MEMTECH INTERNATIONAL LTD.

Staying In Touch

ANNUAL REPORT 2012

CONTENTS

FINANCIAL HIGHLIGHTS

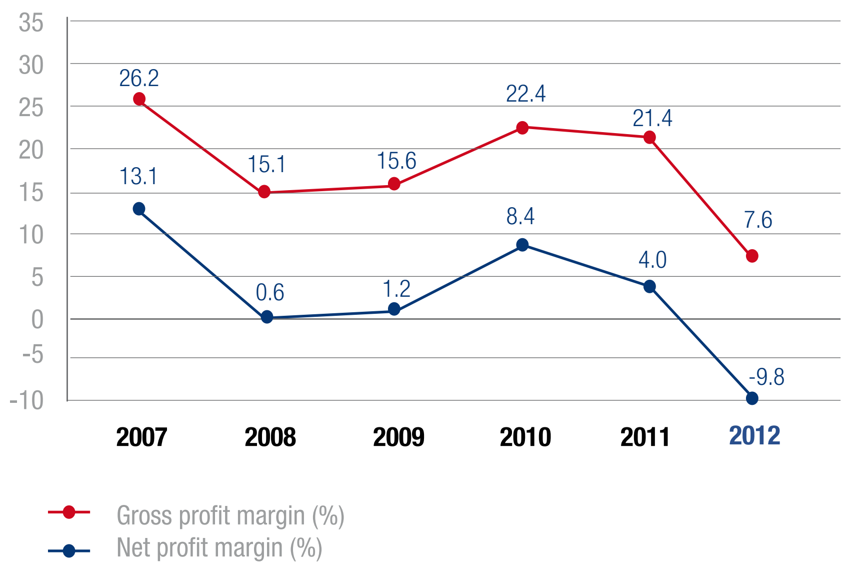
FINANCIAL POSITION
(US$'000)

	2007	2008	2009	2010	2011	**2012**
Total shareholders equity	112,905	113,496	111,798	120,006	128,124	**110,461**
Total assets	156,141	143,149	148,026	161,832	182,167	**143,738**
Total liabilities	43,236	29,653	36,228	41,826	54,043	**33,277**
Net current assets	69,694	62,785	66,113	76,865	78, 598	**67,475**
Cash and cash equivalents	32,759	32,310	38,393	39,100	34,576	**34,912**
Debt to equity ratio %	-	-	-	-	8.0%	**4.5%**

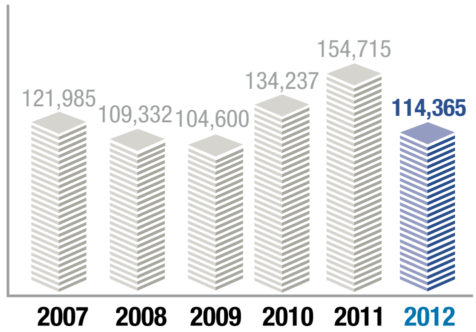
FINANCIAL INDICATOR
(US$'000)

	2007	2008	2009	2010	2011	**2012**
Return on Shareholders equity	14.2%	0.6%	1.1%	9.3%	4.8%	**-10%**
Earnings per share (EPS)	2.2	0.2	0.3	1.6	0.9	**-1.6**
Price-earnings ratio	9.3	30.0	33.3	8.8	11.1	**-4.9**
Dividend paid USD 000s	6,674	2,387	3,713	6,726	4,379	**1,726**
Dividend paid per share S$ cents	1.3	0.5	0.75	1.1	0.8	**0.3**
Dividend payout ratio	41.72%	360.57%	291.22%	59.98%	70.49%	**-15.48%**
Market capitalisation SG$'000	146,985	42,978	71,564	99,700	68,913	**54,587**

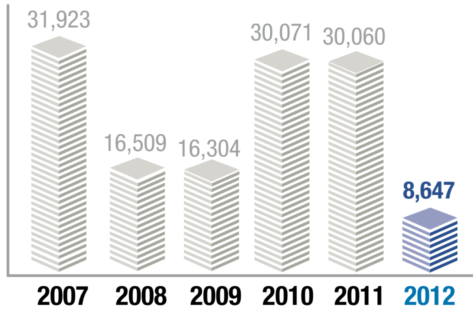
PROFIT MARGIN ANALYSIS



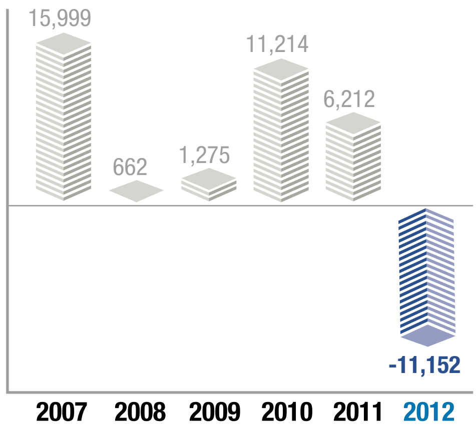
REVENUE
(US$'000)



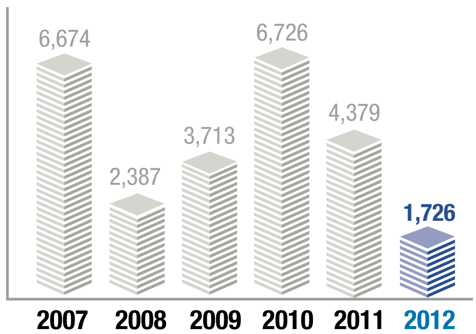
GROSS PROFIT
(US$'000)



NET PROFIT AFTER TAX
(US$'000)



DIVIDEND PAID
(US$'000)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chuang Wen Fu (Executive Chairman)
Gu Cheng Hua (Executive Director)
Yap Chin Kuan (Executive Director)
Teow Joo Hwa (Executive Director)
Chua Keng Hiang (Independent Director)
Teo Kiang Kok (Independent Director)
Teng Cheong Kwee (Independent Director)

AUDIT COMMITTEE

Chua Keng Hiang (Chairman)
Teo Kiang Kok
Teng Cheong Kwee

NOMINATING COMMITTEE

Teng Cheong Kwee (Chairman)
Chuang Wen Fu
Chua Keng Hiang

REMUNERATION COMMITTEE

Teo Kiang Kok (Chairman)
Chua Keng Hiang
Teng Cheong Kwee

COMPANY SECRETARY

Teo Chin Kee, ACIS

REGISTERED OFFICE

89 Short Street
Golden Wall Centre #04-01
Singapore 188216

COMPANY REGISTRATION NUMBER

200312032Z

PRINCIPAL BUSINESS ADDRESS

Block 4009 Ang Mo Kio Ave 10
Techplace 1 #02-33
Singapore 569738

REGISTRAR AND SHARE TRANSFER OFFICE

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

INVESTOR RELATIONS

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Fax: +65 6534 4171
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AUDITORS

Ernst & Young LLP
Partner-in-charge: Simon Yeo Seng Chong
(since the financial year ended 31 December 2009)

BANKERS

The Hong Kong and Shanghai Banking Corporation
Bank of China
China Merchant Bank
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China
Oversea-Chinese Banking Corporation Limited

CORPORATE PROFILE

Memtech is a leading components solutions provider for the mobile phone, IT equipment and automotive industries.

Besides being a total solutions provider for mechanical components including keypads, lens and plastic components, we also design and manufacture antennas and touch screen panels. Our wide product range and scope of services enable us to provide modular solutions and value-added services to our customers.

We operate three keypad manufacturing facilities strategically located in the major mobile phone manufacturing hubs in the PRC, namely the Pearl River Delta and the Yangtze River Delta. We also operate a plastic components production facility in Kunshan, Jiangsu Province, which manufactures casings primarily for digital cameras, automotic components and mobile phones. Memtech also operates a lens manufacturing facility in Dongguan, Guangdong Province, and a joint venture with a Shenzhen-based design house to engage in the antenna business. In addition, we operate a touch screen panel facility in Nantong, Jiangsu Province.

Besides a wide network of sales offices across the PRC, we also have a global network of sales offices in Korea, Japan, Singapore, Taiwan, America and Europe to better service our international customers.

Memtech's customers include major international manufacturers including Alcatel, Foxconn, Fujifilm, Kostal, Microsoft, Motorola, Magna, Netgear, Samsung and TCL, as well as reputable Chinese brands, such as Huawei, Lenovo, and ZTE.

CHAIRMAN'S MESSAGE

"Operationally, we continue to take a prudent stance while preparing and investing for the future. In line with this approach, we have restructured and consolidated our keypad operations in China to further enhance operational efficiencies and streamline our cost structure."

Chuang Wen Fu
Executive Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the performance report and an operations update of Memtech International Ltd ("Memtech" or the "Group") for the financial year ended 31 December 2012 ("FY2012").

2012: A YEAR IN REVIEW

In 2012, the global economy continued to experience the lingering impact of the macroeconomic weakness in 2011, with global growth declining almost 3 percent, indicating that about half a percentage point was shaved off the long-term trend since the crisis of 2008-2009 emerged and this slowing trend is expected to continue.[1]

Economic uncertainties around the world, mainly the United States and Europe, and moderating growth in China, will continue to impact global trade. Indeed, structural changes are taking place across provinces in China, notably in the labour segment, shifting dynamics along the value chain and raising overall production costs, on the back of rising wages and increased social insurance.

In an Ernst & Young survey that was carried out among more than 200 multinational companies in China, 85 percent of the respondents said they could only pass less than a third of their own rising costs onto their customers. The phenomenon is more obvious in manufacturing, where input prices have been growing faster than output prices, squeezing profit margins.[2]

That is but an illustration of the challenging business environment that Memtech is operating in. 2012 has been in many ways, a 'milestone' year, as our Group grappled with both external and internal issues, and refocused our strategic initiatives in response to the changing landscape.

The increased dominance of smart phones in the mobile communications market is a trend here to stay. The global market for mobile phones grew 1.2% on shipments of more than 1.7 billion units in 2012, and of this, 712.6 million smart phones were shipped, marking a 44.1% increase compared to 2011.[3]

Recognising this trend, we made the strategic decision to switch our manufacturing capabilities from that of resistive to capacitive touch screens in 2011, a move that we deemed as a necessary investment for the future, though we are now to experience a bump in our plans given the fire outbreak at our touch screen factory premises as announced on 13 February 2013.

[1] "Global Economic Outlook 2013", The Conference Board, January 2013
[2] "Higher productivity to counter rising labour costs", China Daily, 26 September 2012
[3] "Strong Demand for Smartphones and Heated Vendor Competition Characterize the Worldwide Mobile Phone Market at the End of 2012, IDC Says", International Data Corporation, 24 January 2013

Regardless, as our major customers ZTE, Huawei and Samsung, three of Top 5 smart phone vendors globally, continue to make the switch from basic handsets to smart phones, we too, have to chart a new course in direction. In December 2012, Memtech initiated a restructuring exercise of our Keypads Division's production facilities, where we transferred our operations in Huzhou to the Dongguan and Nantong plants, consolidating the Group's total production capacity.

FINANCIAL OVERVIEW

Amidst this transition, the Group reported lower revenue of US$114.4 million in FY2012, down 26.1% from US$154.7 million in FY2011, mainly on lower demand for mobile phone keypads. Increases in raw material, labour and overhead costs, as well as impairment losses on inventories and restructuring costs for our Keypads Division saw our gross profit margin decline from 21.4% in FY2011 to 7.6% in FY2012.

Lower sales for the year, coupled with higher input costs, increased losses at our touch screen panel operations, and restructuring costs, resulted in the Group reporting a net loss of US$11.2 million in FY2012 as opposed to a net profit of US$6.2 million in FY2011. Nonetheless, the Group remains in a healthy financial position, with positive cash flows.

On a segmental basis, revenue from the Group's main Keypads Division contracted 38.2% to US$75.5 million, accounting for approximately two-thirds of total revenue. The division reported a net loss of US$1.9 million in FY2012 as compared to a net profit of US$10.4 million in FY2011. Decline in this segment is expected to continue due to the increasing popularity of smart phones as feature mobile phones lose their market share, in turn adversely impacting the Group's keypad sales.

Our efforts to strengthen operations at the Plastics Division have reaped rewards as the division continues to grow steadily. In FY2012, the Group reported a 33.0% rise in net profit to US$2.4 million on the back of a 9.5% growth in revenue to US$33.6 million for the Plastics Division.

The Touch Screen Panels Division recorded a growth in revenue from US$1.9 million in FY2011 to US$5.3 million in FY2012, but sank further into the red on continued operational issues, widening the net loss from US$4.2 million to US$4.9 million. Including impairment losses totalling US$6.4 million, the division recorded an overall loss of US$11.3 million for the year. In view of the substantial damage caused by the fire at the factory, the Group has suspended the operations of this division until further notice.

LOOKING TO NEW HORIZONS IN 2013

2012 has been vital in shaping our operational strategy for 2013 given the uncertainties in the global economy and a more moderated pace of growth in China, where the bulk of our customers are based.

Meanwhile, the Group believes its two main challenges remain – higher labour costs and softer demand for mobile phone keypads. In addressing the latter, Memtech will focus our efforts on further diversifying into the automotive and accessory keypads markets as a way to move beyond basic mobile phone keypads. The Group has secured several customer accreditations and our order book is steadily increasing. The Group believes this development will contribute positively to our sales going forward.

Operationally, we continue to take a prudent stance while preparing and investing for the future. In line with this approach, we have restructured and consolidated our keypad operations in China to further enhance operational efficiencies and streamline our cost structure. Concurrent to this, we will continue to invest and capitalise on our strengths in plastics and focus on high value, high precision products, as well as meeting demand for plastic parts in automobiles.

Where our touch screen panel business is concerned, the exact cause of the fire at the factory is still unknown though it is currently being investigated by the relevant authorities. Preliminary findings have indicated that the fire was caused by an electrical short circuit. In the interim, we have made arrangements for outstanding customer orders to be fulfilled by other manufacturers on an urgent basis.

APPRECIATION

In closing, I would like to thank members of the Board for their wise counsel and to the management and staff for your invaluable efforts during the year.

Despite 2012 having been on record one of our tougher years, we would like to continue showing our appreciation towards our shareholders. To this end, the Board is pleased to recommend a first and final dividend of 0.3 Singapore cents per share, translating to a total payout of S$2.1 million (approximately US$1.7 million).

We would also like to express our gratitude to our customers, suppliers and business associates for your continued support.

Together, we look forward to the new horizons 2013 brings.

Chuang Wen Fu
Executive Chairman
April 2013

主席致辞

“营运上，我们仍保有一贯谨慎态度，做好充份准备，把握每一个商机。转型及升级兼顾，我们将着重于提升营运效率和加强成本监控，并以为键盘业务做好重组。”

庄文甫
执行主席

敬爱的股东们：

我谨代表万德国际的董事会，向您汇报集团在2012年度的业绩与业务情况。

回顾2012年

自2008-2009年的金融危机以来，全球经济长期疲弱，而2011年宏观经济的波动持续影响了2012年的经济复苏，全球经济增长下滑近3%。市场人士表示经济减缓的趋势将可能持续。[1]

在美欧问题尚未解决的前提下，中国增长也有所放缓，环球经济前景的不明朗将负面影响全球贸易。今时今日，中国的改变突飞猛进，在员工薪金上涨和社会保险的支出(也就是五险一金)，更增加了企业严重的负担，整体成本也跟着提高。

在安永会计师事务所针对超过200家跨国企业所作的一项调查中，百分之85的被调表示只能将少过三分之一的成本上升传递给客户。这现象在生产业最为明显，投入价格的增长速度快于产出的价格，挤压利润率。[2]

这例证了万德国际在充满挑战的商业环境下持续运作。2012年在很多方面来说，可谓是个‘里程碑’—— 集团努力抵抗内部及外部的压力，并在困境中寻找新定位，突破及转型。

大环境下，智慧型手机在手机市场的主导地位将有增无减。全球手机市场的销售额在2012年出现1.2%的升幅，手机装运量高达17亿台。其中，智慧型手机的销售额占7亿1260万台，与2011年相比增幅达44.1%。[3]

集团为了迎合客户需求及市场的大趋势，也在2011年投入更多资源，作策略性的转移由电阻屏转向电容型触屏产品。这是市场的残酷现实，转型需要时间和许多技术资源的投入，而2013年2月9日在工厂发生的火患，将会是万德公司进一步成长的阵痛期。

全球各大手机厂商，包括我们的重点客户ZTE、华为、三星等等，都已经大幅度攻向智慧型手机市场，我们也需转型，以适应市场的变化。2012年12月，我们为键盘业务展开重组工作，将湖州的生产线转移至东莞和南通的工厂，综合了集团的总生产容量。

[1] 摘自“Global Economic Outlook 2013”, The Conference Board, January 2013
[2] 摘自“Higher productivity to counter rising labour costs”, China Daily, 26 September 2012
[3] 摘自“Strong Demand for Smartphones and Heated Vendor Competition Characterize the Worldwide Mobile Phone Market at the End of 2012, IDC Says”, International Data Corporation, 24 January 2013

财务概况

集团在2012年的销售额达1亿1440万美元，与去年同期相比跌幅达26.1%，主要因为市场对键盘的需求下滑。原材料、员工薪金和开销成本的上升，以及存货减损和键盘业务重组的相关开支导致集团的毛利率削减了13.8%至7.6%。但仍然保有正的现金流，整体财务状况，尚属健康。

销售额下降，更高的投入成本，键盘业务重组的相关开支以及触屏业务营运上的损失导致集团在2012年报1仟120万美元的净亏损。集团在2011年的净税后利润为620万美元。

各业务部门方面，集团的键盘业务营业额下跌38.2%至7仟550万美元，占集团总营业额的三分之二，全年净亏损为190万美元。键盘业务营业额的下滑主要因为手机市场需求逐渐迈向智慧型手机，中国主要手机制造企业的需求也随之改变。

集团在过去两年整合了其塑料零部件业务并加强成本监控后，营业额上涨9.5%至3仟360万美元，净利润劲升33%达240万美元。此业务，我们会加快发展的步伐，来积极扩大市场和增加利润的来源。

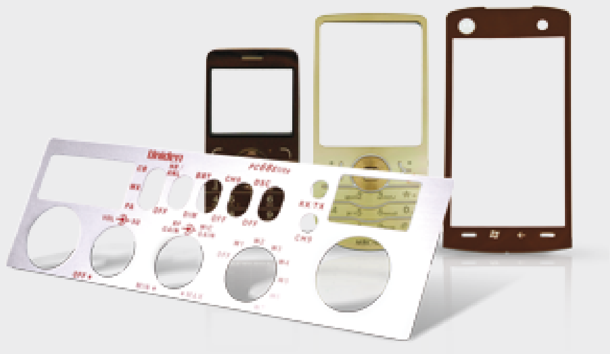
触屏业务全年营业额虽然成长178.9%　至530万美元，但基于低产量和营运上初期良品率偏低的问题，再加上640万美元的减损，导致该业务报1仟130万美元的全年净亏损。鉴于火患造成工厂重大损害，集团将从长计议，暂时停止该业务的操作。

2013年展望新视野

2012年的种种挑战塑造了我们在2013年的经营策划。世界经济前景仍然不稳定，将对消费市场带来一定的影响。我们预计集团在2013年的挑战会包括：中国劳动成本持续走高及手机键盘较为疲弱的需求。为弥补手机市场键盘需求下降的走势，集团已经努力开展在汽车市场的客户，来迎合亚太地区汽车制造业急速成长，对需要高度精确度车用按键的大量需求，来平衡手机市场按键需求的下滑。

营运上，我们仍保有一贯谨慎态度，做好充份准备，把握每一个商机。转型及升级兼顾，我们将着重于提升营运效率和加强成本监控，并以为键盘业务做好重组。与此同时，我们会继续投资所需并利用集团在塑料零部件市场的优势，着重于高价值，高精密产品以及汽车市场塑料零件部的业务。

发生在触屏工厂的失火事件仍在进行调查当中。有关当局的初步调查显示火灾是由电线短路引起的。我们已很快的为受影响的客户另行安排转单。



致谢

最后，我要感谢万德董事、管理层和全体员工，一年来的辛劳和付出。

我谨代表集团全体董事和同仁，向我们的股东致以万分感谢。虽然2012年一路走来蛮艰难，但为回报股东们的鼎力支持，集团将派发每股新币0.3分的终期股息，相等于210万新元（约170万美元）。

另外，也要感谢我们的客户、供应商和生意伙伴长期以来的支持。

让我们一起在2013年展望新的未来！

庄文甫
2013年4月

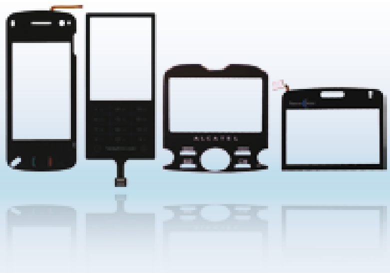
OUR PRODUCTS AND SERVICES

MODULAR SERVICES

Provide modular solutions including plastic components, display window lens, keypads, light guides, touch screen panels, domes and antennas.

Services
Provide only one point of contact and accountability to improve the efficiency and effectiveness of our customers' production cycle.

Benefits
The benefit to our customers lies in the synergy of various components operations within the group, and the unity of our strengths to work together on their behalf.

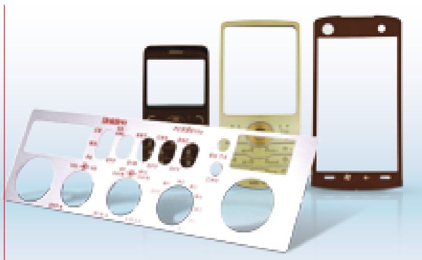


TOUCH SCREEN PANELS

Design, develop and supply capacitive and resistive touch windows and touch screen panels.

Services
Provide complete touch screen solutions from design to manufacturing of high quality touch screen panels.

Facilities
Manufacturing facilities in Nantong.

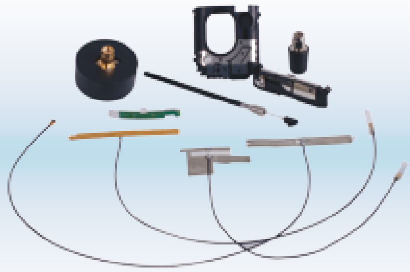


LENSES

Specialize in producing IML lens, nano-sputter plated lens, plastic injected lens and acrylic lens for mobile phones and digital cameras.

Services
Provide complete end-to-end solutions.

Facilities
Manufacturing facilities in Dongguan.



PLASTIC COMPONENTS

Produce engineering plastic parts and cosmetic plastic parts for telecommunication, automotive and computer related sectors.

Services
Specialize in unique, high requirement projects that involve sophisticated tooling design and plastic molding technology (such as 2K molding and insert over-molding). Also provide clients with sub-assembly and secondary operation services of plastic components such as:
- auto-line spraying
- hot stamping and ultrasonic welding
- tempo printing and silk screen printing
- laser etching and UV coating
- modular assembly to contract manufacturing

Facilities
Manufacturing facilities in Kunshan, Nantong and Dongguan.

KEYPADS

Produce ultra-thin, metal, high-end silicone rubber, plastic and silicone rubber plastic hybrid keypads primarily for the mobile phone and automotive industries.

Services
Offer one-stop solution, from engineering design and mould fabrication to the manufacture and assembly of components.

Facilities
Manufacturing facilities in Dongguan, Nantong.

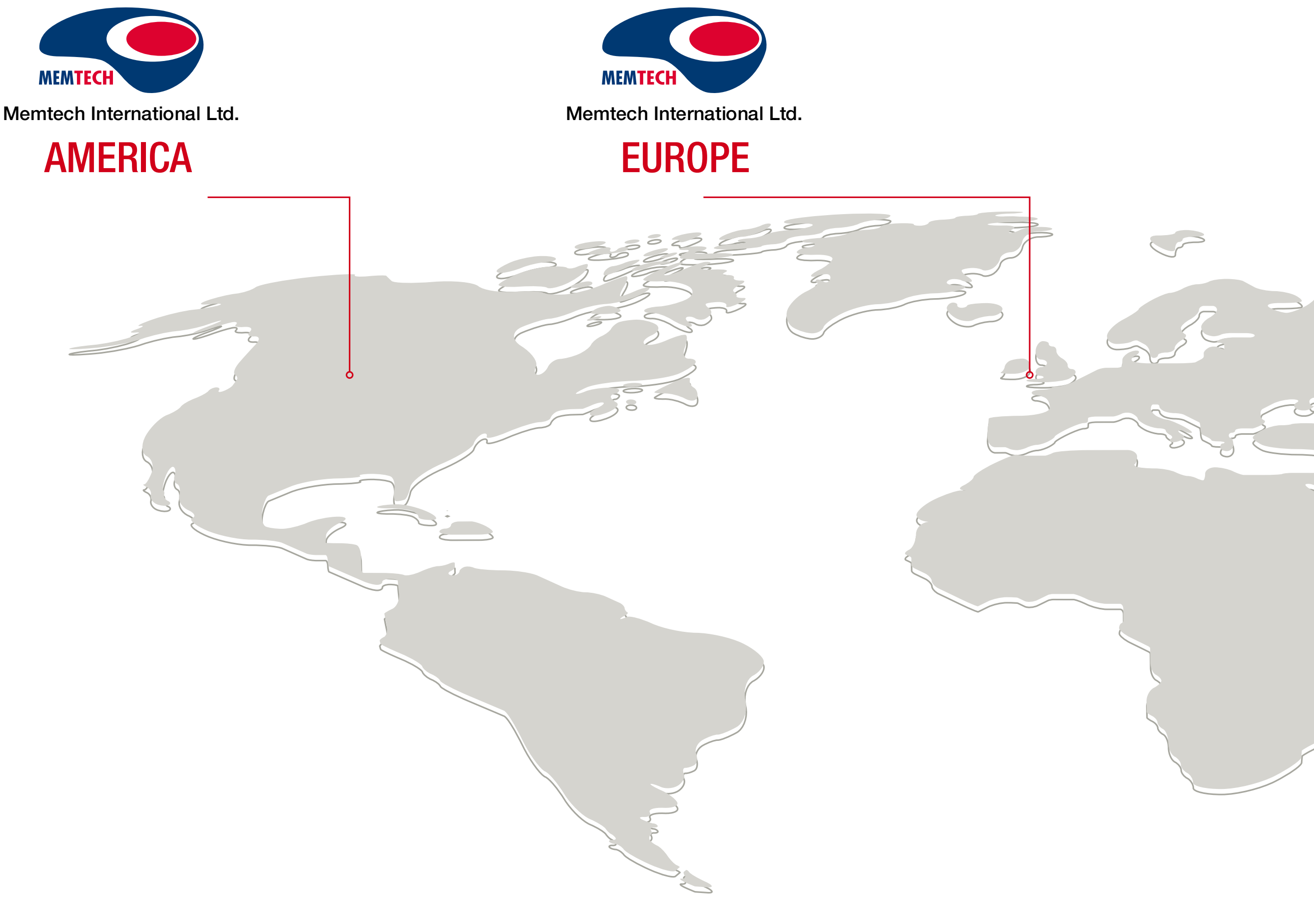
ANTENNAS

Develop and supply high performance antenna solutions for mobile handsets, portable devices, RFID and laptop computers.

Services
Provide conventional mobile phone antennas solutions and ceramic antenna solutions.

Facilities
Testing labs in Hong Kong and Shenzhen. Design, research and development and support centre in Shenzhen. Manufacturing facilities in Dongguan.

SALES NETWORK



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BOARD OF DIRECTORS

MR CHUANG WEN FU

MR TEOW JOO HWA

MR GU CHENG HUA

MR CHUA KENG HIANG

MR YAP CHIN KUAN

MR TEO KIANG KOK

MR TENG CHEONG KWEE

MR CHUANG WEN FU is our Executive Chairman. He was appointed to the Board on 27 November 2003. With more than 25 years of experience in the keypad industry, Mr Chuang is the key driver of the Group's strategies, and is responsible for the overall management and operations of our Group. His experience in the keypad industry stretches back to 1982 when he was overseeing San Teh Limited's entire keypad operations. Under his leadership, San Teh grew to become one of the leading keypad manufacturers with more than 5,000 employees. He retired as Managing Director in 1999 but still serves on the Board of San Teh. Mr Chuang holds a diploma in Science (Survey engineering) from Tamkang College of Arts and Science (now known as Tamkang University), Taiwan.

MR GU CHENG HUA is our Executive Director and President of the Keypad Business Unit. He was appointed to the Board on 1 April 2004. Mr Gu has over 20 years of experience in the keypad manufacturing industry and is responsible for overseeing the entire keypad business, including both manufacturing and marketing activities. He holds a Bachelor of Science (Mathematics and Physics) degree from Southeast University in the People's Republic of China.

MR YAP CHIN KUAN is our Executive Director and Vice President of the Keypad Business Unit. He assists Mr Gu Cheng Hua in overseeing the entire Keypad Division's operations. Mr Yap was appointed to the Board on 27 November 2003. He has over 20 years of experience in the keypad manufacturing industry, of which more than 15 years were spent in the People's Republic of China. His experience covers all aspects of keypad manufacturing, from production, marketing operations, factory operations to overseas expansion.

MR TEOW JOO HWA is our Executive Director and General Manager of Taitech Precision Electronic (Kunshan) Co., Ltd. Mr Teow was appointed as a Director of the Company on 26 February 2005. A graduate in Mechanical Engineering from National Taiwan University and armed with over 20 years of experience, Mr Teow has a strong background in precision mechanical engineering and designing machinery and tools.

MR CHUA KENG HIANG is a practicing public accountant in Singapore and is a Non-executive and Independent Director of the Company since 6 June 2004. He is the Chairman of the Audit Committee and is also a member of our Remuneration and Nominating Committees. Mr Chua has extensive experience in public accounting, corporate finance and industrial management. He holds an honours degree in Accountancy from the University of Singapore. He is a practicing member of the Institute of Certified Public Accountants of Singapore as well as a fellow member of the Association of Chartered Certified Accountants (UK). Mr Chua also sits on the board of two other listed companies: Jadason Enterprise Ltd and Ocean Sky International Limited.

MR TEO KIANG KOK was appointed as a non-executive independent director on 6 June 2004. He was a partner of Shook Lin & Bok LLP ("SLB") from 1988 to 2011. Mr Teo was the Head of the Corporate Finance and China practices of SLB. In his 29 years of legal practice, he has advised on a wide range of corporate finance transactions, particularly securities offerings, mergers and acquisitions, joint ventures and strategic investments. Mr Teo retired as a senior partner of SLB in May 2011 and is currently a consultant to SLB. He obtained his Bachelor of Laws (Honours) degree from the University of Hull and is a Barrister-at-Law from Lincoln's Inn.

MR TENG CHEONG KWEE was appointed as a Non-executive and Independent Director of our Company on 6 June 2004. He is the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr Teng currently also serves as an Independent Director on the Boards of several other SGX-listed companies. Between 1989 and 2000, Mr Teng served as an Executive Vice President with the Singapore Exchange, and was Head of its Risk Management & Regulatory Division prior to joining the commercial sector. Mr Teng obtained a Bachelor's degree in Engineering (Industrial) with a first class Honours and a Bachelor's degree in Commerce from the University of Newcastle, Australia.

Key Management

Dr Han Hui Sheng is the Director of our R&D Institute. He is responsible for overseeing the Group's research and development of new materials and processes. Dr Han has had almost 20 years of working experience in polymer material research and manufacturing since he graduated with a Bachelor's degree from South China University of Technology in 1985. He holds a PhD degree in Chemistry from Insitute of Chemistry, the Chinese Academy of Sciences. After two years of post-doctoral research on polymer materials at the National University of Singapore, Dr Han worked as QC Manager and Principal Engineer in two Singapore companies. Dr Han joined us in May 2010.

Mr Ong Juan Liang, Samuel is the General Manager of our Huzhou plant. He has more than 17 years of working experience in the keypad industry and has extensive logistic support experience in servicing international customers. Mr Ong joined us in 2005.

Mr Bai Yi Song is the General Manager of our Dongguan's keypads and lenses operations. Prior to assuming the post of General Manager of the Dongguan manufacturing facilities, he was our Director of Engineering and Technology, overseeing the engineering and technology development of the Group. He has been with the Group since 2001. Mr Bai has more than 17 years of experience in the keypad industry. He graduated with a Bachelor of Science (Mechanical Engineering) from Jiang Su Technological University (now known as Jiang Su University), PRC.

Mr Heng Ngee Boon, Steven is the Assistant to Chairman in charge of special projects of the Group. He has more than 20 years of experience in the keypad industry, of which more than 10 years were spent in PRC and Malaysia. Mr Heng joined us in 2004.

Mr Wang Jian is the General Manager of our Nantong Plant. He oversees the entire operations of our Nantong Plant. Prior to joining the Group in 2003, Mr Wang had more than 19 years of experience in the keypad industry in Singapore and PRC. Mr Wang graduated with a Bachelor of Science (Mechanical Engineering) degree from the Hehai University, PRC. He also holds an Executive MBA from Guanghua School of Management, Peking University, PRC.

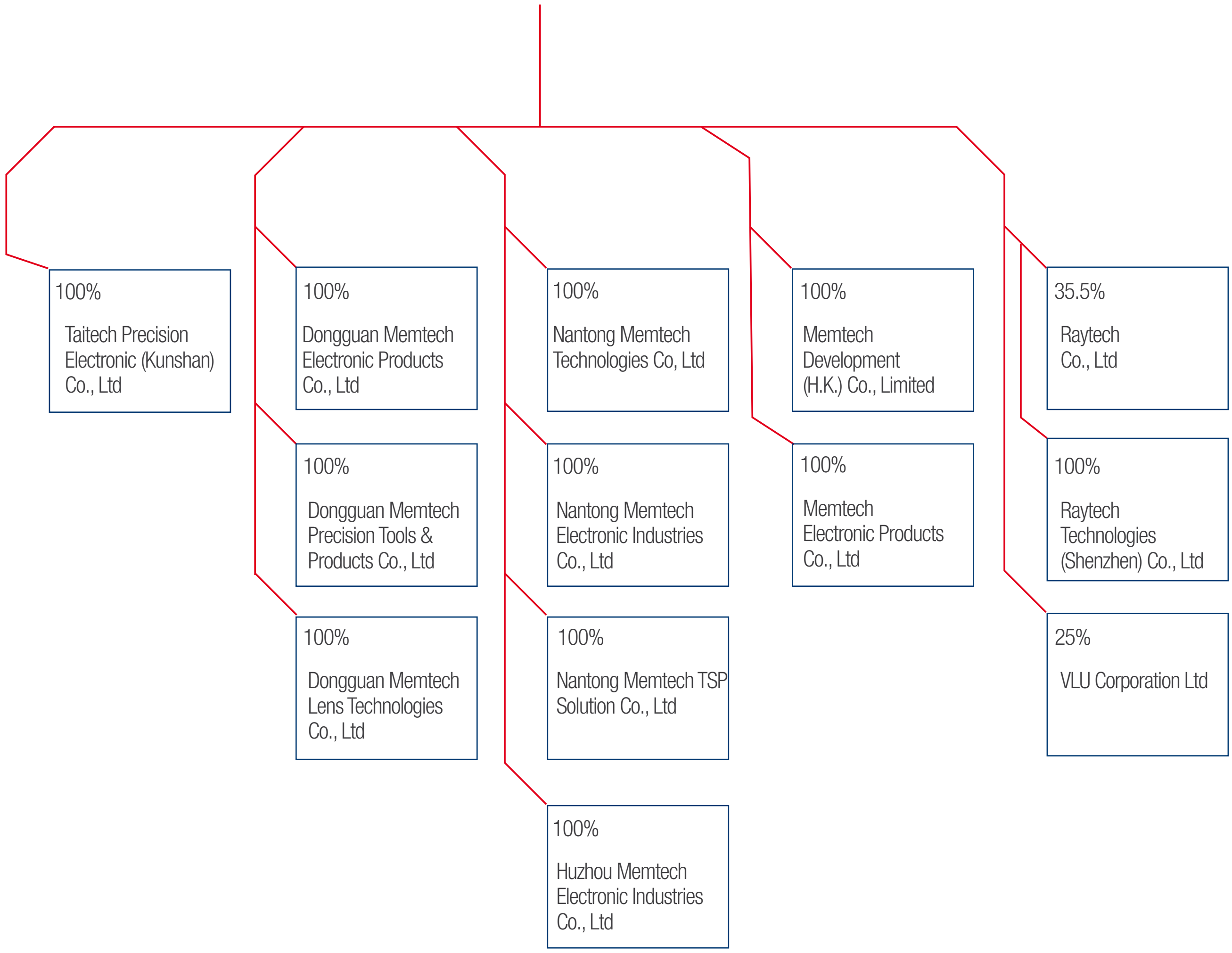
Mr Koh Kok Boon is the Director for Global Business Development & Sales. He oversees the consolidated sales operation for all our product-lines, and heads the business development strategies of the Group. Mr Koh joined Memtech in August 2003 and has a total of 18 years experience in the industry with background in Tooling Design & Manufacturing.

Mr Chuang Tze-Mon is the Vice-Director for Global Business Development. He leads the business development movement of the Group. He has 10 years of working experience covering product & project management, operations, and sales. Mr Chuang holds a bachelor of Commerce degree from University of Melbourne (Australia) and a MBA from Shanghai AnTai College of Economies & Management, JiaoTong University (PRC)

Mr Edwin Jung is the Vice-Director for Global Business Development. He is responsible for the serving the key account--Samsung, and leads the business development operation for Korean market. At the same time, he also takes care of a few specific Japanese key accounts. Mr Jung graduated from Chung Ang University, Korea. He is fluent in his native Korean, Mandarin and English. He has worked in another Korean Keypad company for many years before joining Memtech in 2009.

Group Structure

Memtech International Ltd.



CORPORATE GOVERNANCE AND FINANCIAL CONTENTS

Memtech International Ltd. (the "Company") is committed to maintaining a high standard of corporate governance with specific references to the Principles of the Singapore Corporate Governance Code (the "Code"). The Board of Directors (the "Board") is pleased to confirm that the company has generally adhered to the principles and guidelines of the Code.

The main corporate governance practices adopted by the Company and its subsidiaries (collectively, the "Group") are outlined below.

Board Matters

1 Board's Conduct of its Affairs

1.1 The Board's key responsibilities include providing leadership and guidance to management on corporate strategy, business directions, acquisitions and divestments, risk policy and implementation of corporate objectives.

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

1.3 The Board meets regularly on a quarterly basis and ad-hoc Board meetings are convened as and when they are deemed necessary. The Company's Articles of Association allow Directors to participate in a meeting of the Board of Directors by means of telephonic and video conferencing.

1.4 The frequency of the meetings of the Board and Committees, as well as the frequency of the Directors' attendance at such meetings during the financial year ended 31 December 2012 are as follows:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	a	b	a	b	a	b	a	b
Executive Directors								
Chuang Wen Fu	4	4	–	–	–	–	1	1
Yap Chin Kuan	4	4	–	–	–	–	–	–
Gu Cheng Hua	4	4	–	–	–	–	–	–
Teow Joo Hwa	4	4	–	–	–	–	–	–
Independent Directors								
Chua Keng Hiang	4	4	4	4	1	1	1	1
Teo Kiang Kok	4	4	4	4	1	1	–	–
Teng Cheong Kwee	4	4	4	4	1	1	1	1

Column a: Number of meetings held while as a member
Column b: Number of meetings attended

1.5 In addition to the Board meetings, the executive directors, together with top management, held regular Executive Committee meetings on operational matters of the Group. The Executive Committee comprises all executive directors, chief financial officer, head of departments, general and deputy general managers of major subsidiaries.

1.6 The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisition and disposal of assets, major corporate policies on key areas of operations, acceptances of significant bank facilities, release of Group results and material interested person transactions.

1.7 The Board comprises directors who collectively possess the relevant core competencies and diversity of experience that would enable them to contribute to the Board's effectiveness. The Company will consider appropriate training programmes for directors to meet their relevant training needs. Arrangements have been made for new directors to visit our factories and facilities and to be given briefings on operations to enable them to gain a better understanding of the Group's business. In addition, directors were invited to participate in our annual internal budget and strategy discussions.

1.8 All the Directors are updated regularly on changes in company policies, Board procedures, corporate governance and best practices.

2 Board Composition and Balance

2.1 The Board comprises seven directors, namely, Mr. Chuang Wen Fu (Executive Chairman), Mr. Gu Cheng Hua (Executive), Yap Chin Kuan (Executive), Mr. Teow Joo Hwa (Executive), Mr. Chua Keng Hiang (Independent, Non-Executive), Mr. Teo Kiang Kok (Independent, Non-Executive) and Mr. Teng Cheong Kwee (Independent, Non-Executive). The NC reviews the independence of each director annually.

2.2 The NC is of the view that the current Board, with independent non-executive Directors making up at least one-third of the Board, has a significant independent element and there is an appropriate balance of power without any individual or small groups of individuals dominating the Board's decision-making processes.

2.3 The Board is of the view that the size of the current board, comprising seven directors and taking into account the experience and core competencies of the directors, is appropriate for the Group given its current scope and scale of business.

3 Chairman and Chief Executive Officer

3.1 The Chairman of the Company, Mr. Chuang Wen Fu, exercises full executive responsibilities over business directions and major operational decisions of the Group. He is responsible for the overall stewardship of the Group while the day-to-day operations are run by the executive directors and top management of the Group. The Board is of the view that the current practice is in the best interest of the Group.

3.2 All major Group decisions were discussed and approved by the Executive Committee before they are presented to the Board for deliberations and approval. The current system has ensured that no power is concentrated in any one individual.

3.3 The responsibilities of Chairman include the following:

- lead the Board to ensure its effectiveness on all aspects of its role and set its agenda;
- ensure that the directors receive accurate, timely and clear information;
- ensure effective communication with shareholders;
- encourage constructive relations between the Board and Management;
- facilitate the effective contribution of non-executive directors;
- encourage constructive relations between executive directors and non-executive directors; and
- promote high standards of corporate governance.

3.4 Please refer to the "Corporate Information" section of the annual report for the composition of the Company's Board of Directors, and Board Committees.

4 Board Membership

4.1 The NC is tasked with the responsibility of overseeing Board membership.

4.2 The NC is chaired by Mr. Teng Cheong Kwee (Independent, Non-Executive) and has two other members, namely Mr. Chuang Wen Fu (Executive Chairman) and Mr. Chua Keng Hiang (Independent, Non-Executive).

4.3 The NC's principal functions are to:

- regularly review the Board structure, size and composition and make recommendations to the Board on any changes that the NC deems necessary.

- review and nominate candidates for appointment as directors for the approval of the Board;

- determine annually whether or not a director is independent; and

- recommend a framework for the evaluation of board effectiveness and individual director's contribution to board effectiveness, and carry out such evaluation.

4.4 When the need to appoint a new member to the Board arises, the NC will identify and consider each candidate's suitability and make recommendation to the Board, after taking into consideration the qualification and experience of such candidate against the selection criteria agreed with the Board, and his ability to increase the effectiveness of the Board.

4.5 Key information regarding the Directors is given in this annual report.

4.6 In accordance with the Company's Articles, Messrs Gu Cheng Hua, Teo Kiang Kok, and Teow Joo Hwa will retire by rotation and they have indicated their willingness to seek re-election at the forthcoming Annual General Meeting ("AGM"). Following a review, the NC has recommended to the Board to nominate them for re-election at the AGM.

5 Board Performance

5.1 The NC is also tasked with the responsibility of monitoring and evaluating Board performance. On the recommendation of the NC, the Board has adopted a framework for evaluating board effectiveness. The framework entails collective discussion of formal evaluation of board performance carried out by individual director. For the financial year just ended, the NC carried out an assessment of Board effectiveness, and the findings were presented and discussed at an NC meeting with participation from all directors. The NC also discussed generally the performance and contribution by individual director to the Board's effectiveness.

6 Access to Information

6.1 In order to ensure that the Board is able to fulfill its responsibilities, management is required to provide adequate and timely information to the Board on Board affairs and issues that require the Board's decision and ongoing reports relating to operational and financial performance of the Group to the Board.

6.2 The Board has separate and independent access to senior management and the Company Secretary at all times. Directors (whether as a group or individually) may, obtain such independent professional advice as they consider necessary for the effective discharge of their duties. The costs of such professional advice will be borne by the Company.

6.3 The Company Secretary is present at all Board Meetings.

Remuneration Matters

7 Procedures for Developing Remuneration Policies
Level of Mix of Remuneration
Disclosure of Remuneration

7.1 The RC is tasked with the responsibility of overseeing Board remuneration matters.

7.2 Chaired by Mr. Teo Kiang Kok (Independent, non-executive), the RC's other members are Mr. Chua Keng Hiang (Independent, non-executive) and Mr. Teng Cheong Kwee (Independent, non-executive).

7.3 The RC's principal functions are to:

- review and recommend to the Board in consultation with the Management and the Chairman of the Board, a framework for the remuneration of executive directors and key management and to determine the specific remuneration packages and terms of employment for each of the executive directors and those managers related to the executive directors and controlling shareholders of the Group; and

- review and recommend to the Board in consultation with the Management and the Chairman of the Board, the Memtech Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

7.4 As part of its review, the RC shall ensure that:

- all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered;
- the remuneration packages should be comparable within the industry and with comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures for assessing individual executive director's performance; and
- the remuneration package of managers related to executive directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

7.5 Executive Directors do not receive directors' fees for the financial year ended 31 December 2012. A significant portion of their remuneration package is variable, tied to the performance of the individual and the Group. Non-executive Directors are paid directors' fees, subject to shareholders' approval at the AGM. A breakdown showing the level and mix of each individual Director's remuneration paid and payable for the financial year ended 31 December 2012 is as follows:

	Remuneration				
	Fee[1]	Basic	Variable	Benefits in kind	Total
	%	%	%	%	%
Executive Directors					
Chuang Wen Fu	–	82	10	8	100
Yap Chin Kuan	–	75	17	8	100
Gu Cheng Hua	–	66	25	9	100
Teow Joo Hwa	–	59	39	2	100
Independent Directors					
Chua Keng Hiang	100	–	–	–	100
Teo Kiang Kok	100	–	–	–	100
Teng Cheong Kwee	100	–	–	–	100

[1] These fees are subject to approval by shareholders as a lump sum of S$60,000 each at the AGM for the financial year ended 31 December 2012.

The number of Directors of the Company whose emoluments fall within the following bands are:

	2012	**2011**
Above S$500,000	–	–
S$250,000 to S$499,999	1	4
Below S$250,000	6	3
	7	7

The Board is of the view that it would not be in the best interest of the Group to disclose the specific remuneration of each individual director.

7.6 Details of remuneration paid to the top five executives (who are not also directors of the Company) for the financial year are set out below.

	Salaries %	Bonus %	Benefits in kind %	Total %
S$250,000 to S$499,999				
Steven Heng Ngee Boon	57	38	5	100
Below S$250,000				
Wang Jian	70	25	5	100
Samuel Ong Juan Liang	88	6	6	100
Koh Kok Boon	68	28	4	100
Jung Kil Ho	80	11	9	100

7.7 There are no employees who are immediate family members of a director and whose remuneration exceed S$150,000 during the year.

7.8 At the Extraordinary General Meeting of the Company held on 6 June 2004, shareholders approved the Memtech Share Option Scheme ("the Scheme"). Under the Scheme, the Company may grant options to confirmed employees (including confirmed part-time employees), controlling shareholders or his associate and Directors (including Non-executive Directors).

No share options have been granted to date. Remunerations of the Directors and Key Executives do not include any share option.

Accountability and Audit

8. Accountability

The Board is accountable to shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with statutory reporting requirements. We have adopted quarterly reporting as required by the rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Financial results and annual reports will be announced or issued within prescribed periods.

9. Audit, Internal Controls and Internal Audit

9.1 The AC comprises three members, all of whom are independent and non-executive. They are Mr. Chua Keng Hiang (Chairman), Mr. Teo Kiang Kok and Mr. Teng Cheong Kwee.

9.2 The AC shall meet periodically to perform the following functions:

- review the audit plans of our Company's external auditors;
- review external auditors' reports;
- review the co-operation given by our officers to the external auditors;
- review with management the adequacy and effectiveness of the Company's internal controls, including financial, operational and compliance controls and risk management;
- review the financial statements of our Company and the Group and draft earnings release before their submission to the Board;
- review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, and by such amendments made thereto from time to time;

- review interested person transactions;
- review the independence of external auditors annually; and
- review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

9.3 The AC has full access to and received full co-operation of the management. The external auditors and internal auditors have unrestricted access to the AC.

9.4 For the financial year under review, the audit fee payable to the external auditors is S$215,000. The amount of non-audit fee payable to the external auditors is approximately S$5,500. This is in relation to tax services provided to the Company and its subsidiaries.

9.5 The Audit Committee has reviewed the external auditors' non-audit services and is satisfied that the nature and extent of such services has not prejudiced the independence and objectivity of the external auditors. The AC recognizes the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration.

9.6 During the financial year, the AC had one meeting with the external auditors, without the presence of Management, to review matters arising from its audit.

9.7 The AC has reviewed the appointment of all auditors within the Group in relation to SGX-ST Listing Rules 712, 715 and 716 and is satisfied that the appointment of auditors is in compliance with the aforesaid rules.

9.8 The AC, together with the Board reviewed the effectiveness of the Group's internal controls put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information are reliable. The AC also evaluates the need for an internal audit function. If an internal audit is deemed necessary, the AC will set the internal audit scope, approve the internal audit plans, review the internal audit reports and assess the effectiveness of the internal auditor, such as its scope of work and the quality of its audit reports.

9.9 The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a sound system of internal controls within the Group to safeguard shareholders' interests and Group's assets, and to manage risks. The Board recognizes that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

9.10 The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the internal processes of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of operational, financial and compliance risks.

9.11 The Board approves the key management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instills the right risk focused culture throughout the Group for effective risk governance.

9.12 To facilitate the set-up of a strong system of risk management and internal controls, during the financial year, PricewaterhouseCoopers was engaged to facilitate its Risk Management Review exercise. The exercise, which covered strategic, operational, financial and compliance risks, also deliberated on the existing and required internal controls to address the identified top risks.

9.13 Based on the Group's Risk Management exercise, the internal control policies and procedures established and maintained by the Group, the regular audits and reviews performed by the external auditors, and reviews performed and confirmations by Management, the Board with the concurrence of the Audit Committee, is of the opinion that the Group's system of internal controls in place, which addresses the financial, operational and compliance risks, is adequate.

9.14 The Company has in place a whistle-blowing framework where staff and suppliers of the Company can have access to the, Chairman, CFO and Director of Human Resources and Administration to raise concerns about improprieties. Contact details of these persons have been made available to all staff and suppliers.

Communication with Shareholders

10.1 The Company conveys financial performance and position, and prospects on a quarterly basis via announcements to the SGX-ST.

10.2 The Company does not practice selective disclosure. While the Company may, from time to time, meet with groups of investors or analysts to promote understanding of the Company's business and operations, the Board is fully cognizant of the requirement to ensure fair disclosure of material price sensitive information. Such information is always first released publicly through the SGXNET. Results and annual reports are announced or issued within the stipulated periods and are available on the Company's website.

10.3 The Company engaged external professional public relation company to assist in corporate communication matters. The Chairman, executive directors and CFO, together with the professional public relation company, maintain communication with its investors on a regular basis and attend to their queries. All shareholders of the Company receive the annual report and notice of the AGM. The notice is also advertised in the newspapers. At the forthcoming AGM, shareholders will be given the opportunity to air their views and ask directors, the Management or the external auditors' questions regarding the Company. Directors, external auditors and the company secretary will be present at the AGM.

Risk Management

11.1 Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

Internal Code on Dealings with Securities

12.1 An internal code on dealing in securities of the Company has been issued to directors and officers setting out the requirements for avoidance of insider trading. The Company's directors and officers are not allowed to deal in the Company's shares during the period commencing at least two weeks before the announcement of the Company's Q1, Q2 and Q3 results or one month before the announcement of year end results, and ending one day after the date of the announcement of the results. Further, the officers of the Company should not deal in the Company's securities on short-term considerations.

12.2 Directors and officers are required to observe insider trading laws under the Securities and Futures Act at all times even when dealing in securities within the permitted periods. To enable the Company to monitor such transactions, directors of the Company are required to report to the Company Secretary whenever they deal in the Company's securities.

Material Contracts

13.1 Except as disclosed in this report and in the Directors' Report pertaining to share options, there are no other material contracts entered into by the Company or any of its subsidiary companies involving the interests of the Executive Chairman or any Director or substantial shareholder.

Interested Party Transactions ("IPT")

14.1 The Board and the AC meet quarterly to review if the Group enters into any IPT, and ensure that the rules under Chapter 9 of the SGX-ST Listing Manual are complied with. Disclosure of IPT is set out in the Notes to the Financial Statements under Related Party Disclosures.

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Memtech International Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet, profit and loss account, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2012.

1. Directors

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

Chuang Wen Fu
Gu Cheng Hua
Yap Chin Kuan
Teow Joo Hwa
Chua Keng Hiang
Teo Kiang Kok
Teng Cheong Kwee

2. Arrangements to enable Directors to acquire shares and debentures

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

3. 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	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
Memtech International Ltd.				
(Ordinary shares)				
Chuang Wen Fu	17,714,000	17,714,000	–	–
Gu Cheng Hua	7,229,000	7,229,000	–	–
Yap Chin Kuan	10,394,000	2,000,000	–	–
Teow Joo Hwa	350,000	350,000	–	–
Chua Keng Hiang	6,000,000	6,000,000	–	–
Teng Cheong Kwee	100,000	100,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2013.

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

4. 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 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.

5. Options

At an Extraordinary General Meeting held on 6 June 2004, shareholders approved the Memtech Share Option Scheme (the "Scheme"). Under the Scheme, the Company may grant options to confirmed employees (including confirmed part-time employees), controlling shareholders or his associates and Directors (including Non-executive Directors).

The total number of the Scheme shares in respect of which options may be granted and issuable in respect of all options granted under the Scheme, shall not exceed fifteen per cent (15%) of the issued share capital of the Company on the date preceding that date.

The subscription price per share to be paid by way of subscription upon exercise of an option shall be equal to the market price. The subscription price of the options may, at the discretion of the Committee, be set at such discount as may be determined by the Committee, subject to the maximum discount not being at a discount rate exceeding twenty percentage (20%) of the market price and other conditions as stipulated by the Committee.

These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

As at date of this report, no share options have been granted or exercised and no Committee has been appointed to administer the Scheme.

6. Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Reviews the annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and

6. Audit Committee (cont'd)

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

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

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

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

7. Auditor

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

On behalf of the Board of Directors,

Chuang Wen Fu
Director

Yap Chin Kuan
Director

27 March 2013

STATEMENT BY DIRECTORS

We, Chuang Wen Fu and Yap Chin Kuan, being two of the Directors of Memtech International Ltd., do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, profit and loss accounts, statements 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 2012 and the results of the business and changes in equity of the Group and the Company and the cash flows of the Group for the year ended at 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,

Chuang Wen Fu
Director

Yap Chin Kuan
Director

27 March 2013

Independent Auditor's Report to the Members of Memtech International Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Memtech International Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 82, which comprise the balance sheets of the Group and the Company as at 31 December 2012, the profit and loss accounts, statements of comprehensive income and statements of changes in equity of the Group and the Company, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet, profit and loss account, statement of comprehensive income 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 2012 and the results and changes in equity of the Group and the Company and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

27 March 2013

PROFIT AND LOSS ACCOUNTS

For the financial year ended 31 December 2012

	Note	Group 2012	Group 2011	Company 2012	Company 2011
		US$'000	US$'000	US$'000	US$'000
Revenue	4	114,365	154,715	11,769	8,006
Cost of sales		(105,718)	(121,655)	–	–
Gross profit		8,647	33,060	11,769	8,006
Other income	5	2,722	2,242	103	170
Sales and marketing expenses		(7,653)	(8,777)	(184)	(241)
General and administrative expenses		(15,571)	(14,588)	(20,726)	(4,224)
Exchange gain/(loss)	6	1,393	(3,724)	1,302	(936)
Other operating expenses		(364)	(214)	(2,332)	(34)
Finance costs	7	(166)	(84)	(62)	(84)
Share of results of associates		37	27	–	–
(Loss)/profit before tax	8	(10,955)	7,942	(10,130)	2,657
Taxation	9	(197)	(1,730)	(454)	–
(Loss)/profit for the year		(11,152)	6,212	(10,584)	2,657
Attributable to:					
Owners of the Company		(11,152)	6,212	(10,584)	2,657
		(11,152)	6,212	(10,584)	2,657
Basic and fully diluted (loss)/earnings per share attributable to owners of the Company (in US cents)	10	(1.6)	0.9		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
(Loss)/profit for the year	(11,152)	6,212	(10,584)	2,657
Other comprehensive income for the year, net of tax				
Currency translation differences	(1,927)	8,334	2,773	(308)
Total comprehensive income for the year	(13,079)	14,546	(7,811)	2,349
Total comprehensive income attributable to:				
Owners of the Company	(13,079)	14,546	(7,811)	2,349

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

BALANCE SHEETS
As at 31 December 2012

	Note	Group 2012	Group 2011	Company 2012	Company 2011
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	11	46,807	50,601	–	2
Investment in subsidiaries	12	–	–	82,772	97,589
Investment in associates	13	723	643	879	835
Long term investment	14	–	–	–	–
Intangible assets	15	792	1,552	–	–
		48,322	52,796	83,651	98,426
Current Assets					
Cash and cash equivalents	16	34,912	34,576	292	1,289
Bank deposits pledged	17	971	12,829	–	9,499
Trade receivables	18	41,391	49,755	–	–
Bills and other receivables	19	7,284	16,395	8	181
Amounts due from subsidiaries	20	–	–	3,190	4,946
Prepayments		1,680	3,079	4	17
Inventories	21	9,178	12,737	–	–
		95,416	129,371	3,494	15,932
Current Liabilities					
Trade payables and accruals	22	20,900	27,907	381	398
Bills and other payables	23	3,819	11,403	8	118
Amounts due to subsidiaries	20	–	–	38,666	47,124
Provision for taxation		110	718	–	–
Other liabilities	24	556	512	–	–
Loans and borrowings	25	2,556	10,233	556	9,233
		27,941	50,773	39,611	56,873
Net Current Assets/(Liabilities)		67,475	78,598	(36,117)	(40,941)
Non-Current Liabilities					
Loans and borrowings	25	2,444	–	2,444	–
Deferred tax liabilities	26	2,892	3,270	–	–
		5,336	3,270	2,444	–
Net Assets		110,461	128,124	45,090	57,485
Equity attributable to owners of the Company					
Share capital	27(a)	42,971	42,971	42,971	42,971
Treasury shares	27(b)	(1,054)	(968)	(1,054)	(968)
Currency translation reserve	28(a)	23,743	25,674	15,491	12,722
Statutory reserve fund	28(b)	8,418	8,531	–	–
Acquisition reserve	12	(714)	(714)	–	–
Revenue reserves		37,097	52,630	(12,318)	2,760
		110,461	128,124	45,090	57,485
Total Equity		110,461	128,124	45,090	57,485

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

	Attributable to owners of the Company							
	Share capital (Note 27(a))	Treasury shares (Note 27(b))	Revenue reserves	Currency translation reserve	Statutory reserve fund	Acquisition reserve (Note 12)	Total reserves	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group								
At 1 January 2011	42,971	(816)	52,312	18,242	8,011	(714)	77,851	120,006
Net profit for the year	–	–	6,212	–	–	–	6,212	6,212
Other comprehensive income for the year	–	–	–	8,334	–	–	8,334	8,334
Total comprehensive income for the year	–	–	6,212	8,334	–	–	14,546	14,546
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 37)	–	–	(5,374)	(902)	–	–	(6,276)	(6,276)
Purchase of treasury shares	–	(152)	–	–	–	–	–	(152)
Total contributions by and distributions to owners	–	(152)	(5,374)	(902)	–	–	(6,276)	(6,428)
Others								
Transfer from revenue reserves	–	–	(520)	–	520	–	–	–
Total others	–	–	(520)	–	520	–	–	–
At 31 December 2011 and 1 January 2012	42,971	(968)	52,630	25,674	8,531	(714)	86,121	128,124
Net loss for the year	–	–	(11,152)	–	–	–	(11,152)	(11,152)
Other comprehensive income for the year	–	–	–	(1,927)	–	–	(1,927)	(1,927)
Total comprehensive income for the year	–	–	(11,152)	(1,927)	–	–	(13,079)	(13,079)
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 37)	–	–	(4,494)	(4)	–	–	(4,498)	(4,498)
Purchase of treasury shares	–	(86)	–	–	–	–	–	(86)
Total contributions by and distributions to owners	–	(86)	(4,494)	(4)	–	–	(4,498)	(4,584)
Others								
Transfer from revenue reserves	–	–	113	–	(113)	–	–	–
Total others	–	–	113	–	(113)	–	–	–
At 31 December 2012	42,971	(1,054)	37,097	23,743	8,418	(714)	68,544	110,461

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

	Share capital (Note 27(a))	Treasury shares (Note 27(b))	Revenue reserves	Currency translation reserve	Total reserves	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Company						
At 1 January 2011	42,971	(816)	5,477	13,932	19,409	61,564
Net profit for the year	–	–	2,657	–	2,657	2,657
Other comprehensive income for the year	–	–	–	(308)	(308)	(308)
Total comprehensive income for the year	–	–	2,657	(308)	2,349	2,349
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 37)	–	–	(5,374)	(902)	(6,276)	(6,276)
Purchase of treasury shares	–	(152)	–	–	–	(152)
Total contributions by and distributions to owners	–	(152)	(5,374)	(902)	(6,276)	(6,428)
At 31 December 2011 and 1 January 2012	42,971	(968)	2,760	12,722	15,482	57,485
Net loss for the year	–	–	(10,584)	–	(10,584)	(10,584)
Other comprehensive income for the year	–	–	–	2,773	2,773	2,773
Total comprehensive income for the year	–	–	(10,584)	2,773	(7,811)	(7,811)
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 37)	–	–	(4,494)	(4)	(4,498)	(4,498)
Purchase of treasury shares	–	(86)	–	–	–	(86)
Total contributions by and distributions to owners	–	(86)	(4,494)	(4)	(4,498)	(4,584)
At 31 December 2012	42,971	(1,054)	(12,318)	15,491	3,173	45,090

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

	2012	2011
	US$'000	US$'000
Cash flows from operating activities:		
(Loss)/profit before tax	(10,955)	7,942
Adjustments for:		
Depreciation of property, plant and equipment	12,289	11,203
Interest expense	166	84
Interest income	(668)	(823)
Write back of doubtful receivables, trade	(57)	(137)
Write-down in value of inventories	1,513	–
(Write back of)/allowance for stock obsolescence	(604)	246
Net (gain)/loss on disposal of property, plant and equipment	(121)	102
Property, plant and equipment written off	164	–
Impairment loss on property, plant and equipment	2,854	–
Impairment on investment in associate	–	939
Impairment on long term investment	–	2,198
Impairment loss on goodwill	761	–
Impairment loss on other receivables	1,391	–
Share of results of associates	(37)	(27)
Total adjustments	17,651	13,785
Operating cash flows before changes in working capital	6,696	21,727
Changes in working capital		
Trade and other receivables	13,291	467
Inventories	2,010	(1,566)
Trade and other payables	(8,588)	(567)
Total changes in working capital	6,713	(1,666)
Cash flows generated from operations	13,409	20,061
Income taxes paid	(1,107)	(2,075)
Net cash flows generated from operating activities	12,302	17,986
Cash flows used in investing activities:		
Purchase of property, plant and equipment	(15,466)	(18,592)
Proceeds from disposal of property, plant and equipment	854	206
Interest income received	668	653
Net cash flows used in investing activities	(13,944)	(17,733)
Cash flows used in financing activities:		
Proceeds from loans and borrowings	8,500	10,229
Interest paid	(180)	(2)
Dividends paid on ordinary shares	(4,498)	(6,276)
Repayments of loans and borrowings	(13,733)	–
Purchase of treasury shares	(86)	(152)
Bank deposits pledged	11,890	(10,572)
Net cash flows used in financing activities	1,893	(6,773)
Net increase/(decrease) in cash and cash equivalents	251	(6,520)
Effects of exchange rate changes on cash and cash equivalents	85	1,996
Cash and cash equivalents at the beginning of the year	34,576	39,100
Cash and cash equivalents at the end of the year	34,912	34,576

During the year, the Group acquired property, plant and equipment with an aggregate cost of US$12,139,000 (2011: US$20,151,000) whereby payments of US$15,466,000 (2011: US$18,592,000) (inclusive of payments made for the prior year purchases) was made using cash and the remaining balance remains outstanding at the end of the reporting period.

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

1. Corporate information

Memtech International Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is located at 89 Short Street, Golden Wall Centre #04-01 Singapore 188216.

The principal place of business of the Company is located at Blk 4009, Ang Mo Kio Avenue 10, Techplace 1 #02-33, Singapore 569738.

The principal activity of the Company is that of investment holding. 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, profit and loss account, statement of comprehensive income 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 the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("USD" or "US$") and all values are rounded to the nearest thousand (US$'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 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Future changes in accounting policies

The Group has not adopted the following FRS that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19	Employee Benefits	1 January 2013
FRS 27	Separate Financial Statements	1 January 2014
FRS 28	Investments in Associates and Joint Ventures	1 January 2014
FRS 32	Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 107	Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
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

2. Summary of significant accounting policies (cont'd)

2.3 Future changes in accounting policies (cont'd)

Reference	Description	Effective for annual periods beginning on or after
FRS 113	Fair Value Measurements	1 January 2013
	– Improvements to FRSs issued in 2012	
	– Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2013
	– Amendments to FRS 16 *Property, Plant and Equipment*	1 January 2013
	– Amendments to FRS 32 *Financial Instruments: Presentation*	1 January 2013
	– Amendments to FRS 101 *Government Loans*	1 January 2013
	– Amendments to the transition guidance of FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements* and FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
	– Amendments to *FRS 110, FRS 111 and FRS 27: Investment Entities*	1 January 2014

Except for the Amendments to FRS 1 and FRS 112, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 and FRS 112 are described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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 and dividends 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.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

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

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.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

(b) Business combinations

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.7(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

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. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been 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 adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Foreign currency

(a) Functional and presentation currency

Management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollars (SGD). The consolidated financial statements are presented in USD as the business environment in which the Group operates uses USD as the main reference for strategic purposes.

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency (cont'd)

(b) 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 the 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 on disposal of the foreign operation.

(c) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD 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 the 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 that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. 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 2.17. 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Leasehold land and buildings – 20 – 50 years
- Plant and equipment – 8 years
- Office equipment – 3 years
- Motor vehicles – 3 years
- Renovation – 3 years

Capital work-in-progress are not depreciated as these assets are not yet available for use.

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

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 on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5(c).

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in USD at the exchange rates prevailing at the date of acquisition.

(b) Club memberships

Club memberships are measured at cost less any impairment in value. The useful life of the Group's freehold club membership is considered indefinite. Club membership is reviewed for impairment, annually or more frequently if events or circumstances indicate that the carrying amount may be impaired.

2.8 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.

2. Summary of significant accounting policies (cont'd)

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

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 groups 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 are available, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other 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 are recognised in the profit or loss as 'impairment losses'.

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 the profit or loss.

2.9 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.

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

2.10 Associates

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

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

2. Summary of significant accounting policies (cont'd)

2.10 Associates (cont'd)

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

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2.11 Financial assets

(a) Initial recognition and remeasurement

Financial assets 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 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.

(b) Subsequent measurement

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

(i) 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.

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.

(ii) 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, loans and receivables 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.

(iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

(b) Subsequent measurement (cont'd)

(iv) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(c) Derecognition

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

(d) 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.

2.12 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 been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. 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.

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

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.

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in the profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These exclude pledged deposits with financial institutions.

2. Summary of significant accounting policies (cont'd)

2.14 Inventories

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

- Raw materials – purchase costs are assigned on a weighted average cost basis;
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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 necessary to make the sale.

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

2.16 Financial liabilities

(a) 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 financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

(b) Subsequent measurement

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

(i) 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 and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

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.

2. Summary of significant accounting policies (cont'd)

2.16 Financial liabilities (cont'd)

(b) Subsequent measurement (cont'd)

(ii) 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.

(c) Derecognition

A financial liability is derecognised 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.

2.17 Borrowing costs

Borrowing costs are recognised in the profit or loss as incurred except to the extent they are capitalised.

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 consists of interest and other costs that an entity incurs in connection with borrowing of funds.

2.18 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.

(i) Singapore

The Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) People's Republic of China ("PRC")

The subsidiaries incorporated and operating in the 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 subsidiaries' employees. The above contributions are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.18 Employee benefits (cont'd)

(b) Employee share options plans

Employees of the Group may in future receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

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.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or 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 customer, 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 using the effective interest method.

(c) Dividend income

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

(d) Sale of scrap and materials

Revenue from sale of scrap and materials is recognised when the products have been delivered to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

2. Summary of significant accounting policies (cont'd)

2.21 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.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period 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 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 and associates, 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 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 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 and associates, 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 at 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 in 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 end of each reporting period.

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

2. Summary of significant accounting policies (cont'd)

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

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

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

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 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.

2.24 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.25 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.26 Government grants and subsidies

Government grants and subsidies are recognised as a credit in profit or loss when all attaching conditions have been complied with and received. Government grants and subsidies received are presented in profit or loss under "Other income".

2.27 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).

3. Significant accounting judgements and estimates

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 end of each reporting period. 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.

3.1 Judgements made in applying accounting policies

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

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies (cont'd)

(a) Income taxes

The Group has exposure to income taxes in various 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 payable and deferred tax liabilities as at 31 December 2012 were US$110,000 (2011: US$718,000) and US$2,892,000 (2011: US$3,270,000) respectively.

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(c) Impairment of long term investment

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, operating results of the investee and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2011, the amount of impairment loss recognised in the Group's profit or loss for available-for-sale financial assets was US$2,198,000.

(d) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 33.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment for the manufacture of handphone-related components is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied in the handphone-related components industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of each reporting period is disclosed in Note 11 to the financial statements.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Further details of the key assumptions applied in the impairment assessment of goodwill, are given in Note 15 to the financial statements. The carrying amount of the Group's non-financial assets as at the end of the reporting period is disclosed in Notes 11, 12, 13 and 15 to the financial statements.

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of each reporting period is disclosed in Note 29 to the financial statements.

(d) Write down in value of inventories

Management determines the net realisable value of inventories by using prevailing market data such as most recent sale transactions. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions. Inventories written down for the year ended 31 December 2012 amounted to US$1,513,000 (2011:Nil).

4. Revenue

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Sale of keypads	75,472	122,104	–	–
Sale of plastics	33,630	30,706	–	–
Sale of touch screen panels	5,263	1,905	–	–
Dividend income	–	–	11,769	8,006
	114,365	154,715	11,769	8,006

5. Other income

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Fixed deposits interest income	668	823	99	170
Scrap sales	176	294	4	–
Government grants and subsidies	522	980	–	–
Sub contract income	151	34	–	–
Gain on write-off of payables	560	–	–	–
Sale of materials	264	78	–	–
Net gain on disposal of property, plant and equipment	121	–	–	–
Others	260	33	–	–
	2,722	2,242	103	170

6. Exchange gain/(loss)

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Foreign exchange gain/(loss)	1,570	(3,722)	1,479	(936)
Net fair value gain on forward currency contracts	(177)	(2)	(177)	–
	1,393	(3,724)	1,302	(936)

7. Finance costs

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Interest expense on:				
- Bank loans and borrowings	166	84	62	84

8. (Loss)/profit before tax

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

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Depreciation of property, plant and equipment *	12,289	11,203	1	1
Fees paid to firms related to Directors	10	5	10	5
Write-down in value of inventories	1,513	–	–	–
(Write-back of)/allowance for stock obsolescence	(604)	246	–	–
Net (gain)/loss on disposal of property, plant and equipment	(121)	102	1	–
Property, plant and equipment written off	164	–	–	–
Rental expense – operating leases	1,186	1,157	28	26
Staff costs				
– Salaries, bonus and other costs	37,329	47,970	362	414
– Defined contribution plans	3,555	3,669	29	33
Write-back of doubtful receivables, trade	(57)	(137)	–	–
Impairment loss on property, plant and equipment	2,854	–	–	–
Impairment loss on investment in associate	–	939	–	1,000
Impairment loss on long term investment	–	2,198	–	2,198
Impairment loss on investment in subsidiary	–	–	15,000	–
Impairment loss on goodwill	761	–	–	–
Impairment loss on other receivables	1,391	–	–	–
Audit fees:				
– Auditors of the Company	172	167	48	46
– Other auditors	31	30	–	–
Non-audit fees:				
– Auditors of the Company	10	4	10	4
– Other auditors	17	27	–	–
Total audit and non-audit fees	230	228	58	50

* Included in depreciation expense is an amount of US$11,181,000 (2011: US$9,789,000) charged under cost of sales.

9. Taxation

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Consolidated profit or loss:				
Current income tax				
– Current income taxation	222	1,223	–	–
– Overprovision in respect of previous years	(96)	(135)	–	–
Deferred income tax				
– Overprovision in Origination and reversal of temporary differences	71	642	454	–
Income tax expense recognised in profit or loss	197	1,730	454	–

(b) Relationship between income tax expense and accounting (loss)/profit

The reconciliation between income tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate are as follows:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
(Loss)/profit before tax	(10,955)	7,942	(10,130)	2,657
Tax at the domestic rates applicable to profits in the countries where the Group operates	(3,076)	2,481	(1,722)	452
Adjustments:				
Non-deductible expenses	3,311	228	3,946	–
Non-taxable income	(1,333)	(1,810)	(2,224)	(452)
Effect of partial tax exemption and tax relief	(128)	(536)	–	–
Withholding tax on undistributed profits	71	642	–	–
Deferred tax assets not recognised	1,734	1,277	–	–
Benefits from previously unrecognised tax losses	(286)	(417)	–	–
Overprovision in respect of previous years	(96)	(135)	–	–
Withholding tax paid on remittance of profits	–	–	454	–
Income tax expense recognised in profit or loss	197	1,730	454	–

The corporate income tax rates applicable to PRC subsidiaries of the Group were 12.5%, 15% and 25% (2011: 0%, 12.5%, 15% and 25%).

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", the subsidiaries in the PRC are entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years, and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

With effect from 1 January 2008, enterprises shall be subject to the tax rate of 25%. However, the enterprises that previously enjoyed the two years exemption and three years half payment may continue to enjoy the relevant preferential treatments under the preferential measures and the time period prescribed in the former tax law until the expiration of the said time period.

9. Taxation (cont'd)

(b) Relationship between income tax expense and accounting profit (cont'd)

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Unrecognised tax losses

The Group has tax losses of approximately US$22,253,000 (2011: US$15,318,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which the companies operate.

10. Earnings per share

Basic earnings per share are calculated by dividing (loss)/profit for the year, net of tax, that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the profit and share data used in computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

	Group	
	2012	**2011**
	US$'000	US$'000
(Loss)/profit for the year attributable to owners of the Company used in computation of basic and diluted earnings per share	(11,152)	6,212

	2012	**2011**
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation *	709,962	711,765

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

11. Property, plant and equipment

Group	Leasehold land and buildings	Plant and equipment	Office equipment	Motor vehicles	Renovation	Capital work-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:							
At 1 January 2011	11,439	64,410	4,138	1,418	5,872	207	87,484
Additions	4,723	11,045	500	359	1,311	2,213	20,151
Disposals	–	(1,481)	(122)	(310)	(192)	–	(2,105)
Reclassification	–	1,365	(7)	–	713	(2,071)	–
Translation difference	583	3,250	198	64	295	10	4,400
At 31 December 2011 and 1 January 2012	16,745	78,589	4,707	1,531	7,999	359	109,930
Additions	2,470	4,726	364	410	288	3,881	12,139
Disposals	–	(3,278)	(152)	(129)	(1,121)	–	(4,680)
Reclassification	287	53	–	–	–	(340)	–
Impairment loss	–	(3,687)	(86)	–	(1,312)	(59)	(5,144)
Translation difference	53	184	20	4	12	15	288
At 31 December 2012	19,555	76,587	4,853	1,816	5,866	3,856	112,533
Accumulated depreciation:							
At 1 January 2011	2,141	36,271	3,504	1,111	4,239	–	47,266
Depreciation charge for the year	566	8,971	456	220	990	–	11,203
Disposals	–	(1,179)	(120)	(310)	(188)	–	(1,797)
Translation difference	124	2,061	179	55	238	–	2,657
At 31 December 2011 and 1 January 2012	2,831	46,124	4,019	1,076	5,279	–	59,329
Depreciation charge for the year	852	9,367	399	322	1,349	–	12,289
Disposals	–	(2,493)	(146)	(129)	(1,015)	–	(3,783)
Impairment loss	–	(1,447)	(51)	–	(792)	–	(2,290)
Translation difference	11	139	18	3	10	–	181
At 31 December 2012	3,694	51,690	4,239	1,272	4,831	–	65,726
Net carrying amount:							
At 31 December 2012	15,861	24,897	614	544	1,035	3,856	46,807
At 31 December 2011	13,914	32,465	688	455	2,720	359	50,601

Impairment of assets

During the financial year ended 31 December 2012, a subsidiary of the Group within the touch screen panels segment, Nantong Memtech TSP Solution Co., Ltd ("NTSP") carried out a review of the recoverable amount of its plant and equipment as the subsidiary had been persistently making losses. An impairment loss of US$2,854,000 (2011: Nil), representing the write-down of the plant and equipment to the recoverable amount was recognised in "General and Administrative expenses" line item in profit or loss for the year ended 31 December 2012. The recoverable amount of the plant and equipment of NTSP was based on its value-in-use and the pre-tax discount rate used was 10.3%.

11. Property, plant and equipment (cont'd)

Company	Office equipment	Renovation	Total
	US$'000	US$'000	US$'000
Cost:			
At 1 January 2011, 31 December 2011 and 1 January 2012	29	42	71
Disposals	(3)	–	(3)
Translation difference	1	2	3
At 31 December 2012	27	44	71
Accumulated depreciation:			
At 1 January 2011	26	42	68
Depreciation charge for the year	1	–	1
At 31 December 2011 and 1 January 2012	27	42	69
Depreciation charge for the year	1	–	1
Disposals	(2)	–	(2)
Translation difference	1	2	3
At 31 December 2012	27	44	71
Net carrying amount:			
At 31 December 2012	–	–	–
At 31 December 2011	2	–	2

12. Investment in subsidiaries

	Company 2012	Company 2011
	US$'000	US$'000
Unquoted shares, at cost	82,772	97,589

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2012	Proportion (%) of ownership interest 2011
Held by the Company				
Memtech Electronic Products Co., Ltd [(i)]	Hong Kong	Trading of keypads	100	100
Memtech Development (HK) Co., Ltd. [(i)]	Hong Kong	Trading of electronic products	100	100
Dongguan Memtech Electronic Products Co., Ltd [(ii)]	People's Republic of China ("PRC")	Manufacture and sale of keypads	100	100
Dongguan Memtech Precision Tools and Products Co., Ltd [(iii)]	PRC	Manufacture and sale of precision tools and moulds	100	100
Nantong Memtech Electronic Industrial Co., Ltd [(iv)]	PRC	Manufacture and sale of precision tools, moulds and keypads	100	100
Huzhou Memtech Electronic Industries Co., Ltd [(v)]	PRC	Manufacture and sale of precision tools, moulds and keypads	100	100
Dongguan Memtech Lens Technologies Co., Ltd [(vi)]	PRC	Manufacture and sale of acrylic and plastic lenses	100	100
Nantong Memtech Technologies Co., Ltd [(vii)]	PRC	Manufacture and sale of keypads	100	100
Nantong Memtech TSP Solution Co., Ltd [(viii)]	PRC	Manufacture and sale of resistive and capacitive touch screen panels	100	100
Taitech Precision Electronic (Kunshan) Co., Ltd [(ix)]	PRC	Manufacture and sale of plastic components and casings	100	100
Taitech Singapore Pte. Ltd.	Singapore	Investment holding	–^	100#
Memtech Technologies Holdings Co., Ltd	Taiwan	Trading of keypads	–^	100@

(i) Audited by Lee, Sek, Chiu & Hui, Certified Public Accountants
(ii) Audited by Daxin, Certified Public Accountants Co., Ltd (Guangdong Branch)
(iii) Audited by Guangdong CCAT Certified Public Accountants Co., Ltd
(iv) Audited by Jiangsu Zhongruihua Certified Public Accountants Co., Ltd
(v) Audited by Peking Certified Public Accountants Co., Ltd (Zhejiang Subbranch)
(vi) Audited by Dongguan CCAT Certified Tax Agents Co., Ltd.
(vii) Audited by Nantong Wanlong Certified Public Accountants Co., Ltd
(viii) Audited by Nantong Auditing Certified Public Accountants Co., Ltd
(ix) Audited by Jiangsu Jinling Certified Public Accountants Co., Ltd (Suzhou Branch)
Audited by Ernst & Young LLP, Singapore
@ Not required to be audited by the law of its country of incorporation.
^ These subsidiary companies have been liquidated during the financial year.

12. Investment in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

During the financial year ended 31 December 2012, management performed an impairment test for the investment in Nantong Memtech TSP Solution Co., Ltd ("NTSP") as this subsidiary had been persistently making losses. An impairment loss of US$15,000,000 (2011: Nil) was recognised for the year ended 31 December 2012 to fully write-off the carrying amount of the investment in subsidiary.

Transfer of subsidiary

During the financial year ended 31 December 2011, the Company acquired 100% equity interest in Taitech Precision Electronic (Kunshan) Co., Ltd ("MTKS") from its immediate holding company, Taitech Singapore Pte. Ltd. ("TTS") for a cash consideration of US$12,000,000. As a result of this acquisition, MTKS become a wholly-owned subsidiary of the Company.

Acquisition of non-controlling interests

On 5 February 2010, the Company acquired an additional 25% equity interest in Taitech Singapore Pte. Ltd. ("TTS") from its non-controlling interests for a cash consideration of US$1,200,000. As a result of this acquisition, TTS and its wholly-owned subsidiary, Taitech Precision Electronic (Kunshan) Co., Ltd. ("MTKS") became wholly-owned subsidiaries of the Company.

The carrying value of the consolidated net assets of TTS and MTKS at 5 February 2010 was US$1,944,000 and the carrying value of the additional interest acquired was US$486,000. The difference of US$714,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Acquisition reserve" within equity.

The following summarises the effect of the change in the Group's ownership interest in TTS on the equity attributable to owners of the Company.

	US$'000
Consideration paid for acquisition of non-controlling interests	1,200
Decrease in equity attributable to non-controlling interests	(486)
Decrease in equity attributable to owners of the Company	714

13. Investment in associates

	Group 2012	Group 2011	Company 2012	Company 2011
	US$'000	US$'000	US$'000	US$'000
Unquoted shares, at cost	643	1,724	835	1,997
Less: Impairment loss	–	(939)	–	(1,000)
Share of post-acquisition reserves	37	27	–	–
Translation difference	43	(169)	44	(162)
Carrying amount of investment	723	643	879	835

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2012	Proportion (%) of ownership interest 2011
Held by the Company				
Raytech Company Limited*	Hong Kong	Investment holding	35.5	35.5
VLU Corporation Limited @	South Korea	Design,manufacture and sales of magnesium alloy products	25.0	25.0
Held by associated company, Raytech Company Limited				
Raytech Technologies (Shenzhen) Co., Ltd **	PRC	Design, manufacture and sale of antennas	35.5	35.5

* Audited by Lee, Sek, Chiu & Hui, Certified Public Accountants
** Audited by Wongga Partners Certified Public Accountants (SZ)
@ Not required to be audited by the law of its country of incorporation

During the last financial year ended 31 December 2011, management performed an impairment test for the investment in VLU Corporation Limited due to the uncertainty of future profitability. The Group and the Company recognised an impairment loss of US$939,000 and US$1,000,000 respectively for the year ended 31 December 2011 to fully write-off the carrying amount of the investment. The total impairment loss has been recognised in "General and Administrative expenses" line item in profit or loss for the year ended 31 December 2011.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2012	Group 2011
	US$'000	US$'000
Assets and liabilities		
Current assets	2,915	2,613
Non-current assets	651	629
Total assets	3,566	3,242
Current liabilities	1,792	1,623
Non-current liabilities	–	–
Total liabilities	1,792	1,623
Results		
Revenue	2,606	2,738
Profit for the year	103	80

14. Long term investment

	Group and Company	
	2012	2011
	US$'000	US$'000
Available-for-sale financial asset:		
Equity instruments (unquoted), at cost	–	2,205
Less: Impairment loss	–	(2,198)
Translation difference	–	(7)
	–	–

Impairment loss recognised

During the last financial year ended 31 December 2011, the Company recognised an impairment loss to write-off the carrying amount of long term investment as the long term investment had been persistently making losses. The total impairment loss of US$2,198,000 has been recognised in "General and Administrative expenses" in profit or loss for the year ended 31 December 2011.

15. Intangible assets

Group	Goodwill	Club memberships	Total
	US$'000	US$'000	US$'000
Cost and carrying amount:			
At 1 January 2011	1,328	149	1,477
Translation difference	68	7	75
At 31 December 2011 and 1 January 2012	1,396	156	1,552
Impairment loss	(761)	–	(761)
Translation difference	1	–	1
At 31 December 2012	636	156	792

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to three individual cash-generating units ("CGU"), which are also the reportable operating segments, for impairment testing as follows:

- Keypads segment
- Plastics segment
- Touch screen panels segment

15. Intangible assets (cont'd)

The carrying amounts of goodwill allocated to each CGU are as follows:

	Keypads		Plastics		Touch screen panels		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	216	546	420	419	–	431	636	1,396

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 5% (2011: 6%). The average growth rate used to extrapolate the cash flows projections beyond the five-year period is 3.76% (2011: 3.65%).

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins included in the cash flow projections are based on past performance and management's expectation for market development as well as a sustainable level of gross margin, given the existing product and revenue mix.

Pre-tax discount rate – The discount rate reflects management's estimate of the risks specific to the Group. In determining the appropriate discount rate for the Group, regard has been given to the actual cost of capital of the Group and the historical dividend payout.

Growth rate – The forecasted growth rate is based on published research on the world real economic growth as the handphone-related components industry is a function of world economic growth. This growth rate does not exceed the long-term average growth rate for the industry relevant to the Group.

Impairment loss recognised

During the financial year, an impairment loss was recognised to write off the carrying amount of goodwill attributable to a subsidiary of the Group within the keypads segment, Memtech Technologies Holdings Co., Ltd ("MTT") upon liquidation. An additional impairment loss was recognised to write off the carrying amount of goodwill attributable to the touch screen panels segment as the segment had been persistently making losses. The total impairment loss of US$761,000 (2011: Nil) has been recognised in "General and Administrative expenses" line item in profit or loss for the year ended 31 December 2012.

16. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	25,695	33,144	292	1,289
Short-term deposits	10,188	14,261	–	9,499
Cash and short term deposits	35,883	47,405	292	10,788
Less: Bank deposits pledged (Note 17)	(971)	(12,829)	–	(9,499)
Cash and cash equivalents	34,912	34,576	292	1,289

Cash at banks earn interest at floating rates based on daily deposit rates of up to 0.4% (2011: 0.5%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits as at 31 December 2012 was 3.3% (2011: 2.6%) per annum.

16. Cash and cash equivalents (cont'd)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	25,947	26,712	129	–
United States Dollar (USD)	7,476	5,417	11	1,179
Hong Kong Dollar (HKD)	477	1,580	–	–
Singapore Dollar (SGD)	688	596	152	110
Other currencies	324	271	–	–
	34,912	34,576	292	1,289

17. Bank deposits pledged

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Bank deposits pledged for:				
- Bills payable (Note 23)	971	3,330	–	–
- Short-term loans (Note 25)	–	9,499	–	9,499
	971	12,829	–	9,499

Bank deposits pledged for bills payables relate to deposits of cash held in designated bank accounts as security for bills payables facilities as disclosed in Note 23 to the financial statements.

The weighted average effective interest rate on bank deposits pledged for bills payables, with a maturity of 90 days to 180 days, was 1.4% per annum (2011: 1.5%) as at 31 December 2012.

Bank deposits pledged for short-term loans relate to fixed deposits held as security for short-term loans as disclosed in Note 25 to the financial statements.

The weighted average effective interest rate on bank deposits pledged for short-term loans, which mature in 1 year, was 2.85% per annum (2011: 2.85%) as at 31 December 2012.

Bank deposits pledged are denominated in RMB.

18. Trade receivables

	Group	
	2012	**2011**
	US$'000	US$'000
Trade receivables	43,318	51,769
Amounts due from related companies	1	1
	43,319	51,770
Less: Allowance for doubtful trade receivables	(1,928)	(2,015)
	41,391	49,755

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

18. Trade receivables (cont'd)

Trade receivables are denominated in the following currencies:

	Group	
	2012	**2011**
	US$'000	US$'000
Renminbi (RMB)	26,366	28,248
United States Dollar (USD)	15,699	22,196
Hong Kong Dollar (HKD)	1,247	1,325
Euro Dollar (EUR)	6	–
Australian Dollar (AUD)	1	1
	43,319	51,770

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$4,586,000 (2011: US$3,016,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2012	**2011**
	US$'000	US$'000
Trade receivables past due but not impaired:		
Less than 60 days	3,367	1,856
60 to 120 days	562	321
More than 120 days	657	839
	4,586	3,016

Receivables that are impaired

	Group			
	Individually impaired		**Collectively impaired**	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Impaired trade receivables	1,928	2,015	–	–
Less: Allowance for impairment	(1,928)	(2,015)	–	–
	–	–	–	–

18. Trade receivables (cont'd)

Movement in allowance accounts

	Group	
	2012	2011
	US$'000	US$'000
At 1 January	2,015	3,816
Charge for the year	1,190	1,227
Written-back	(1,247)	(1,364)
Written-off against allowance	(35)	(1,856)
Translation difference	5	192
At 31 December	1,928	2,015

Trade receivables that are individually determined to be impaired at the end of the reporting date relate to debtors that are in significant financial difficulties or have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

19. Bills and other receivables

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Bills receivables	6,227	14,561	–	–
Deposits	450	537	7	6
Other receivables	607	1,297	1	175
	7,284	16,395	8	181

Bills receivables

Included in bills receivables is an amount of US$661,000 (2011: US$2,321,000) pledged as security for bills payables facilities as disclosed in Note 23 to the financial statements.

Bills receivables have an average maturity of 99 days (2011: 114 days) from the end of the reporting period and interest-free unless encashment is made before due dates.

Bills and other receivables of the Group are denominated in the following currencies:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
United States Dollar(USD)	29	29	–	–
Hong Kong Dollar (HK)	–	7	–	–
Renminbi (RMB)	7,245	16,351	–	175
Singapore Dollar (SGD)	8	6	8	6
New Taiwan Dollar (NTD)	2	2	–	–
	7,284	16,395	8	181

20. Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are non-trade related, non-interest bearing and are repayable upon demand. These amounts are unsecured and are to be received/settled in cash.

Amounts due from/(to) subsidiaries are denominated in the following currencies:

	Company	
	2012	**2011**
	US$'000	US$'000
Amounts due from subsidiaries		
United States Dollar (USD)	3,190	4,188
Singapore Dollar (SGD)	–	758
	3,190	4,946
Amounts due to subsidiaries		
United States Dollar (USD)	(30,673)	(39,765)
Singapore Dollar (SGD)	(7,993)	(7,359)
	(38,666)	(47,124)

21. Inventories

	Group	
	2012	**2011**
	US$'000	US$'000
Balance sheet:		
Raw materials	3,197	4,562
Work-in-progress	1,596	2,021
Finished goods	3,817	5,609
Sundry consumables	568	545
	9,178	12,737
Profit and loss account:		
Inventories recognised as an expense in cost of sales	105,718	121,655
Inclusive of the following charge		
- Write-down in value of inventories	1,513	–
- (Write back of)/allowance for stock obsolescence	(604)	246

The write-back of inventories was made when the related inventories were used or sold above their net carrying amounts in 2012.

22. Trade payables and accruals

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Trade payables	16,137	22,003	–	–
Amounts due to related companies (trade)	29	16	–	–
Accruals	4,734	5,888	381	398
	20,900	27,907	381	398

Trade payables are non-interest bearing and are normally settled on 30-90 days term.

Amounts due to related companies (trade) are unsecured, non-interest bearing and are repayable on demand.

Trade payables and accruals are denominated in the following currencies:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	19,765	25,637	–	–
United States Dollar (USD)	568	1,629	14	–
Singapore Dollar (SGD)	524	577	367	398
Hong Kong Dollar (HKD)	11	23	–	–
Other currencies	32	41	–	–
	20,900	27,907	381	398

23. Bills and other payables

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Bills payables	1,379	5,651	–	–
Other payables	2,440	5,752	8	118
	3,819	11,403	8	118

Bills and other payables are denominated in the following currencies:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	3,799	11,242	–	–
United States Dollar (USD)	12	105	–	84
Singapore Dollar (SGD)	8	33	8	34
Others	–	23	–	–
	3,819	11,403	8	118

23. Bills and other payables (cont'd)

Bills payables

Bills payables have an average maturity of 121 days (2011: 118 days) and are interest-free unless encashment is made before due dates.

Bills payables are secured by bank deposits and certain bills receivables as disclosed below:

	Group	
	2012	**2011**
	US$'000	US$'000
Bank deposits pledged (Note 17)	971	3,330
Bills receivables pledged (Note 19)	661	2,321
	1,632	5,651

Other payables

Included in other payables is an amount of US$480,000 (2011: US$3,748,000) relating to purchase of plant and equipment.

24. Other liabilities

Other liabilities relate to advances from customers.

25. Loans and borrowings

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Short-term loans	2,000	10,233	–	9,233
Term loans:				
– Due within 12 months	556	–	556	–
– Due after 12 months	2,444	–	2,444	–
	5,000	10,233	3,000	9,233

The short-term loan of US$2,000,000 in financial year ended 31 December 2012 bears interest at 3% per annum over HIBOR and is unsecured.

The short-term loan of US$9,233,000 in the last financial year ended 31 December 2011 bore interest at 1.43% per annum and was placed as fixed deposits which form part of bank deposits pledged (Note 17). This amount was fully repaid during the financial year ended 31 December 2012.

The short-term loan of US$1,000,000 in the last financial year ended 31 December 2011 bore interest at 3% per annum over HIBOR and was unsecured. This amount was fully repaid during the financial year ended 31 December 2012.

The term loan of US$3,000,000 in financial year ended 31 December 2012 is repayable over 18 quarterly instalments commencing September 2013 and bears interest at 3% per annum over SIBOR and is unsecured.

The loan and borrowings are denominated in USD.

26. Deferred tax liabilities

	Group 2012	Group 2011
	US$'000	US$'000
Balance at beginning of year	3,270	2,483
Charge for the year	71	642
Reversal of deferred taxation	(454)	–
Translation difference	5	145
Balance at end of year	2,892	3,270

The deferred tax liabilities arise as a result of withholding tax on undistributed profits of the People's Republic of China subsidiaries of the Group.

27. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2012		2011	
	No. of shares		No. of shares	
	'000	US$'000	'000	US$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	720,000	42,971	720,000	42,971

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

Options

At an Extraordinary General Meeting of the Company held on 6 June 2004, shareholders approved the Memtech Share Option Scheme (the "Scheme"). Under the Scheme, the Company may grant options to confirmed employees (including confirmed part-time employees), controlling shareholders or his associate and Directors (including Non-executive Directors).

The total number of the Scheme shares in respect of which options may be granted and issuable in respect of all options granted under the Scheme, shall not exceed fifteen per cent (15%) of the issued share capital of the Company on the date preceding that date.

The subscription price per share to be paid by way of subscription upon exercise of an option shall be equal to the market price. The subscription price of the options may, at the discretion of the Committee, be set at such discount as may be determined by the Committee, subject to the maximum discount not being at a discount rate exceeding twenty percentage (20%) of the market price and other conditions as stipulated by the Committee.

These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

No options have been granted or exercised and no Committee has been appointed to administer the Scheme since the Scheme was established.

27. Share capital and treasury shares (cont'd)

(b) Treasury shares

	Group and Company			
	2012		2011	
	No. of shares		No. of shares	
	'000	US$'000	'000	US$'000
At 1 January	9,560	968	7,860	816
Acquired during the financial year	1,520	86	1,700	152
At 31 December	11,080	1,054	9,560	968

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 1,520,000 (2011: 1,700,000) ordinary shares in the Company through open market purchases on the Singapore Exchange during the year. The total amount paid to acquire the ordinary shares was US$86,000 (2011: US$152,000) and this was presented as a component within shareholders' equity.

28. Other reserves

(a) Currency translation reserve

Group

The currency translation reserve represents 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.

Company

The currency translation reserve represents exchange differences arising from the translation of the financial statements of the Company whose functional currency is different from that of the Group's presentation currency.

(b) Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

29. Loans and receivables

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Current				
Trade receivables (Note 18)	41,391	49,755	–	–
Bills and other receivables (Note 19)	7,284	16,395	8	181
Amounts due from subsidiaries (Note 20)	–	–	3,190	4,946
Total trade and other receivables	48,675	66,150	3,198	5,127
Add: Cash and short term deposits (Note 16)	35,883	47,405	292	10,788
Total loans and receivables	84,558	113,555	3,490	15,915

30. Financial liabilities carried at amortised cost

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables and accruals (Note 22)	20,900	27,907	381	398
Bills and other payables (Note 23)	3,819	11,403	8	118
Amounts due to subsidiaries (Note 20)	–	–	38,666	47,124
Loans and borrowings (Note 25)	2,556	10,233	556	9,233
Non-Current				
Loans and borrowings (Note 25)	2,444	–	2,444	–
	29,719	49,543	42,055	56,873

31. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	Group	
	2012	2011
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	3,471	934

31. Commitments (cont'd)

(b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 3 years (2011: 3 years), with options to renew at the end of the lease terms. There are no restrictions placed upon the Group by entering into these leases and no contingent rent provision included in the contracts.

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2012	**2011**
	US$'000	US$'000
Not later than one year	446	927
Later than one year but not later than five years	179	665
	625	1,592

32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(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 Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments, as disclosed in Notes 16, 17, 18 and 19 to the financial statements.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy to monitor receivable balances on an ongoing basis with the result that the Group's exposure to bad debts is not unduly significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As at 31 December 2012, there were no significant concentrations of credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 to the financial statements.

32. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Directors to finance the Group's operations and mitigate the effect of fluctuations in cash flow.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises 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	One year or less	One to five years	Total
	US$'000	US$'000	US$'000
2012			
Financial assets			
Cash and cash equivalents (Note 16)	34,912	–	34,912
Bank deposits pledged (Note 17)	971	–	971
Trade receivables (Note 18)	41,391	–	41,391
Bills and other receivables (Note 19)	7,284	–	7,284
Total undiscounted financial assets	84,558	–	84,558
Financial liabilities			
Trade payable and accruals (Note 22)	20,900	–	20,900
Bills and other payables (Note 23)	3,819	–	3,819
Interest-bearing loans and borrowings	2,697	2,615	5,312
Total undiscounted financial liabilities	27,416	2,615	30,031
Total net undiscounted financial assets/(liabilities)	57,142	(2,615)	54,527
2011			
Financial assets			
Cash and cash equivalents (Note 16)	34,576	–	34,576
Bank deposits pledged (Note 17)	12,829	–	12,829
Trade receivables (Note 18)	49,755	–	49,755
Bills and other receivables (Note 19)	16,395	–	16,395
Total undiscounted financial assets	113,555	–	113,555
Financial liabilities			
Trade payable and accruals (Note 22)	27,907	–	27,907
Bills and other payables (Note 23)	11,403	–	11,403
Interest-bearing loans and borrowings	10,331	–	10,331
Total undiscounted financial liabilities	49,641	–	49,641
Total net undiscounted financial assets	63,914	–	63,914

32. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Company	One year or less	One to five years	Total
	US$'000	US$'000	US$'000
2012			
Financial assets			
Cash and cash equivalents (Note 16)	292	–	292
Bills and other receivables (Note 19)	8	–	8
Amounts due from subsidiaries (Note 20)	3,190	–	3,190
Total undiscounted financial assets	3,490	–	3,490
Financial liabilities			
Trade payable and accruals (Note 22)	381	–	381
Bills and other payables (Note 23)	8	–	8
Amounts due to subsidiaries (Note 20)	38,666	–	38,666
Interest-bearing loans and borrowings	658	2,615	3,273
Total undiscounted financial liabilities	39,713	2,615	42,328
Total net undiscounted financial liabilities	(36,223)	(2,615)	(38,838)
2011			
Financial assets			
Cash and cash equivalents (Note 16)	1,289	–	1,289
Bank deposits pledged (Note 17)	9,499	–	9,499
Bills and other receivables (Note 19)	181	–	181
Amounts due from subsidiaries (Note 20)	4,946	–	4,946
Total undiscounted financial assets	15,915	–	15,915
Financial liabilities			
Trade payable and accruals (Note 22)	398	–	398
Bills and other payables (Note 23)	118	–	118
Amounts due to subsidiaries (Note 20)	47,124	–	47,124
Interest-bearing loans and borrowings	9,295	–	9,295
Total undiscounted financial liabilities	56,935	–	56,935
Total net undiscounted financial liabilities	(41,020)	–	(41,020)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from loans and borrowings.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the respective notes to the financial statements.

32. Financial risk management objectives and policies (cont'd)

(c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, for the floating rate interest-bearing loans and borrowings, a change of 1 percent in interest rate with all other variables held constant would increase/(decrease) profit or loss by the amounts shown below.

	Profit or loss	
	1% increase	**1% decrease**
	US$'000	US$'000
Group		
2012		
Floating rate interest-bearing loans and borrowings	(45)	45
2011		
Floating rate interest-bearing loans and borrowings	(87)	87
Company		
2012		
Floating rate interest-bearing loans and borrowings	(25)	25
2011		
Floating rate interest-bearing loans and borrowings	(77)	77

(d) Foreign currency risk

As a result of significant investment operations in the PRC, the Group's balance sheet can be affected significantly by movements in the USD/RMB exchange rates.

The Group also has transactional currency exposures arising from sales or purchases by an operating units in currencies other than the units' respective functional currencies. Approximately 55% (2011: 58%) of the Group's sales are denominated in the respective functional currencies of the operating units making the sales whilst almost 89% (2011: 82%) of costs are denominated in the units' respective functional currencies. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and short term deposits denominated in foreign currencies for working capital purposes. The foreign currency balances at the balance sheet date is disclosed in Note 16 to the financial statements.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the USD exchange rates against RMB and SGD, with all other variables held constant.

		Group Profit after tax	
		2012	**2011**
		US$'000	US$'000
USD/RMB	strengthened 3% (2011: 3%)	(638)	(736)
	weakened 3% (2011: 3%)	638	736
USD/SGD	strengthened 3% (2011: 3%)	(93)	(249)
	weakened 3% (2011: 3%)	93	249

33. Fair value of financial instruments

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.

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of cash and short-term deposits, trade receivables, bills and other receivables, trade payables and accruals, bills and other payables, amounts due from/(to) subsidiaries and loans and borrowings with variable interest rates, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Long term investment carried at cost (Note 14)

Fair value information has not been disclosed for the Group's and the Company's investment in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in a South Korean touch screen panel company that is not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future.

34. Capital management

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 2012 and 31 December 2011.

As disclosed in Note 28(b), the subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by its subsidiaries for the financial years ended 31 December 2012 and 2011.

The Group finances its capital requirements mainly using internally generated cash flows, and using gearing as and when management deems appropriate. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to owners of the Company, less the abovementioned restricted statutory reserve fund.

34. Capital management (cont'd)

	Group 2012	Group 2011
	US$'000	US$'000
Trade payable and accruals (Note 22)	20,900	27,907
Bills and other payables (Note 23)	3,819	11,403
Other liabilities (Note 24)	556	512
Interest-bearing loans and borrowings (Note 25)	5,000	10,233
Less: Cash and short term deposits (Note 16)	(35,883)	(47,405)
Net (cash)/debt	(5,608)	2,650
Equity attributable to equity holders of the Company	110,461	128,124
Less: Statutory reserve fund	(8,418)	(8,531)
Total capital	102,043	119,593
Capital and net debt	96,435	122,243
Gearing ratio	–	2%

35. 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 took place during the financial year on terms agreed between the parties:

(a) Sale and purchase of goods and services

	Group 2012	Group 2011
	US$'000	US$'000
Sale of goods to:		
– Associate	1	1
Purchase of goods from associate	62	16
Purchase of corporate secretarial and legal services from firms related to Directors	10	5

(b) Compensation of key management personnel

	Group 2012	Group 2011
	US$'000	US$'000
Short-term employment benefits	2,070	2,788
Total compensation paid to key management personnel	2,070	2,788
Comprise amounts paid to:		
• Directors of the Group	894	1,272
• Other key management personnel	1,176	1,516
	2,070	2,788

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. Segment information

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

– The keypads segment is involved in the manufacture and sales of keypads and acrylic and plastic lenses.

– The plastics segment is involved in the manufacture and sales of plastic components and casings.

– The touch screen panels segment is involved in the manufacture and sales of touch screen panels.

No operating segments have been aggregated to form the above reporting segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Segment revenue, expenses and results include transfers between operating segments. These transfers are eliminated upon consolidation.

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

	Keypads		**Plastics**		**Touch Screen Panels**		**Elimination**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue:										
Segment revenue										
Sales to external customers	75,472	122,104	33,630	30,706	5,263	1,905	–	–	114,365	154,715
Intersegment sales	1,250	279	436	17	61	–	(1,747)	(296)	–	–
Total revenue	76,722	122,383	34,066	30,723	5,324	1,905	(1,747)	(296)	114,365	154,715
Results:										
Segment results	(1,881)	10,363	2,401	1,805	(11,346)	(4,169)	–	–	(10,826)	7,999
Finance costs									(166)	(84)
Share of results of associates									37	27
(Loss)/profit before taxation									(10,955)	7,942
Taxation									(197)	(1,730)
(Loss)/profit for the year									(11,152)	6,212

36. Segment information (cont'd)

	Keypads		Plastics		Touch Screen Panels		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and Liabilities:								
Segment assets	105,341	133,298	28,597	24,550	3,709	7,610	137,647	165,458
Unallocated assets							6,091	16,709
Total assets							143,738	182,167
Segment liabilities	21,154	32,791	8,511	8,834	3,466	1,719	33,131	43,344
Unallocated liabilities							146	10,699
Total liabilities							33,277	54,043
Other segment information:								
Capital expenditure:								
– Property, plant and equipment	7,135	12,833	4,676	5,217	328	2,101	12,139	20,151
Depreciation	9,334	8,815	1,898	1,716	1,057	672	12,289	11,203

Currency information

The following table presents revenue information regarding the Group's currency segments:

	RMB		Other currencies *		Consolidated	
	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue:						
Segment revenue						
Sales to external customers	62,282	89,737	52,083	64,978	114,365	154,715
As a percentage of sales	54.5%	58.0%	45.5%	42.0%	100%	100%

* Other currencies mainly comprise of USD.

37. Dividends

	Group and Company	
	2012	2011
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2011: S$0.008 (2010: S$0.011) per share	4,498	6,276
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final exempt (one-tier) dividend for 2012: S$0.003 (2011: S$0.008) per share (2011: S$0.005) per share	1,726	4,379

38. Events occurring after the reporting date

On 9 February 2013, a fire occurred at the factory premises of its wholly owned subsidiary, Nantong Memtech TSP Solution Co., Ltd ("NTSP"). Most of the plant and machinery as well as raw materials were severely damaged by the fire. The Group has announced that the touch screen panel operations have been temporarily suspended and is urgently reviewing the next course of action going forward with regard to the operations. Due to the ongoing investigation by the insurance company, the Group is currently unable to accurately quantify the amount of damage to the Touch Screen Panel operations or ascertain the amount to be recovered under its insurance claims. Therefore, the financial impact, if any, on the financial performance and net assets of the Group and its subsidiaries has yet to be assessed.

According to FRS 10, Events After the Balance Sheet Date, this is a non-adjusting subsequent event and the financial impact, if any, will be reflected in the financial year ending 31 December 2013.

39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 27 March 2013.

Description and Location	Use	Tenure	Land Area/ Gross Built-in Area (sq m)	Encumbrances
No. 1 Block A Yongxing Dadao Nantong Gangzha Economic Development Zone, Nantong, Jiangsu Province, PRC	Industrial	50 years ending 23 January 2054	44,074/13,002	None
	Industrial	50 years ending 26 November 2046	25,486/30,256	None
No. 6 328 Guangyuan Road Phoenix W Area, Huzhou Economic Development Zone, Zhejiang Province, PRC	Industrial	50 years ending 14 July 2052	30,574/26,420	None
No. 3 455 Jinxi Town, Kunshan City, Jiangsu Province, PRC	Industrial	46 years ending 16 February 2057	46,660 / 12,180	None

SHAREHOLDING STATISTICS

As at 15 March 2013

No. of Issued Shares	-	720,000,000
No. of Treasury Shares Held	-	11,080,000
Class of shares	-	Ordinary shares
Voting rights	-	1 vote per ordinary share (no vote for treasury shares)

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2013, 43.85% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	4	0.22	1,291	0.00
1,000 - 10,000	642	34.85	3,445,200	0.48
10,001 - 1,000,000	1,143	62.05	104,860,809	14.56
1,000,001 and above	53	2.88	611,692,700	84.96
	1,842	100.00	720,000,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%**
1	Keytech Investment Pte Ltd	308,392,000	43.50
2	HSBC (Singapore) Nominees Pte Ltd	42,748,000	6.03
3	Chuang Tze Dey (Zhuang Zidi)	34,037,000	4.80
4	Citibank Nominees S'pore Pte Ltd	23,459,000	3.31
5	UOB Kay Hian Pte Ltd	17,935,000	2.53
6	Chuang Wen Fu	17,714,000	2.50
7	DBS Nominees Pte Ltd	17,152,000	2.42
8	OCBC Securities Private Ltd	12,887,700	1.82
9	Wang Jian	11,017,000	1.55
10	Chuang Tze Mon (Zhuang Zimeng)	9,466,000	1.34
11	Heng Ngee Boon	7,419,000	1.05
12	Gu Chenghua	7,229,000	1.02
13	Chen Zhengmao	7,133,000	1.01
14	Ee Hock Leong Lawrence	6,870,000	0.97
15	Quah Wee Hua	6,057,000	0.85
16	Koh Ser Kiong	4,893,000	0.69
17	Seow Chee Hwee (Xiao Zhihui)	4,300,000	0.61
18	Xu Jianxin	3,939,000	0.56
19	Phillip Securities Pte Ltd	3,181,000	0.45
20	Rin Kei Mei	2,652,000	0.37
		548,480,700	77.38

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
	Direct Interests	**Deemed Interests**	**%****
Keytech Investment Pte Ltd	308,392,000	–	43.50

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 15 March 2013, excluding 11,080,000 ordinary shares held as treasury shares as at that date.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Enterprise Room Raffles City Convention Centre No.2, Stamford Road Singapore 178882 on Friday, 26 April 2013 at 9.30 a.m. to transact the following business:-

As Ordinary Business

1 To receive and consider the Directors' Report and Audited Accounts for the financial year ended 31 December 2012 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final tax exempt dividend of 0.30 Singapore cents per share for the financial year ended 31 December 2012. **[Resolution 2]**

3 To approve the payment of Directors' fees of S$180,000 for the financial year ended 31 December 2012. [Year 2011: S$180,000]. **[Resolution 3]**

4 (a) To re-elect Mr Teow Joo Hwa who is retiring in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 4(a)]**

(b) To re-elect Mr Gu Cheng Hua who is retiring in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 4(b)]**

(c) To re-elect Mr Teo Kiang Kok who is retiring in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 4(c)]**
[See explanatory note (i)]

5 To re-appoint Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration. **[Resolution 5]**

As Special Business

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

(a) That the Directors be and are hereby authorised, pursuant to Section 161 of the Companies Act, Cap. 50, to:-

(i) issue shares whether by way of rights, bonus or otherwise (including shares as may be issued pursuant to any Instrument (as defined below) made or granted by the Directors while this Resolution is in force notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time of issue of such shares), and

(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 warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to such authority (including shares issued pursuant to any Instrument but excluding shares which may be issued pursuant to any adjustments ("Adjustments") effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company), shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this resolution, and provided that the aggregate number of such shares to be issued other than on a pro rata basis in pursuance to such authority (including shares issued pursuant to any Instrument but excluding shares which may be issued pursuant to any Adjustment effected under any relevant Instrument) to the existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company and, unless revoked or varied by the Company in 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 of the Company is required by law to be held, whichever is the earlier. **[Resolution 6(a)]**
[See explanatory note (ii)]

(b) That approval be and is hereby given to the Directors of the Company to offer and grant options in accordance with the rules of the Memtech Share Option Scheme (the "Scheme") and, pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such numbers of shares as may be required to be issued pursuant to the exercise of the options under the Scheme, Provided Always That the aggregate number of shares issued and may be issuable in respect of all options granted under the Scheme on any date shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time. **[Resolution 6(b)]**
[See explanatory Note (iii)]

(c) Renewal of Shares Purchase Mandate

That pursuant to Sections 76C and 76E of the Companies Act, Cap. 50 and the Articles of Association of the Company, the Directors of the Company be and are hereby authorised to make purchases of shares from time to time (whether by way of off-market purchases on an equal access scheme or market purchases) of up to ten per cent (10%) of the number of issued ordinary shares in the capital of the Company (ascertained as at the date of the forthcoming Annual General Meeting of the Company but excluding any shares held as treasury shares) at the price of up to but not exceeding the Maximum Price (as defined in Appendices attached), in accordance with the Guidelines on Shares Purchases set out in the Appendices and this mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier.
[See explanatory Note (iv)] **[Resolution 6(c)]**

7 To transact any other business that may be properly transacted at an Annual General Meeting. **[Resolution 7]**

By Order of the Board

Teo Chin Kee
Company Secretary

Singapore
10 April 2013

Notice of Books Closure Date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed on 4 May 2013 for the purpose of determining members' entitlements to the first and final tax exempt dividend to be approved by members at the Company's Annual General Meeting to be held on 26 April 2013.

Duly completed transfers received by the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on 3 May 2013 will be registered before entitlements to the dividend are determined.

Members whose Securities Accounts with the Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 3 May 2013 will be entitled to the dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 17 May 2013.

Explanatory Notes :

(i) Mr Teo Kiang Kok, if elected, will remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and will be considered as an independent director.

(ii) Resolution 6(a) is to authorize the Directors of the Company to allot and issue shares and Instruments up to 50% of the Company's total number of issued shares (excluding treasury shares) with an aggregate sub-limit of 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company for any allotments and issues of shares and Instruments not made on a pro rata basis to shareholders of the Company.

(iii) Resolution 6(b) is to authorize the Directors of the Company to offer and grant options and to allot and issue shares in the capital of the Company pursuant to the Memtech Share Option Scheme (the "Scheme") provided that the aggregate number of shares issued and may be issuable in respect of all options granted under the Scheme on any date shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iv) Resolution 6(c), if passed, will empower the Directors from the date of the above Meeting until the date the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, to purchase ordinary shares of the Company by way of off-market purchases on an equal access scheme or market purchases of up to 10 per cent (10%) of the total number of issued ordinary shares in the capital of the Company (ascertained as at the date of the forthcoming Annual General Meeting of the Company but excluding any shares held as treasury shares) at the Maximum Price as defined in the Appendices attached. Details on the Shares Purchase Mandate, including the sources of funds to be used for the purchase or acquisition, the amount of financing (if any) and the illustrative financial impact on the Company's financial position, are set out in the Appendices attached.

Proxies :

A member entitled to attend and vote at the Annual General Meeting is not entitled to appoint more than two proxies to attend and vote on his behalf and where a member appoints two proxies, he shall specify the proportion of his shares to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

MEMTECH INTERNATIONAL LTD.

(Incorporated in the Republic of Singapore)
Company Registration No. 200312032Z

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 Memtech International Ltd. not less than 48 hours before the time appointed for holding the meeting.

PROXY FORM – ANNUAL GENERAL MEETING

I/We ______________________________

of ______________________________

being a member/members of MEMTECH INTERNATIONAL LTD. hereby appoint

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

and/or *(delete as appropriate)*

as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of MEMTECH INTERNATIONAL LTD. to be held at Enterprise Room Raffles City Convention Centre No.2, Stamford Road Singapore 178882 on Friday, 26 April 2013 at 9.30 a.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.	To receive and consider Directors and Auditors' Reports and Accounts		
2.	To declare a first and final tax exempt dividend		
3.	To approve Directors' fees		
4.	To re-elect Directors :		
	(a) Mr Teow Joo Hwa		
	(b) Mr Gu Cheng Hua		
	(c) Mr Teo Kiang Kok		
5.	To re-appoint Ernst & Young LLP as Auditors		
	Special Business :		
6.	(a) To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50		
	(b) To authorise Directors to offer and grant options and allot and issue shares pursuant to Memtech Share Option Scheme		
	(c) Renewal of Share Purchase Mandate		
7.	Any other ordinary business		

Dated this ____________ day of ____________________ 2013.

Total Number of Shares Held:

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

IMPORTANT :-
PLEASE READ NOTES OVERLEAF

Notes :-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is not entitled to appoint more than two proxies, whether a member or not, to attend and vote instead of him.

3. Where a member appoints two proxies, the proportion of the shares concerned to be represented by each proxy shall be specified in the form of proxy, failing which the nomination shall be deemed to be alternative.

4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, 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 executed by a corporation, it must be given either under its common seal or under the hand of an attorney duly authorised in writing or a duly authorised officer of the corporation.

6. Where an instrument appointing a proxy is signed on behalf of the appointer 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 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy 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. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy 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.

MEMTECH

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