's income/(loss) before tax to a reasonably possible change in the USD and RMB against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2013 $'000 Income before tax	2012 $'000 Loss before tax
USD/SGD	– strengthened 3% (2012: 3%)	+242	–157
	– weakened 3% (2012: 3%)	–242	+157
RMB/SGD	– strengthened 3% (2012: 3%)	+128	–226
	– weakened 3% (2012: 3%)	–128	+226

NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL INSTRUMENTS

(a) *Fair values*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables, bills payables and term loans based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Financial instruments carried at other than fair value

The carrying amount of staff loans approximate their fair value after discounting the relevant cash flows using current incremental lending rates for similar types of lending and borrowing arrangements.

The carrying amounts of finance leases approximate their fair value after discounting the relevant cash flows using current interest rates for similar instruments as at balance sheet date.

Methods and assumptions used to determine fair values

Quoted investment which is a Level 1 in fair value hierarchy has been carried at fair value which is determined by reference to published market prices at the balance sheet date without factoring in transaction costs.

There is no any transfers between level 1, 2 and 3 of fair value hierarchy.

(b) *Interest rate risk*

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

Group 2013	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 3 years $'000**	**3 to 4 years $'000**	**4 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Fixed rate							
Bills payable	2,800	–	–	–	–	–	2,800
Finance leases	30	28	20	–	–	–	78
Fixed deposits	917	–	–	–	–	–	917
Floating rate							
Bank loans	3,993	–	–	–	–	–	3,993
2012							
Fixed rate							
Bills payable	3,576	–	–	–	–	–	3,576
Finance leases	44	33	30	18	–	–	125
Fixed deposits	593	–	–	–	–	–	593
Floating rate							
Bank loans	9,895	–	–	–	–	–	9,895

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest rate risk (cont'd)

Company 2013	Within 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Total $'000
Fixed rate							
Bills payable	643	–	–	–	–	–	643
Finance leases	30	30	18	–	–	–	78
Floating rate							
Bank loans	1,504	–	–	–	–	–	1,504
2012							
Fixed rate							
Bills payable	1,075	–	–	–	–	–	1,075
Finance leases	38	33	30	18	–	–	119
Floating rate							
Bank loans	4,799	–	–	–	–	–	4,799

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

34. FINANCIAL GUARANTEES

The Company had provided a corporate guarantee of $4,148,000 (2012: $14,896,000) to a bank in respect of bank facilities amounting to $4,148,000(2012: $12,740,000) granted to two of its subsidiaries in the PRC as at 31 December 2013. As at year end, $2,489,000 (RMB12,000,000) (2012: $5,096,000 (RMB26,000,000)) has been drawn down by both subsidiaries as a short term loan (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

35. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

As disclosed in Note 26, subsidiaries in the PRC are required to contribute and maintain non-distributable general and enterprise expansion reserve fund, whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 70%. The Group includes within net debts, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the abovementioned statutory reserve fund.

	Group	
	2013 $'000	2012 $'000
Term loans (Note 23)	3,993	9,895
Trade payables (Note 19)	10,535	3,788
Bills payable to banks (Note 20)	2,800	3,576
Other payables and accruals (Note 21)	1,634	1,823
Finance lease liabilities (Note 22)	78	125
Less: Cash and cash equivalents (Note 17)	(3,869)	(5,974)
Net debt	15,171	13,233
Equity attributable to the owners of the parent	35,965	31,434
Less: General reserve (Note 26)	(4,369)	(4,369)
Less: Enterprise expansion reserve (Note 26)	(4,369)	(4,369)
Total capital	27,227	22,696
Capital and net debt	42,398	35,929
Gearing ratio	35.8%	36.8%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

36. DIVIDENDS

No dividend was declared during the financial year.

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 29 January 2014, the Company and OSK Power Pte Ltd entered into the settlement agreement in relation to sell the leasehold property, which is disclosed at current asset held for sale (Note 18) with the sale proceed amounting to approximately S$6.8 million.

In addition, the Company has also entered into the tenancy agreement in relation to the tenanted area following the sales of the property from OSK Power Pte Ltd.

38. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors dated 21 March 2014.

REPORT ON CORPORATE GOVERNANCE

Matex International Limited ("the Company") is committed to uphold good corporate governance practices and to comply with the Principles of the Singapore Corporate Governance Code 2012 ("the Code"). Good corporate governance establishes and maintains an ethical environment, which strives to enhance the interests of all shareholders. This report outlines the Company's corporate governance processes that have been adopted by the Company with specific reference to the principles of the Code.

BOARD MATTERS

Board's Conduct of its Affairs

The board of directors ("the board") supervises the management of the business and affairs of the Company and its subsidiaries ("the Group"). The primary role of the board is to set broad corporate and strategic direction, approves the appointment of directors and major funding and investment proposals, and reviews the financial performance of the Group.

The board meets to consider the following:

1. Approval of half year and full year results announcements;
2. Approval of annual audited results and accounts;
3. Declaration of interim dividends and proposal of final dividends;
4. Convening of shareholders' meetings;
5. Approval of corporate strategy;
6. Authorisation of merger and acquisition transactions; and
7. Authorisation of major transactions.

To facilitate effective management, certain functions have been delegated to various board committees, each of which has its own written terms of reference and whose actions are reported to and monitored by the board.

The board meets regularly and as warranted. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Articles of Association. The details of the number of board meetings held for 2013 as well as the attendance of each board member at the meetings of the board committees are disclosed below.

	Board Meetings		Nominating Committee Meeting		Remuneration Committee Meeting		Audit Committee Meetings	
Name of Director	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**
Dr John Chen Seow Phun	4	4	1	1	1	1	2	2
Dr Tan Pang Kee	4	4	1	1	1	1	2	2
Dr Chua Geok Koon	4	4	1	1	1	1	2	2
Dr Wang Kai Yuen	4	4	1	1	1	1	2	2
Mr Robson Lee Teck Leng	4	4	1	1	1	1	2	2
Mr Dro Tan Guan Liang	4	4	1	1	1	1	2	2

REPORT ON CORPORATE GOVERNANCE

The directors have separate and independent access to the Company's senior management and together with the Company Secretary, are responsible for ensuring that the board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary attends all board and specialised committee meetings and is responsible to ensure that board procedures are followed.

The board takes independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, directors, whether as a group or individual, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company. Apart from keeping the board informed of all relevant new laws and regulations, the Company will consider appropriate training and orientation session for newly appointed directors.

Board Composition and Balance

The board comprises six directors, three of whom namely, Dr John Chen Seow Phun, Dr Wang Kai Yuen and Mr Robson Lee Teck Leng are independent and non-executive. The independence of each director is reviewed annually by the Nominating Committee ("NC"), which confirms that the independent directors made up at least one-third of the board. The NC is also of the view that the current board size is appropriate, taking into account the nature and scope of the Company's operations. The board consists of high calibre members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, legal, business and general corporate matters.

Dr John Chen and Dr Wang have served on board for more than nine years since their appointments in year 2003. In the opinion of the NC, they are persons of integrity and possess relevant expertise and experience, who exercise independent judgment & demonstrate objectivity in their deliberations in the Company's interest.

The Board has determined and decided that the number of listed company board representations which a director may hold, should not be more than nine. This is to ensure sufficient time and attention to Company's affairs, are given by the directors.

Chairman and Chief Executive Officer ("CEO")

Different individuals assume the Chairman and CEO's functions in the Company. The Chairman, Dr John Chen Seow Phun is an independent non-executive director, while the CEO, Dr Tan Pang Kee, is an executive director. There is a clear division of responsibilities between the Chairman and CEO, which ensures a balance of power and authority at top of the Company. The Chairman and the CEO are not related to each other.

The CEO has the executive responsibility for the day-to-day operations of the Group while the Chairman bears responsibility for the workings of the board and ensures that procedures are introduced to comply with the Code.

Board Membership

Nominating Committee ("NC")

The NC comprises three independent non-executive directors, namely, Dr Wang Kai Yuen (Chairman of the Committee), Dr John Chen Seow Phun and Mr Robson Lee Teck Leng. The NC, which has written terms of reference, is responsible for making recommendations to the board on all board appointments and re-appointments. The NC's responsibilities include the following:

a) make recommendations to the board on new appointments to the board;

b) make recommendations to the board on the re-nomination of retiring directors standing for re-election at the Company's Annual General Meeting, having regard to the directors' contribution and performance (e.g. attendance, preparedness, participation and candour);

REPORT ON CORPORATE GOVERNANCE

c) ensure that all directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

d) review the size and composition of the board with the objective of achieving a balanced board in terms of the mix of experience and expertise;

e) determine annually whether or not a director is independent;

f) ensure complete disclosure of key information of directors in the Company's annual reports as required under the Code;

g) decide on how the board's performance may be evaluated and recommend objective performance criteria to the board;

h) report to the board on its activities and proposals; and

i) carry out such other duties as may be agreed to by the NC and the board.

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Articles of Association, one-third of the directors retire from office at the Company's Annual General Meeting. Article 90 of the Company's Articles of Association provides that directors to retire by rotation shall include (so far as necessary to obtain the number required) any director who is due to retire at the meeting by reason of age.

The NC is conscious of the competing time commitments that are faced when directors serve on multiple boards. Directors should not serve on more principal boards than they can handle.

Key Information on the directors is set out bellow:

Name of director	**Academic & professional qualifications**	**Board committee as chairman or member**	**Directorship: Date of first appointment/ Date of last re-election**	**Board appointment whether executive or non-executive**	**Due for re-election at next AGM**
Dr John Chen Seow Phun	Doctor of Philosophy degree in Electrical Engineering	Chairman: Audit Committee Member: Nominating Committee & Remuneration Committee	11 July 2003 / 25 April 2012	Non-executive/ Independent	N/A
Dr Tan Pang Kee	Doctor of Philosophy in Business Administration	N/A	23 March 1990 / 20 May 2002	Executive	N/A
Dr Chua Geok Koon	Doctor of Philosophy in Chemistry	N/A	30 September 1989 / 23 April 2013	Executive	Retirement pursuant to Section 153(6) of the Companies Act, Cap. 50.

REPORT ON CORPORATE GOVERNANCE

Name of director	Academic & professional qualifications	Board committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at next AGM
Dr Wang Kai Yuen	Doctor of Philosophy in Engineering	Chairman: Nominating Committee Member: Remuneration Committee & Audit Committee	11 July 2003 / 23 April 2013	Non-executive/ Independent	Retirement pursuant to Article 89
Mr Robson Lee Teck Leng	LLB (2nd Class Upper Hons)	Chairman: Remuneration Committee Member: Nominating Committee & Audit Committee	25 April 2006 / 26 April 2011	Non-executive/ Independent	N/A
Mr Dro Tan Guan Liang	Master in Architecture	N/A	01 March 2010 / 27 April 2010	Executive	N/A

Review of Directors Independence

The board is guided by the definition of independence given in the Code of Corporate Governance issued by the Corporate Governance Committee in determining if a director is independent.

Mr. John Chen Seow Phun, our non-executive chairman and independent director, is a director of SAC Capital Pte Ltd ("**SAC**"). SAC had in FY2013 been paid by the Group for agency services provided in respect to new ordinary share placement. The aggregate value of fees paid to SAC was approximately S$5,000.

The NC (excluding Mr John Chen Seow Phun) has reviewed and confirmed that notwithstanding the foregoing, Mr John Chen Seow Phun remains a non-executive chairman and independent director. The fees charged was entirely in accordance with the prevailing market rates for such services that had been agreed independently by the Company's management with the concurrence of the Board (without the participation of Mr John Chen Seow Phun).

Mr. Lee Teck Leng, Robson, an independent director, is a partner at law firm, Shook Lin & Bok LLP ("**SLB**"). SLB had in FY2013 charged the Group for legal services provided from FY 2012 to FY 2013. The aggregate value of professional fees incurred or paid to SLB by the Group in FY 2013 was approximately S$279,000.

The NC (excluding Mr Lee Teck Leng Robson) has reviewed and confirmed that notwithstanding the foregoing, Mr Lee Teck Leng Robson remains an independent director. The fees incurred or paid to SLB in FY 2013 were for legal services provided by SLB over a period of two financial years. The fees charged was entirely in accordance with the prevailing market rates for such professional legal services that had been agreed independently by the Company's management with the concurrence of the Board (without the participation of Mr Lee Teck Leng Robson).

REPORT ON CORPORATE GOVERNANCE

Board Performance

Based on the recommendations by the NC, the board has established processes and objective performance criteria for evaluating the effectiveness of the board as a whole and the effectiveness of the individual directors.

In evaluating the board's performance, the NC considers a set of quantitative and qualitative performance criteria. The performance criteria for the board evaluation are in respect of board size and composition, board process, board information and accountability, board performance in relation to discharging its principal functions and responsibilities and financial targets. The individual directors' performance criteria were in relation to their industry knowledge and/or functional expertise, contribution and workload requirements, sense of independence and attendance at the board and committee meetings.

The NC evaluated the performance of the Board as a whole taking into consideration the board's discharge of its principal responsibilities, the earnings of the Group and the economic environment for 2013. The NC considered the board's performance to be good.

REMUNERATION MATTERS

Annual Remuneration Reports

Remuneration Committee ("RC")

The RC comprises three independent non-executive directors, namely, Mr Robson Lee Teck Leng (Chairman of the Committee), Dr John Chen Seow Phun and Dr Wang Kai Yuen. The Committee has access to expert advice in the field of executive compensation outside the Company where required.

The members of the RC carried out their duties in accordance with the term of references, which include the following:

a) make recommendations to the board on the framework of remuneration for the directors;
b) make recommendations to the board on the specific remuneration packages for each executive director and managing director (or executive of equivalent rank) of the Company;
c) review all benefits (including share schemes) and compensation packages for directors of the Company;
d) report to the board on its activities and proposals; and
e) carry out such other duties as may be agreed to by the RC and the board.

The Company adopts a formal procedure for the fixing of the remuneration packages of individual directors. No director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

Executive directors do not receive directors' fees. The remuneration policy for executive directors and senior management staff consists of two key components, that is, fixed cash and annual variable components. The fixed components include salary and other allowances. The variable component comprises a performance based bonus which forms a significant proportion of the total remuneration package of executive directors and is payable on the achievement of individual and corporate performance targets.

The service contracts for three executive directors have fixed appointment period and clauses relating to early termination. None of the service contracts has any onerous removal clauses.

REPORT ON CORPORATE GOVERNANCE

Non-executive directors, including the Chairman, have no service contract with the Company and their terms are specified in the Articles of Association. Non-executive directors are paid a basic fee and additional fee for serving on any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of directors are taken into account. Such fees are subject to the approval of the shareholders as lump sum payment at the Annual General Meeting.

Remuneration of Directors and Top 5 Executives

A breakdown of the gross remuneration of the Directors of the Company for the year ended 31 December 2013 is set out below:

Name of director	Salary	Bonus	Other benefits (2)	Fees (1)	Total
	$	$	$	$	$
Dr Tan Pang Kee	99,900	–	10,890	–	110,790
Dr Chua Geok Koon	102,900	–	5,866	–	108,766
Mr Dro Tan Guan Liang	153,600	–	3,500	–	157,100
Dr John Chen Seow Phun	–	–	–	63,000	63,000
Dr Wang Kai Yuen	–	–	–	42,000	42,000
Mr Robson Lee Teck Leng	–	–	–	42,000	42,000
	356,400	–	20,256	147,000	523,656

(1) Subject to approval by shareholders as a lump sum at Annual General Meeting for the financial year ended 31 December 2013.

(2) Other benefits refer to benefits-in-kind such as car etc made available to directors as appropriate.

Top 5 Executives

The gross remuneration paid to top 5 executives of the group (who are not directors) for the year ended 31 December 2013 are set out below in bands of $250,000. This is to impede solicitation of key executives by the Group's competitors.

Remuneration band^	No. of executives
Below $250,000	5

^ Remuneration amounts are inclusive of salary, bonus, allowances and Central Provident Fund contributions.

Immediate Family Member of Directors and CEO

There is no employee who is immediate family members of the directors and CEO who earns in excess of $150,000 for the year ended 31 December 2013.

Approved by Shareholders

Directors' fees are approved by shareholders at the Annual General Meeting. The remuneration framework for executives and executive directors has been approved by the RC and endorsed by the board. The board considers that the remuneration framework does not need to be approved by the shareholders.

REPORT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Audit Committee ("AC")

The AC comprises three independent non-executive directors, namely, Dr John Chen Seow Phun (Chairman of the Committee), Dr Wang Kai Yuen and Mr Robson Lee Teck Leng.

The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC meets at least twice a year. Separate meetings were also held for the AC to meet with the external auditors without the presence of Management, to enable the auditors to raise issues encountered in the course of their work directly to the AC.

The Company has put in place a whistle-blowing framework, endorsed by the Audit Committee, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. To ensure proper investigation of such matters and for appropriate follow up action, once the investigation has been concluded, the Investigation Officer must report the outcome of the investigation (including any recommendations for improvement) to the Monitoring Officer who will keep a central register of all complaints.

The AC, which has written terms of reference, performs delegated functions:

Internal Controls

a) ensure that arrangement is made for the review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management, in particular to the compliance of SGX listing rule 1207(10), at least annually;

External Audit

b) review the audit plans of the external auditors;
c) review the external auditors' consideration of the system of internal accounting controls relevant to the entity's preparation of financial statements;
d) review the external auditors' management letter and response from the Company's management;
e) review the scope and results of the external audits and their cost effectiveness;
f) nominate external auditors for re-appointment;

Financial Statements

g) review the financial statements of the Company and the Group before submission to the board;

Compliance with the Laws and Regulations

h) review transactions falling within the scope of the listing manual of the SGX-ST ("listing manual"), in particular matters pertaining to interested person transactions and acquisitions and realisations as laid down in the listing manual;
i) generally undertake such other functions and duties as may be required by statute, the listing manual or the Code, and by such amendments made thereto from time to time; and

REPORT ON CORPORATE GOVERNANCE

Others

j) undertake such other reviews and projects as may be requested by the board and report to the board its findings from time to time on matters arising and requiring the attention of the AC.

The AC is authorised by the board to:

a) investigate any matter within its terms of reference;
b) seek information it requires from any employee and all employees are directed to co-operate with any requests made by the AC;
c) if it deems appropriate, seek the professional advice of external consultants;
d) invite such persons (e.g. director, executive officer) to attend its meeting;
e) meet with external auditors, without the presence of the Company's management, at least once a year; and
f) review all non-audit services provided by the external auditors to the Group to ensure that the nature and extent of such services would not affect the independence of the external auditors.

Internal Controls/Internal Audit

Our board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets and business. The board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the Company's management throughout the financial year and up to the date of this report, provide reasonable, but not absolute, assurance in the safeguarding of assets, compliance with relevant legislations, identification and containment of business risks, and against material financial misstatements or loss. The board also notes that no system of internal control could provide absolute assurance against the occurrence of errors, fraud or other irregularities.

Based on the reports from both the internal and external auditors, reviews performed by the management and with the concurrence of the Audit Committee, the Board is of the opinion that there are adequate internal controls to address the financial, operational and compliance risks for the nature and size of the Group's operations and business.

Moving forward, the Management will continue to focus on improving the standard of internal controls, and corporate governance by setting up a risk management framework that will help the Board to assess the rating of each risk after considering the control procedures that are in place to mitigate those risks.

COMMUNICATION WITH SHAREHOLDERS

The board is mindful of the obligation to provide regular, effective and fair communication to shareholders. Information is communicated to the shareholders on a timely basis. Where inadvertent disclosure has been made to a select group, the Company will make the same disclosure publicly to all others as soon as possible. The board provides shareholders with an assessment of the Company's performance, position and prospect on a half-yearly basis via half-yearly announcement of results and other ad hoc announcement as required by the SGX-ST. The Company's Annual Report is sent to all shareholders and other information is accessible at the Company website.

The board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. Shareholders are informed of shareholders' meetings through notices published in the newspaper and reports or circulars sent to all shareholders. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairmen of the AC, RC and NC are normally available at the meeting to answer those questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

REPORT ON CORPORATE GOVERNANCE

The Company's Articles of Association allow a member of the Company to appoint not more than two proxies to attend and vote instead of the member. The Company is not implementing absentia-voting methods such as by mails, e-mails or fax until security, integrity, legislative recognition of electronic voting and other pertinent issues are satisfactory resolved.

INTERESTED PARTY TRANSACTIONS

The Group does not have material interested person transactions for the financial year ended 31 December 2013.

MATERIAL CONTRACTS

The Group does not have material contracts involving the interest of the CEO, each director or substantial shareholders as at 31 December 2013.

DEALING IN SECURITIES

The Company has adopted and implemented an internal code of conduct which prohibits the directors, key executives and their connected persons from dealing in the Company's shares during the "black-out" period – being one month immediately preceding the announcement of the Company's half-year and full-year results. Further, an officer of the Company should not deal in the Company's securities on short-term considerations. This has been made known to directors, officers and staff of the Company. It has been highlighted that to deal in the Company's securities as well as securities of other listed companies when the officers (directors and employees) are in possession of unpublished material price sensitive information in relation to those securities is an offence and the law on insider trading is applicable at all times.

STATISTIC OF SHAREHOLDERS

AS AT 5 MARCH 2014

SHARE CAPITAL

Paid-Up Capital	:	20,806,449.99
Class of Shares	:	Ordinary Shares
Voting Rights	:	On the poll: one vote per share On a show of hands: one vote each member

BREAKDOWN OF SHAREHOLDINGS BY RANGE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 – 999	38	3.55	1,197	0.00
1,000 – 10,000	402	37.57	1,918,000	0.84
10,001 – 1,000,000	605	56.54	70,161,960	30.86
1,000,001 AND ABOVE	25	2.34	155,311,163	68.30
TOTAL	**1,070**	**100.00**	**227,392,320**	**100.00**

SUBSTANTIAL SHAREHOLDINGS AS AT 5 MARCH 2014

Name of substantial shareholder	Number of shares registered in the name of the substantial shareholder	Number of shares in which substantial shareholder is deemed to have an interest	Total	Percentage (%)
Dr Tan Pang Kee	58,232,000	–	58,232,000	25.61%
Masda Chemical (Private) Limited	28,000,000	–	28,000,000	12.31%
Tan Ee Soon	–	28,000,000[1]	28,000,000	12.31%
Tan Soon Heng	–	28,000,000[2]	28,000,000	12.31%

Notes:

(1) Mr Tan Ee Soon's deemed interest arises from the 28,000,000 shares held by Masda Chemical (Private) Limited, where he has a shareholding interest of more than 20%.

(2) Mr Tan Soon Heng's deemed interest arises from the 63,000,000 shares held by Masda Chemical (Private) Limited, where he has a shareholding interest of more than 20%.

STATISTIC OF SHAREHOLDERS

AS AT 5 MARCH 2014

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital
1	TAN PANG KEE	58,232,000	25.61
2	MASDA CHEMICAL (PTE) LTD	28,000,000	12.31
3	WINMARK INVESTMENTS PTE LTD	10,300,000	4.53
4	UOB KAY HIAN PTE LTD	9,956,000	4.38
5	CHUA GEOK KOON	9,170,000	4.03
6	PHILLIP SECURITIES PTE LTD	5,657,000	2.49
7	LEE KANG HUAT	3,000,000	1.32
8	PAUL GO KIAN LEE	2,744,000	1.21
9	LOW KOK SOON	2,696,000	1.19
10	CHUA WEE SIM	2,230,000	0.98
11	LIM KIM HUAT	2,000,000	0.88
12	SIM TECK HUAT	2,000,000	0.88
13	OCBC SECURITIES PRIVATE LTD	1,908,163	0.84
14	MAYBANK KIM ENG SECURITIES PTE LTD	1,861,000	0.82
15	LEK MEI RU	1,800,000	0.79
16	ONG HOI LIAN	1,730,000	0.76
17	GOH TING TING	1,700,000	0.75
18	HUANG XUZHONG	1,600,000	0.70
19	XU YONGSHENG	1,450,000	0.64
20	CHUA LEONG KIAT (CAI LIANGJIE)	1,374,000	0.60
	TOTAL	**149,408,163**	**65.71**

PERCENTAGE OF SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the company as at 5 March 2014, approximately 57.75% of the issue ordinary share of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by Stock Exchange Securities Trading Limited has accordingly been complied with.

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of the Company will be held at 15 Tuas View Square, Singapore 637556 on Tuesday, 22 April 2014 at 3.00 p.m. to transact the following business:-

Ordinary Business

1 To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2013 and the Auditors' Report thereon. **[Resolution 1]**

2 To re-elect Mr Tan Guan Liang (Chen Guanliang) who is retiring in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 2]**

Note: Mr Tan Guan Liang (Chen Guanliang), if re-elected, will remain an executive director of the Company and will not be considered as an independent director.

Dr Chua Geok Koon, a Director who is over the age of 70 years old, wishes to retire and has decided not to seek re-appointment pursuant to Section 153(6) of the Companies Act, Cap. 50.

3 To approve the sum of S$147,000 as directors' fees for the year ended 31 December 2013. (2012: S$147,000) **[Resolution 3]**

4 To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration. **[Resolution 4]**

Special Business

5 To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:–

That, pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorized and empowered to:

(A) (i) issue shares in the capital of 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 into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

(B) (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 (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution);

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company 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 exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; 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 Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Articles; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."

[See Explanatory Note]

[Resolution 5]

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

[Resolution 6]

By Order of the Board

Alex Tan Pang Kee
Chief Executive Officer/Managing Director

Singapore
3 April 2014

Explanatory Notes:

Resolution 5 if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time Resolution 5 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time when Resolution 5 is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the 20% which may be issued other than on a pro-rata basis, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time Resolution 5 is passed.

Proxies:

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A 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 15 Tuas View Square, Singapore 637556, not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

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MATEX INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore
under the Companies Act, Cap. 50)
Company Registration No. 198904222M

PROXY FORM
– ANNUAL GENERAL MEETING

Important:
1. For investors who have used their CPF monies to buy the Company's shares, the 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.
3. CPF investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of the Company not less than 48 hours before the time appointed for holding the meeting.

I/We ____

of ____

being a member/members of MATEX INTERNATIONAL LIMITED hereby appoint

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

and/or *(delete as appropriate)*

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of MATEX INTERNATIONAL LIMITED to be held at 15 Tuas View Square Singapore 637556 on Tuesday, 22 April 2014 at 3.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business:		
1.	Adoption of Reports and Accounts		
2.	Re-election of Mr Dro Tan Guan Liang (Chen Guanliang)		
3.	Approval of Directors' fees		
4.	Re-appointment of Auditors		
	Special Business:		
5.	Authority for Directors to issue shares and convertible securities pursuant to Section 161 of the Companies Act, Cap. 50		
6.	Any other ordinary business		

Dated this day of 2014.

Total Number of Shares Held:

____
Signature(s) of member(s) or Common Seal

IMPORTANT:–
PLEASE READ NOTES OVERLEAF

MATEX INTERNATIONAL LIMITED
PROXY FORM

Continuation Sheet 1

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2 A member shall not be entitled to appoint more than two proxies to attend and vote at the Annual General Meeting, Provided that if a member shall nominate two proxies then the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

3 A proxy need not be a member of the Company.

4 The instrument appointing a proxy must be deposited at the registered office of the Company at 15 Tuas View Square, Singapore 637556, not less than forty-eight (48) hours before the time appointed for the holding of the Annual General Meeting.

5 The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is given by a corporation, it must be executed either under its common seal or signed on its behalf by an attorney duly authorized in writing or a duly authorised officer of the corporation.

6 Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7 A corporation which is a member may by a resolution of its directors or other governing body authorise 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, Cap. 50.

General:

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 appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for the holding of the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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OUR GLOBAL PRESENCE

Matex International Limited
万得国际有限公司

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