Memtech International Ltd.

TOUCH THE DIFFERENCE

Annual Report 2010

Contents

WE TURN
TECHNOLOGY
INTO SOLUTIONS

Corporate Profile

Memtech is a leading component 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, automotive 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 mobile phone manufacturers including Samsung, Nokia, Sony Ericsson, Motorola, Foxconn, Flextronics and TCL Alcatel, as well as reputable China brands such as Lenovo, Hwawei and ZTE.

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors at Memtech International, I would like to present to you our financial results and operations update for the financial year ended 31 December 2010 ("2010").

Following the volatility and challenges over the past two years, the global economy embarked on a progressive recovery in 2010. The improvement in the macroeconomic outlook led to a growth in consumer markets. Coupled with technological innovation and advancement, this has driven the strong growth in the global electronic consumer products market.

In the case of the global mobile phone market, industry reports noted that sales rebounded steadily by 12.2% in 2010, compared to a decline of 6.1% in 2009. The global smartphone segment, in particular, made rapid progress during the year, driven by high speed web browsing, advanced data management, as well as enhanced 3G and 4G network technologies. Statistics also showed that one out of every five mobile phones sold globally was a smartphone handset, indicating the start of the mobile internet era.

Meanwhile, Chinese mobile phone manufacturers, such as Lenovo, Oppo, Gionee, BBK, K-Touch, TCL Alcatel, ZTE and Huawei, are jumping onto the smartphone bandwagon. Having firmly established their operations domestically, these manufacturers, who are also our key customers, are making their mark overseas with the expansion into the smartphone market.

Avid readers around the world are increasingly receptive to the advent of electronic books (eBooks). Although eBooks are limited in terms of brands, designs and models when compared with mobile phones, eBook manufacturers are launching increasing number of products in order to meet rising demand. Leveraging this boom, the Group commenced the production of keypads for Amazon's eBook in 2010, and we target to expand our market share in this sector going forward.

The heightened demand for such high-end products boosted the Group's overall performance, and enabled us to achieve a strong set of financial results. Compared to 2009, the Group's revenue increased 28.3% to US$134.2 million in 2010.

Gross profit margin registered sequential growth in 2010, growing from 18.1% in the first quarter to 29.0% in the fourth quarter, while full-year gross profit margin was up 6.8 percentage points year-on-year to 22.4%. This healthy profit margin was attributed to the Group's enhanced operating efficiencies.

We were also able to effectively manage our operating costs, which led to a 1.8 percentage point improvement in operating expenses over sales, as compared with 2009. As a result of the above, the Group's profit attributable to owners of the Company soared almost 400% to US$11.3 million in 2010.

On a segmental basis, revenue of the Group's keypads division rose by 24.7% to US$113.3 million, accounting for 84.4% of total revenue. The division's full-year profit before tax was US$16.3 million. Growth of the keypads business was mainly attributed to the robust demand from major mobile phone manufacturers in the PRC, as well as the supply of keypads for the production of Amazon's eBook.

Following our efforts to restructure the operations and strengthen cost control at the plastics division, segmental revenue leaped 48.9% to US$20.4 million. The division further reversed 2009's loss of US$5.0 million to post a profit of US$0.1 million.

Due to teething operational issues, our touch screen panels division, which began production in 2010, registered a full-year loss of US$2.7 million despite revenue of US$0.5 million for the year. Nevertheless, the Group remains determined as we strive to grow the touch screen panel business.

In Anticipation of 2011

Although the Group recorded an outstanding performance in 2010, we believe it is essential to remain modest, cautious and well-prepared in the face of new challenges.

Mounting pressure is expected from higher labor costs and inflation in 2011. In addition, given the volatile environment, political unrest and the occurrence of natural disasters, as well as the depreciation of the US dollar, the Group must remain vigilant at all times. Bearing in mind constantly evolving technologies and designs, the Group is committed to seek innovation and breakthroughs to sharpen our competitive edge.

To capitalize on the increasing demand for touch screen electronic products such as smartphones and tablets, the Group expects to commence the production of high-end capacitive touch screen panels in mid 2011. To grow the plastics business, we also target to secure customers' orders for the supply of plastic casings, in addition to keypads, for the production of eBooks.

With the optimization of 3G networks and gradual rolling out of 4G networks, the demand for smart electronic products is expected to dominate market trends. On our end, we will continue to enhance the Group's operating efficiencies, and tap on established working relationships with customers both in the PRC and internationally, to gain a bigger share of the market.

With Deep Appreciation

Representing the Board and the Group, I extend my deepest appreciation to Mr Chang Chih Ching, former General Manager of the Group's subsidiary Huzhou Memtech Electronic Industries Co., Ltd, and also one of the founders of the Company, who retired in May 2010. We thank him for his relentless contribution to the Group, and wish him the best of health.

On behalf of Memtech, I would like to say thank you to our shareholders. In appreciation, the Group has declared a final dividend of 1.10 Singapore cents per share, and we hope that you will continue this journey with us.

Also, we would like to thank our customers and business partners for your trust in the Group. To all the directors and staff, the achievements of the past year would not have been possible without your commitment and hard work, and I am sincerely grateful.

With your support, Memtech International will continue to progress and create excellence.

Chuang Wen Fu
Executive Chairman
April 2011

主席致辞

各位敬爱的股东们：

我谨代表万德国际的董事会，向您汇报集团在2010年度的业绩与业务情况。

全球经济走出了过去二年的颠簸后，经过了一番艰苦的奋斗，在2010年渐渐地步上复苏的道路。宏观经济的起色带动了消费品市场的增长，全球电子产品市场也更因为科技的创新与进步而突飞猛进。

就如全球手机市场，有行业报告指出，该行业的销售额在2009年下跌6.1%后，在2010年恢复强劲，出现12.2%的升幅。其中，高速网络浏览、尖端数据管理以及3G、4G网络技术的发展，更是推动了全球的智慧型手机市场的迅速前进。数据也显示，每五部手机销售中便有一部属于智慧型手机，这也开启了移动互联网时代的到来。

中国的手机制造企业如中兴、华为与联想不落人后，在国内打下了强稳基础后，纷纷拓展海外业务，其他的后起之秀，如Oppo、金立、步步高、K-Touch及TCL Alcatel等，也群雄并起，攻向智慧型手机市场迈进，而这些手机制造企业也是我们的重点客户。

另外，全球阅读爱好者对电子书阅读器（eBook）也越来越爱不释手。eBook的品牌、设计、种类虽然不及手机市场的包罗万象，但商家为了迎合消费者趋势，所推出的电子书日益俱增，这也有助于eBook市场的发展。集团为了借助这股升势，在2010年开始为亚马迅的eBook生产键盘，并希望接下来能够扩大这行业内的市场占有率。

有赖于对这些高端产品的市场需求上升，集团的整体业绩有所提振，由谷底翻身，一步一脚印地争取更好的表现。2010年度，集团取得全年营业额1亿3420万美元，较之2009年，增长幅度达28.3%。

集团在2010年也取得毛利率的环比增长，从首个季度的18.1%逐渐推升至第四季度的29.0%，全年毛利率则达22.4%，同比上升6.8个百分点。这稳健的毛利率归因于集团的营运效率有所提升。

此外，由于对营运成本的有效监控，集团营运开支对营业额的比例与2009年比较，减少了1.8个百分点。综合以上因素，集团在2010年的股东应占溢利飙升将近400%至1130万美元。

分业务部门而言，集团的键盘业务营业额劲升24.7%至1亿1330万美元，占集团总营业额的84.4%，全年税前利润则取得1630万美元。键盘业务营业额的增长主要来自中国主要手机制造企业强劲的需求，以及集团对亚马迅eBook的键盘供应。

集团在过去一年整合了其塑料零部件业务并加强成本监控后，营业额显著上涨48.9%至2040万美元，更从2009年的500万美元亏损转而录得10万美元的利润。

在2010年开始生产的触屏业务，全年取得了50万美元的营业额，但是基于营运上的初期问题，该业务的全年业绩报270万美元的亏损。然而，我们并不为此而感到灰心，反而将发奋图强，积极为业务的发展而努力。

前瞻2011年

虽然集团在2010年取得不俗的表现，但是骄兵必败，我们相信保持谨慎的态度，正面对待未来新挑战，作足准备，才是紧要。

2011年，工资与物价双涨无疑将形成双重压力。加上动荡局势、天灾人祸、美元贬值等种种因素，集团更需要时刻自我警惕，保持戒慎。在科技日新月异、设计款式一日千里的年代，为了加强竞争力，集团必须不断自我更新，并且勇于创新，以力求突破。

我们预计将在2011年中，开始生产较高端的电容型触屏产品，把握市场趋向触屏电子产品——智慧型手机以及平板电脑——的利好趋势。同时，除了供应键盘部件以外，集团也将争取为客户提供eBook塑料外壳的订单，扩展塑料零部件业务。

在2011年，3G网络的完善，以及4G网络的逐步建立，将促使相关的智慧型电子产品的需求成为市场发展的主导。对于集团而言，我们会继续提升集团的营运效率，借助与中国及国际客户之间的良好合作关系，进一步争取扩大市场占有率。

万分致谢

集团子公司湖州万德电子工业有限公司的前任总经理，同时也是公司发起人之一的Chang Chih Ching先生，于2010年5月荣休。我谨代表董事会以及集团上下，感谢他对集团全心全力的奉献，并且祝福他身体健康。

我代表万德向股东们致以谢意。为回报股东，集团宣布将派发每股新币1.10分的终期股息，希望你们能够继续与我们并肩走下去。

此外，我们也要感谢所有客户以及业务伙伴所给予集团的信任。过去一年的成就全赖于各位董事和同仁的努力及心血，对此，我也表示衷心的感谢。

万德国际将借助你们的支持，走得更长远，再造卓越。

庄文甫
执行主席
2011年4月

Our
Products & Services

WE TURN
IDEAS INTO
ACTION

Modular Services

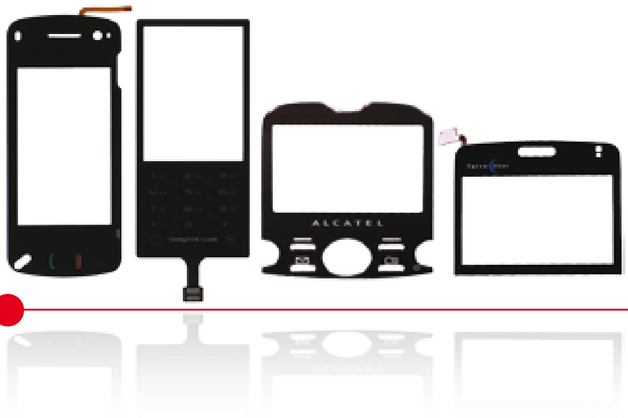
Provide modular solutions including plastic components, display window lens, keypads, light guides, touch screen panels, domes and antennas.

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.

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 and Huzhou.

Our
Products & Services

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.

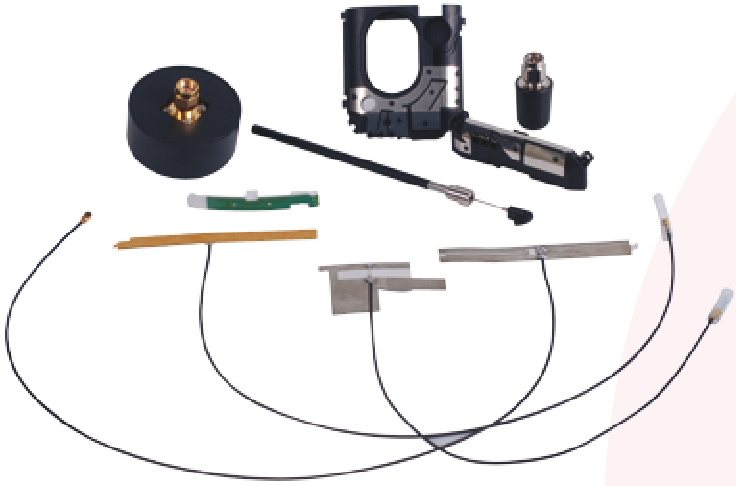
Services

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 located in Kunshan, Nantong and Dongguan.



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

AMERICA

CHICAGO OFFICE
353 Parallel St.
Palatine, IL 60067 USA
Tel: 847 963 6797
Fax: 847 963 6801

CALIFORNIA OFFICE
954 San Rafael Ave.
Mountain View,
California 94043, USA
Tel: 1650 390 8009

ASIA

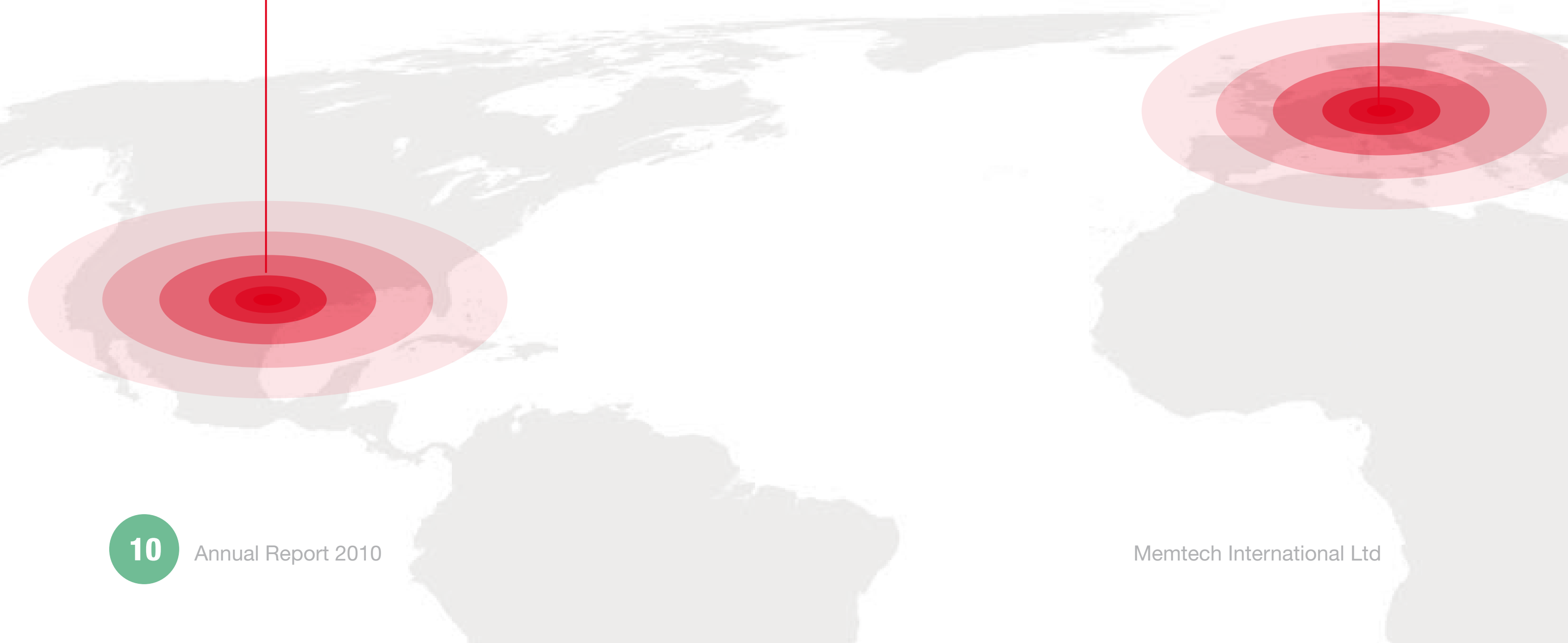
PEOPLE'S REPUBLIC OF CHINA
BEIJING OFFICE
Rm 401, 209#4, Huajiadixili,
Chaoyang District, Beijing
Tel/Fax: 86 10 64733724
Hp: 86 138 062 60186

NINGBO OFFICE
Rm 505, Block 111-2, Nanshan Road,
Fenghua City, Ningbo
Tel/Fax: 86 574 88584628
Hp: 86 133 36894999

NANTONG OFFICE
No. 1 Building A, South Yongxing
Ave., Gangzha Economic
Development Zone Nantong
Tel: 86 513 85606895
Fax: 86 512 85605280

EUROPE

EUROPE OFFICE
Liisankuja 1 Fin – 35300
Orivesi, Finland
Hp: 358 40 747 0269



SHENZHEN OFFICE
C-1305, Da Chong Lang Jing Garden,
Science and Technology Park,
Nanshan District, Shenzhen
Tel: 86 755 86379922
Fax: 86 755 86379922

KUNSHAN OFFICE
(Plastic Operations)
No. 25 Jin Dong Road, Jin Xi Town,
Kunshan City, Jiangshu
Tel: 86 512 86188688
Fax: 86 512 88848399

DONGGUAN OFFICE
Zao Yi (1) Village
Wentang Industrial District
Dongcheng, Dongguan
Guangdong
Tel: 86 769 88775555
Fax: 86 769 88775900

NANTONG OFFICE
(Touch Screen Panel Operations)
No. 1692-9 XingHu Road,
Economic and Development
Zone, Nantong, Jiangsu
Tel: 86 513 8109680
Fax: 86 513 8109683

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Huli District, AiDe Garden, Xiamen
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Hp: 86 13606920329

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Fax: 81 48 2880525

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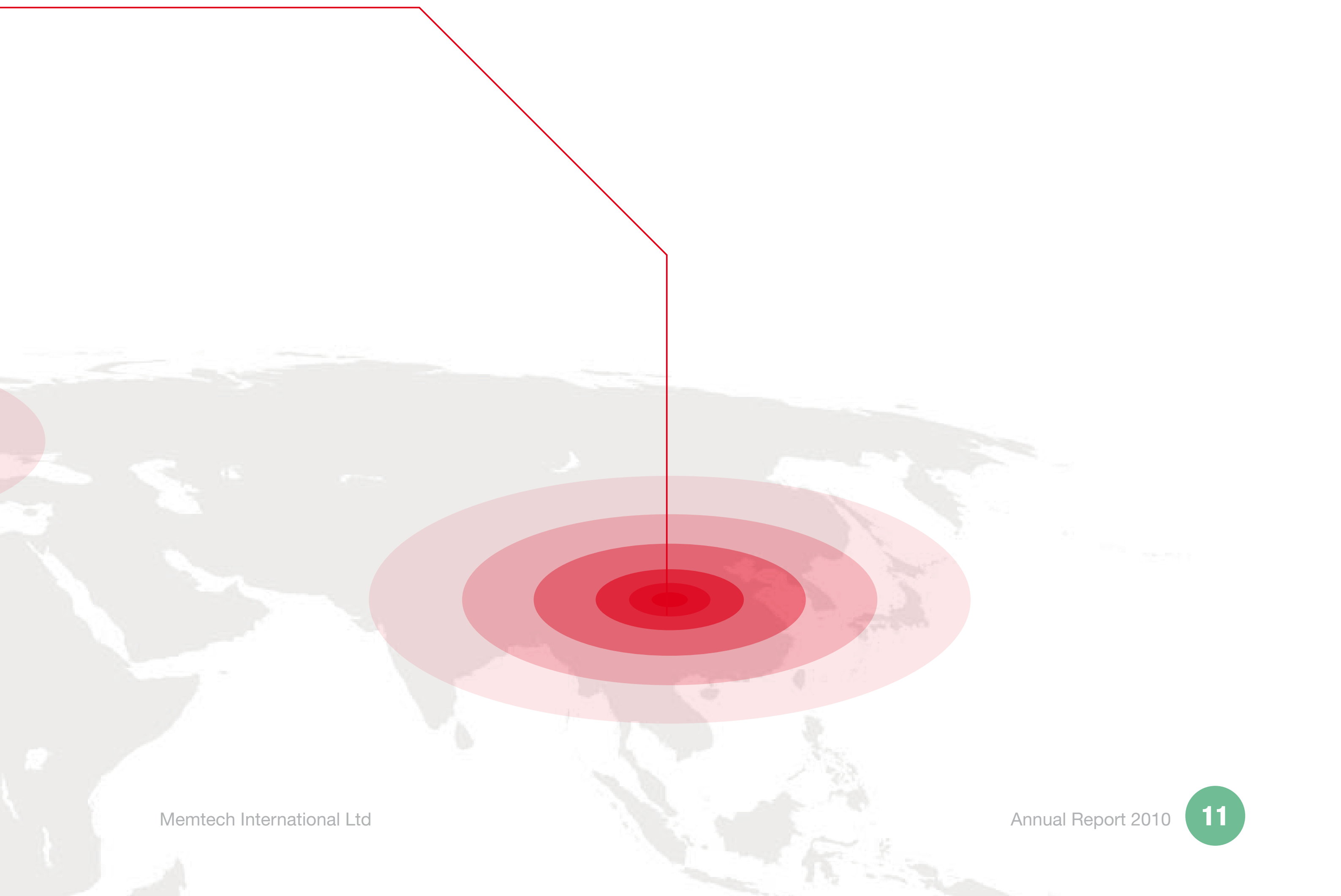
Fax: 65 64561226



Board of Directors

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 is a Non-executive and Independent Director of the Company. He was appointed to the Board on 6 June 2004. A lawyer with more than 28 years in legal practice, he is a senior partner of Shook Lin & Bok LLP. He is currently the Finance Partner and Head of Corporate Finance and the China Practice Group in Shook Lin & Bok LLP. He has advised listed companies extensively on corporate law and compliance requirements. He holds a Bachelor of Laws (Honours) degree from the University of Hull and is a Barrister-at-Law from Lincoln's Inn. Mr Teo is the Chairman of the Remuneration Committee and is a member of the Audit Committee.

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



Mr Billy Ho is our Chief Financial Officer. Mr Ho is responsible for the financial stewardship of our Group. He has been with the Group since November 2010. Mr Ho holds a Bachelor of Business degree from Deakin University and is a Certified Public Accountant of Australia and Singapore. He has 16 years of professional experience covering finance and accounting related roles.

Mr Lee Wei, Larry is our Director of International Sales. He is responsible for overseeing our marketing and business development initiatives in the international markets, excluding the People's Republic of China ("PRC"). Mr Lee served in the Republic of China Army and held the rank of Major before venturing into the commercial sector. Prior to joining our Group in 2004, he held various senior management and marketing positions in several corporations that have businesses in the PRC. Mr Lee holds a Bachelor of Science (Mechanical Engineering) from Chung Cheng Institute of Technology, Taiwan.

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 the Group in the 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 Liao Chien Ping is the General Manager of our Nantong Touch Screen Panel ("TSP") Plant. He oversees the Group's TSP operations. Prior to joining the Group in late 2009, Mr Liao was a Deputy General Manager at another TSP firm. With more than 10 years of experience in the optical light industry, Mr Liao also has extensive experience in the automation and reengineering of manufacturing process. He graduated with a Master in Mechanical Engineering degree from the National Taiwan University, Taiwan.

Group Structure

MEMTECH

Memtech International Ltd.

- 100% Taitech Singapore Pte Ltd
  - 100% Taitech Precision Electronic (Kunshan) Co., Ltd
- 100% Dongguan Memtech Electronic Products Co., Ltd
- 100% Dongguan Memtech Precision Tools & Products Co., Ltd
- 100% Dongguan Memtech Lens Technologies Co., Ltd
- 100% Nantong Memtech Technologies Co, Ltd
- 100% Nantong Memtech Electronic Industries Co., Ltd
- 100% Nantong Memtech TSP Solution Co., Ltd
- 100% Huzhou Memtech Electronic Industries Co., Ltd
- 100% Memtech Development (H.K.) Co., Limited
- 100% Memtech Technologies Holdings Co., Ltd
- 100% Memtech Technologies Pte. Ltd.
- 100% Memtech Electronic Products Co., Ltd
- 35.5% Raytech Co., Ltd
  - 100% Raytech Technologies (Shenzhen) Co., Ltd
  - 25% VLU Corporation Ltd

CORPORATE GOVERNANCE AND FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

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 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 of Directors' (the "Board") 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 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 2010 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	–	4	–	1	1	1
Yap Chin Kuan	4	4	–	4	–	1	–	1
Gu Cheng Hua	4	4	–	4	–	1	–	1
Teow Joo Hwa	4	4	–	4	–	1	–	1
Independent Directors								
Chua Keng Hiang	4	4	4	4	1	1	1	1
Teo Kiang Kok	4	4	4	4	1	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 Board's Conduct of its Affairs (Cont'd)

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.

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 Board Membership (Cont'd)

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 Yap Chin Kuan 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.

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 Scheme 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 Procedures for Developing Remuneration Policies Level of Mix of Remuneration Disclosure of Remuneration (Cont'd)

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 2010. 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 2010 is as follows:

	Remuneration				
	Fee[1]	Basic	Variable	Benefits in Kind	Total
	%	%	%	%	%
Executive Directors					
Chuang Wen Fu	–	46	49	5	100
Yap Chin Kuan	–	36	63	1	100
Gu Cheng Hua	–	30	66	4	100
Teow Joo Hwa	–	77	20	3	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$50,000 each at the AGM for the financial year ended 31 December 2010.

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

	2010	2009
Above S$500,000	–	–
S$250,000 to S$499,999	3	2
Below S$250,000	4	5
	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 Procedures for Developing Remuneration Policies Level of Mix of Remuneration Disclosure of Remuneration (Cont'd)

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				
Wang Jian	43	53	4	100
Below S$250,000				
Ong Juan Liang	65	29	6	100
Larry Lee Wei	72	23	5	100
Heng Ngee Boon	75	21	4	100
Bai Yi Song	43	48	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 scheme.

Accountability and Audit

8. Accountability

8.1 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, and our internal auditors, where applicable;
- review external auditors' reports;
- review the co-operation given by our officers to the external auditors and our internal auditors where applicable;
- review, where applicable, the scope and results of the internal audit procedures;
- 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;

9. Audit, Internal Controls and Internal Audit (Cont'd)

- 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 amount of non-audit fees payable to the external auditors is approximately S$8,000. This is in relation to tax services provided to the Company and its subsidiary.

9.5 The AC 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 met with the external auditors, without the presence of Management, to review matters arising from its audit.

9.7 The Company has engaged PricewaterhouseCoopers as its internal auditor ("IA") to perform internal audit for FY2010. The IA will report directly to the Chairman of the AC on audit matters. The AC will review the annual internal audit plans and resources to ensure that the IA has the necessary resources to adequately perform its internal audit function.

9.8 IA is responsible for the review of the effectiveness of internal control system and procedures such as financial, operational and compliance controls, for the Group.

9.9 The AC has reviewed the Company's risk assessment, and based on the management controls in place coupled with the IA's findings reported as well as the internal control findings reported by the external auditors in connection with its audit, it is satisfied that there are adequate internal controls in the Company. The AC expects the risk assessment process to be a continuing process.

9.10 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.

9.11 There are no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chairman, any director or controlling shareholder.

9.12 None of the Directors or controlling shareholders or their respective associates has any interest in any material transactions undertaken by the Group in the financial year under review.

10. 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. Communication with Shareholders (Cont'd)

10.3 The Company engaged an 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.

11. 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.

12. 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 full year results, and ending one day after the date of the announcement of the results.

12.2 Directors and officers do not deal with the Company's securities on short-term considerations.

12.3 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.

DIRECTORS' REPORT

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 2010.

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	10,559,000	17,714,000	–	–
Gu Cheng Hua	7,229,000	7,229,000	–	–
Yap Chin Kuan	12,000,000	12,000,000	–	–
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 2011.

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).

To-date, no Committee has been appointed to administer the Scheme.

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.

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;

6. Audit Committee (Cont'd)

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

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

The AC, having reviewed all non-audit services 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. Auditors

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

On behalf of the Board of Directors,

Chuang Wen Fu
Director

Yap Chin Kuan
Director

25 March 2011

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 2010 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

25 March 2011

INDEPENDENT AUDITORS' REPORT
For the financial year ended 31 December 2010

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 (collectively, the "Group") set out on pages 30 to 80, which comprise the balance sheets of the Group and the Company as at 31 December 2010, 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 notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 accounts, 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 2010 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

25 March 2011

PROFIT AND LOSS ACCOUNTS

For the financial year ended 31 December 2010

	Note	Group 2010	Group 2009	Company 2010	Company 2009
		US$'000	US$'000	US$'000	US$'000
Revenue	4	134,237	104,600	5,220	–
Cost of sales		(104,166)	(88,296)	–	–
Gross profit		30,071	16,304	5,220	–
Other income	5	1,979	1,833	92	9
Sales and marketing expenses		(6,622)	(5,273)	(316)	(295)
General and administrative expenses		(11,138)	(10,621)	(574)	(429)
Exchange gain	6	339	919	1,285	599
Other operating expenses		(909)	(495)	–	(247)
Finance costs	7	(2)	(4)	–	–
Share of results of associates		67	(124)	–	–
Profit/(loss) before tax	8	13,785	2,539	5,707	(363)
Taxation	9	(2,571)	(1,264)	15	–
Profit/(loss) for the year		11,214	1,275	5,722	(363)
Attributable to:					
Owners of the Company		11,282	2,415	5,722	(363)
Non-controlling interests		(68)	(1,140)	–	–
		11,214	1,275	5,722	(363)
Basic and fully diluted earnings per share attributable to owners of the Company (US cents per share)	10	1.6	0.3		

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 2010

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Profit/(loss) for the year	11,214	1,275	5,722	(363)
Other comprehensive income, net of tax				
Currency translation differences	2,221	(563)	4,846	1,508
Total comprehensive income for the year	13,435	712	10,568	1,145
Total comprehensive income attributable to:				
Owners of the Company	13,501	1,478	10,568	1,145
Non-controlling interests	(66)	(766)	–	–
	13,435	712	10,568	1,145

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

BALANCE SHEETS

As at 31 December 2010

	Note	Group 2010	Group 2009	Company 2010	Company 2009
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	11	40,218	42,083	3	2
Investment in subsidiaries	12	–	–	80,869	67,320
Investment in associates	13	1,724	2,073	1,997	2,303
Long term investment	14	2,205	2,023	2,205	2,023
Intangible assets	15	1,477	1,432	–	–
		45,624	47,611	85,074	71,648
Current Assets					
Cash and cash equivalents	16	39,100	38,096	208	494
Bank deposits pledged	17	2,148	297	–	–
Trade receivables	18	46,266	40,035	–	–
Bills and other receivables	19	15,649	11,339	11	13
Amounts due from subsidiaries	20	–	–	1,386	190
Prepayments		4,614	2,257	–	–
Inventories	21	8,431	8,391	–	–
		116,208	100,415	1,605	697
Current Liabilities					
Trade payables and accruals	22	27,319	27,581	450	266
Bills and other payables	23	9,962	5,291	27	10
Amounts due to subsidiaries	20	–	–	24,638	16,732
Provision for taxation		1,701	655	–	15
Other liabilities	24	361	775	–	299
		39,343	34,302	25,115	17,322
Net Current Assets/(Liabilities)		76,865	66,113	(23,510)	(16,625)
Non-Current Liabilities					
Deferred tax liabilities	25	2,483	1,926	–	–
		2,483	1,926	–	–
Net Assets		120,006	111,798	61,564	55,023
Equity attributable to owners of the Company					
Share capital	26(a)	42,971	42,971	42,971	42,971
Treasury shares	26(b)	(816)	(502)	(816)	(502)
Currency translation reserve	27(a)	18,242	16,478	13,932	9,541
Statutory reserve fund	27(b)	8,011	3,787	–	–
Acquisition reserve	12	(714)	–	–	–
Revenue reserves		52,312	48,512	5,477	3,013
		120,006	111,246	61,564	55,023
Non-controlling interests		–	552	–	–
Total Equity		120,006	111,798	61,564	55,023

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 2010

	Attributable to owners of the Company								
	Share capital (Note 26(a))	Treasury shares (Note 26(b))	Revenue reserves	Currency translation reserve	Statutory reserve fund	Acquisition reserve (Note 12)	Total reserves	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group									
At 1 January 2009	42,971	(479)	48,241	17,698	3,747	–	69,686	1,318	113,496
Net profit for the year	–	–	2,415	–	–	–	2,415	(1,140)	1,275
Other comprehensive income for the year	–	–	–	(937)	–	–	(937)	374	(563)
Total comprehensive income for the year	–	–	2,415	(937)	–	–	1,478	(766)	712
Transfer from revenue reserves	–	–	(40)	–	40	–	–	–	–
Dividends on ordinary shares (Note 37)	–	–	(2,104)	(283)	–	–	(2,387)	–	(2,387)
Purchase of treasury shares	–	(23)	–	–	–	–	–	–	(23)
At 31 December 2009 and 1 January 2010	42,971	(502)	48,512	16,478	3,787	–	68,777	552	111,798
Net profit for the year	–	–	11,282	–	–	–	11,282	(68)	11,214
Other comprehensive income for the year	–	–	–	2,219	–	–	2,219	2	2,221
Total comprehensive income for the year	–	–	11,282	2,219	–	–	13,501	(66)	13,435
Transfer from revenue reserves	–	–	(4,224)	–	4,224	–	–	–	–
Dividends on ordinary shares (Note 37)	–	–	(3,258)	(455)	–	–	(3,713)	–	(3,713)
Purchase of treasury shares	–	(314)	–	–	–	–	–	–	(314)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	(486)	(486)
Premium on acquisition of non-controlling interests	–	–	–	–	–	(714)	(714)	–	(714)
At 31 December 2010	42,971	(816)	52,312	18,242	8,011	(714)	77,851	–	120,006

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

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

For the financial year ended 31 December 2010

	Share capital (Note 26(a))	Treasury shares (Note 26(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 2009	42,971	(479)	5,480	8,316	13,796	56,288
Net loss for the year	–	–	(363)	–	(363)	(363)
Other comprehensive income for the year	–	–	–	1,508	1,508	1,508
Total comprehensive income for the year	–	–	(363)	1,508	1,145	1,145
Dividends on ordinary shares (Note 37)	–	–	(2,104)	(283)	(2,387)	(2,387)
Purchase of treasury shares	–	(23)	–	–	–	(23)
At 31 December 2009 and 1 January 2010	42,971	(502)	3,013	9,541	12,554	55,023
Net profit for the year	–	–	5,722	–	5,722	5,722
Other comprehensive income for the year	–	–	–	4,846	4,846	4,846
Total comprehensive income for the year	–	–	5,722	4,846	10,568	10,568
Dividends on ordinary shares (Note 37)	–	–	(3,258)	(455)	(3,713)	(3,713)
Purchase of treasury shares	–	(314)	–	–	–	(314)
At 31 December 2010	42,971	(816)	5,477	13,932	19,409	61,564

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2010

	Note	2010	2009
		US$'000	US$'000
Cash flows from operating activities:			
Profit before tax		13,785	2,539
Adjustments for:			
Depreciation of property, plant and equipment	11	9,837	9,537
Interest expense	7	2	4
Interest income	5	(469)	(404)
Net loss on disposal of property, plant and equipment	8	539	441
Loss on liquidation of associate		17	–
Share of results of associates		(67)	124
Total adjustments		9,859	9,702
Operating cash flows before changes in working capital		23,644	12,241
Changes in working capital			
Trade and other receivables		(12,813)	(3,559)
Inventories		253	523
Trade and other payables		3,644	4,648
Total changes in working capital		(8,916)	1,612
Cash flows generated from operations		14,728	13,853
Income taxes paid		(1,187)	(856)
Net cash flows generated from operating activities		13,541	12,997
Cash flows used in investing activities:			
Purchase of property, plant and equipment		(7,858)	(5,267)
Proceeds from disposal of property, plant and equipment		245	186
Interest income received		408	208
Investment in a subsidiary (net)	12	–	397
Long term investment		–	(51)
Acquisition of non-controlling interests		(1,200)	–
Proceeds from liquidation of associate		557	–
Net cash flows used in investing activities		(7,848)	(4,527)
Cash flows used in financing activities:			
Interest paid		(2)	(4)
Dividends paid on ordinary shares	37	(3,713)	(2,387)
Purchase of treasury shares	26(b)	(314)	(23)
Repayments of loans and borrowings		–	(3)
Bank deposits pledged		(1,842)	(234)
Net cash flows used in financing activities		(5,871)	(2,651)
Net (decrease)/increase in cash and cash equivalents		(178)	5,819
Effects of exchange rate changes on cash and cash equivalents		1,182	29
Cash and cash equivalents at the beginning of the year	16	38,096	32,248
Cash and cash equivalents at the end of the year	16	39,100	38,096

During the year, the Group acquired property, plant and equipment with an aggregate cost of US$7,708,000 (2009: US$5,901,000) whereby payments of US$7,858,000 (2009: US$5,267,000) (inclusive of payments made for the prior year purchases) was made using cash and the remaining balance remains outstanding as at balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

1. Corporate information

Memtech International Ltd. (the “Company”) is a limited liability company incorporated 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 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 *Business Combinations (revised) and* FRS 27 *Consolidated and Separate Financial Statements (revised)*

The revised FRS 103 *Business Combinations* and FRS 27 *Consolidated and Separate Financial Statements* are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

FRS 103 *Business Combinations* (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

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

2.2 *Changes in accounting policies (Cont'd)*

FRS 103 *Business Combinations* (revised) (Cont'd)

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 *Consolidated and Separate Financial Statements* (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

Prior to adoption of the revised FRS 27, the Group's accounting policy is to recognise goodwill arising on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

The adoption of the revised FRS 27 on the Group's consolidated financial statements resulted in the recognition of US$714,000 in acquisition reserve relating to the acquisition of an additional 25% equity interest in Taitech Singapore Pte Ltd from its non-controlling interests on 5 February 2010 (Note 12).

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

2.3 *Future changes in accounting policies*

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

Reference	Description	Effective for annual periods beginning on or after
FRS 12	Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets	1 January 2012
FRS 24	Related Party Disclosures (Revised)	1 January 2011
FRS 32	Amendment to Financial Instruments: Presentation – Amendment relating to Classification of Rights Issues	1 February 2010
FRS 107	Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
INT FRS 114	FRS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendments relating to Prepayments of a Minimum Funding Requirements	1 January 2011
INT FRS 115	Agreements for the Construction of Real Estate	1 January 2011
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
	Improvements to FRSs issued in 2010	
	– Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards*	1 January 2011
	– Amendments to FRS 103 *Business Combinations*	1 July 2010
	– Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2011
	– Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2011
	– Amendments to FRS 34 *Interim Financial Reporting*	1 January 2011
	– Amendments to INT FRS 113 *Customer Loyalty Programmes*	1 January 2011

Except for the revised FRS 24, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

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

2.4 *Basis of consolidation*

(a) Business combinations 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 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.

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.

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 change to other comprehensive income. If the contingent consideration is classified as equity, it is not be 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 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 2.8(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.

(b) Business combinations before 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.

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

2.4 *Basis of consolidation (Cont'd)*

(b) Business combinations before 1 January 2010 (Cont'd)

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

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

2.5 *Transactions with non-controlling interests*

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

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

2.6 *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.

(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.

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

2.6 *Foreign currency (Cont'd)*

(c) Group companies

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.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

2.7 *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 2.18. 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.

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. Summary of significant accounting policies (Cont'd)

2.8 *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 2.6(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.

2.9 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses are recognised in the profit or loss as 'impairment losses'.

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

2.9 *Impairment of non-financial assets (Cont'd)*

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.

2.10 *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.

2.11 *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 deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

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 shown on the face of the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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 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. Summary of significant accounting policies (Cont'd)

2.12 *Financial assets*

(a) Initial recognition and remeasurement

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

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

(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)

2.12 *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.

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.

2.13 *Impairment of financial assets*

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

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

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

2.13 *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 and is accrued 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.

2.14 *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)

2.15 *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.

2.16 *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 economic resources 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.

2.17 *Financial liabilities*

(a) Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus 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 as at fair value. 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)

2.17 *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.

2.18 *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.

2.19 *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)

2.19 *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.

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.

2.20 *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. 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.

2.21 *Revenue*

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

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

2.22 *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 by 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 income 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.

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

2.22 *Taxes (Cont'd)*

(b) Deferred tax (Cont'd)

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 tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(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.

2.23 *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.

2.24 *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.

2.25 *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 is recognised directly in equity.

2.26 *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

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

2.26 *Contingencies (Cont'd)*

(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.

2.27 *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".

2.28 *Related parties*

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

(i) controls, is controlled by, or is under common control with, the Group;

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's financial consolidated 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 could 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:

(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 2010 were US$1,701,000 (2009: US$655,000) and US$2,483,000 (2009: US$1,926,000) respectively

(b) 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 2010, the amount of impairment loss recognised in the Company's profit or loss for available-for-sale financial assets was Nil (2009: US$247,000).

(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. Significant accounting judgements and estimates (Cont'd)

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.

(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.

(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 28 to the financial statements.

4. Revenue

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Sale of keypads	113,335	90,878	–	–
Sale of other products	20,902	13,722	–	–
Dividend income	–	–	5,220	–
	134,237	104,600	5,220	–

5. Other income

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Fixed deposits interest income	469	404	–	–
Scrap sales	395	426	–	–
Government grants and subsidies	407	493	5	9
Insurance claim	–	277	–	–
Gain on liquidation of associate	–	–	87	–
Sale of materials	115	4	–	–
Refund from suppliers	503	192	–	–
Others	90	37	–	–
	1,979	1,833	92	9

6. Exchange gain

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Foreign exchange gain	337	767	1,285	599
Net fair value gain on forward currency contracts	2	152	–	–
	339	919	1,285	599

7. Finance costs

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Interest expense on:				
- Bank loans and borrowings	2	4	–	–

8. Profit/(loss) before tax

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

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Depreciation of property, plant and equipment *	9,837	9,537	2	6
Fees paid to firms related to Directors	19	6	10	6
Inventories (written back)/written-down	(428)	972	–	–
Net loss on disposal of property, plant and equipment	539	441	–	–
Non-audit fees paid to auditors of the Company	6	8	4	4
Rental expense – operating leases	1,106	1,013	26	22
Staff costs				
– Salaries, bonus and other costs	38,654	30,690	482	334
– Defined contribution plans	2,490	2,751	30	60
Allowance for doubtful receivables, trade	1,195	1,936	–	–
Impairment loss on long term investment	–	–	–	247
Loss on liquidation of associate	17	–	–	–

* Included in depreciation expense is an amount of US$8,605,000 (2009: US$8,391,000) charged under cost of sales.

9. Taxation

(a) Major components of income tax expense/(credit)

The major components of income tax expense/(credit) are:

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Statement of comprehensive income:				
Current income tax				
- Current income taxation	2,199	1,280	–	–
- Overprovision in respect of previous years	(114)	(418)	(15)	–
Deferred income tax				
- Origination and reversal of temporary differences	486	402	–	–
Income tax expense/(credit) recognised in profit or loss	2,571	1,264	(15)	–

9. Taxation (Cont'd)

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

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

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Profit/(loss) before tax	13,785	2,539	5,707	(363)
Tax at the domestic rates applicable to profits in the countries where the Group operates	4,557	1,096	970	(62)
Adjustments:				
Non-deductible expenses	760	374	–	62
Non-taxable income	(1,356)	–	(970)	–
Effect of partial tax exemption and tax relief	(958)	(943)	–	–
Withholding tax on undistributed profits	486	402	–	–
Deferred tax assets not recognised	583	1,442	–	–
Benefits from previously unrecognised tax losses	(1,387)	(689)	–	–
Overprovision in respect of previous years	(114)	(418)	(15)	–
Income tax expense/(credit) recognised in profit or loss	2,571	1,264	(15)	–

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for the year of assessment 2009.

A subsidiary company in Hong Kong, Memtech Electronic Products Co., Ltd, is not subject to profits tax in Hong Kong as it did not carry on any trade, professional or business in Hong Kong and its profit has not been derived from Hong Kong since its incorporation. Accordingly, no Hong Kong profits tax is provided for in the financial statements.

The corporate income tax rates applicable to PRC subsidiaries of the Group were 12.5%, 15% and 25% (2009: 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.

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

9. Taxation (Cont'd)

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

Unrecognised tax losses

The Group has tax losses of approximately US$12,957,000 (2009: US$12,475,000) 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 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 earnings per share for the years ended 31 December:

	Group	
	2010	2009
	US$'000	US$'000
Profit for the year attributable to owners of the Company used in computation of basic and diluted earnings per share	11,282	2,415
	2010	2009
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation *	715,383	715,702

* 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 2009	8,955	56,787	3,391	1,203	5,895	2,400	78,631
Additions	574	3,515	346	192	1,210	64	5,901
Acquisition of a subsidiary	–	1,766	25	33	–	193	2,017
Disposals	–	(2,111)	(117)	(168)	(2,313)	–	(4,709)
Reclassification	1,501	900	59	–	(5)	(2,455)	–
Translation difference	8	52	5	1	6	4	76
At 31 December 2009 and 1 January 2010	11,038	60,909	3,709	1,261	4,793	206	81,916
Additions	59	5,862	401	200	1,043	143	7,708
Disposals	–	(4,269)	(91)	(80)	(136)	–	(4,576)
Reclassification	–	121	1	–	27	(149)	–
Translation difference	342	1,787	118	37	145	7	2,436
At 31 December 2010	11,439	64,410	4,138	1,418	5,872	207	87,484
Accumulated depreciation:							
At 1 January 2009	1,083	25,084	2,522	912	4,560	–	34,161
Depreciation charge for the year	482	7,470	544	199	842	–	9,537
Acquisition of a subsidiary	–	168	5	5	–	–	178
Disposals	–	(1,712)	(107)	(151)	(2,112)	–	(4,082)
Reclassification	–	(29)	32	–	(3)	–	–
Translation difference	2	28	4	1	4	–	39
At 31 December 2009 and 1 January 2010	1,567	31,009	3,000	966	3,291	–	39,833
Depreciation charge for the year	513	7,696	474	193	961	–	9,837
Disposals	–	(3,499)	(78)	(80)	(135)	–	(3,792)
Reclassification	–	(1)	1	–	–	–	–
Translation difference	61	1,066	107	32	122	–	1,388
At 31 December 2010	2,141	36,271	3,504	1,111	4,239	–	47,266
Net carrying amount:							
At 31 December 2009	9,471	29,900	709	295	1,502	206	42,083
At 31 December 2010	9,298	28,139	634	307	1,633	207	40,218

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

Company	Office equipment	Renovation	Total
	US$'000	US$'000	US$'000
Cost:			
At 1 January 2009	25	37	62
Additions	3	–	3
Disposals	(2)	–	(2)
Translation difference	(1)	1	–
At 31 December 2009 and 1 January 2010	25	38	63
Additions	3	–	3
Disposals	(1)	–	(1)
Translation difference	2	4	6
At 31 December 2010	29	42	71
Accumulated depreciation:			
At 1 January 2009	20	35	55
Depreciation charge for the year	3	3	6
At 31 December 2009 and 1 January 2010	23	38	61
Depreciation charge for the year	2	–	2
Disposals	(1)	–	(1)
Translation difference	2	4	6
At 31 December 2010	26	42	68
Net carrying amount:			
At 31 December 2009	2	–	2
At 31 December 2010	3	–	3

12. Investment in subsidiaries

	Company	
	2010	2009
	US$'000	US$'000
Unquoted shares, at cost	80,869	67,320

12. Investment in subsidiaries (Cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2010	2009
Held by the Company				
Memtech Electronic Products Co., Ltd (i)	Hong Kong	Trading of keypads	100	100
Memtech Development (HK) Co., Ltd. *, @	Hong Kong	Trading of electronic products	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 (ii)	PRC	Manufacture and sale of acrylic and plastic lenses	100	100
Nantong Memtech Technologies Co., Ltd (vi)	PRC	Manufacture and sale of keypads	100	100
Nantong Memtech TSP Solution Co., Ltd (vii)	PRC	Manufacture and sale of resistive and capacitive touch screen panels	100	100
Taitech Singapore Pte. Ltd. #	Singapore	Investment holding	100	75
Memtech Technologies Pte. Ltd. ^	Singapore	Trading of electronic products	100	100
Memtech Technologies Holdings Co., Ltd @	Taiwan	Trading of keypads	100	100
Held through a subsidiary Taitech Singapore Pte. Ltd.				
Taitech Precision Electronic (Kunshan) Co., Ltd (viii)	PRC	Manufacture and sale of plastic components and casings	100	75

12. Investment in subsidiaries (Cont'd)

(i) Audited by Lee, Sek, Chiu & Hui, Certified Public Accountants
(ii) Audited by Daxin, Certified Public Accountants Guangdong Branch
(iii) Audited by Guangdong CCAT Certified Public Accountants Co., Ltd
(iv) Audited by Nantong Hongrui C.P.A. Partnership
(v) Audited by Peking Certified Public Accountants Zhejiang Subbranch
(vi) Audited by Nantong Wanlong, Certified Public Accountants Co., Ltd
(vii) Audited by Nantong Auditing CPA's Co., Ltd
(viii) Audited by Suzhou Xingyan Lianhe Certified Public Accountants Partnership
Audited by Ernst & Young LLP, Singapore
@ Not required to be audited by the law of its country of incorporation.
* Incorporated during the financial year ended 31 December 2010.
^ In the process of being liquidated as at 31 December 2010.

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. 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		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Unquoted shares, at cost	2,303	7,618	2,303	7,618
Reclassification	–	(5,195)	–	(5,382)
Share of post-acquisition reserves	(133)	(202)	–	–
Liquidation of associate	(574)	–	(448)	–
Translation difference	128	(148)	142	67
Carrying amount of investment	1,724	2,073	1,997	2,303

13. Investment in associates (Cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2010	2009
Held by the Company				
Raytech Company Limited*	Hong Kong	Investment holding	35.5	35.5
Sentehon Co., Ltd #	Samoa	Design and sales of light guides	–	49.0
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
Sentehon Co., Ltd				
Joptech Co., Ltd #	Taiwan	Design and sale of light guides	–	49.0

* 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

\# Liquidated during the financial year ended 31 December 2010

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

	Group	
	2010	2009
	US$'000	US$'000
Assets and liabilities		
Current assets	1,677	2,518
Non-current assets	760	840
Total assets	2,437	3,358
Current liabilities	937	958
Non-current liabilities	–	–
Total liabilities	937	958
Results		
Revenue	3,498	2,763
Profit/(loss) for the year	193	442

14. Long term investment

	Group and Company	
	2010	2009
	US$'000	US$'000
Available-for-sale financial asset:		
Equity instruments (unquoted), at cost	2,023	2,270
Less: Impairment loss	–	(247)
Translation difference	182	–
	2,205	2,023

Impairment loss recognised

During the financial year ended 31 December 2009, the Company recognised an impairment loss to write-down the carrying amount of long term investment. The amount of impairment loss recognised represented the Group's share of losses of the investee previously held as an associate, adjusted for the equity interest holding as at 31 December 2009.

15. Intangible assets

Group	Goodwill	Club memberships	Total
	US$'000	US$'000	US$'000
Cost and carrying amount:			
At 1 January 2009	889	144	1,033
Addition	397	–	397
Translation difference	2	–	2
At 31 December 2009 and 1 January 2010	1,288	144	1,432
Translation difference	40	5	45
At 31 December 2010	1,328	149	1,477

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

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

	Keypads		Plastics		Touch screen panels		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	519	504	399	386	410	398	1,328	1,288

15. Intangible assets (Cont'd)

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 6% (2009: 6%). The average growth rate used to extrapolate the cash flows projections beyond the five-year period is 4.06 (2009: 3.56%).

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

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.

16. Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	26,601	35,537	208	494
Short-term deposits	14,647	2,856	–	–
Cash and short term deposits	41,248	38,393	208	494
Less: Bank deposits pledged (Note 17)	(2,148)	(297)	–	–
Cash and cash equivalents	39,100	38,096	208	494

Cash at banks earn interest at floating rates based on daily deposit rates of up to 0.4% (2009: 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 2010 was 2.0% (2009: 2.4%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	33,054	24,535	–	–
United States Dollar (USD)	3,883	11,392	47	331
Hong Kong Dollar (HKD)	743	1,197	–	–
Singapore Dollar (SGD)	1,216	863	161	163
Other currencies	204	109	–	–
	39,100	38,096	208	494

17. Bank deposits pledged

Bank deposits pledged 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. Bank deposits pledged are denominated in RMB.

The weighted average effective interest rate on bank deposits pledged, with a maturity of 90 days to 180 days, was 0.4% per annum (2009: 0.5%) as at 31 December 2010.

18. Trade receivables

	Group	
	2010	2009
	US$'000	US$'000
Trade receivables	50,082	43,880
Amounts due from related companies	–	1
	50,082	43,881
Less: Allowance for doubtful trade receivables	(3,816)	(3,846)
	46,266	40,035

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.

Trade receivables are denominated in the following currencies:

	Group	
	2010	2009
	US$'000	US$'000
Renminbi (RMB)	32,635	28,193
United States Dollar (USD)	16,395	14,221
Hong Kong Dollar (HKD)	1,028	883
Euro Dollar (EUR)	17	255
Singapore Dollar (SGD)	6	329
Australian Dollar (AUD)	1	–
	50,082	43,881

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$5,248,000 (2009: US$5,645,000) 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	
	2010	2009
	US$'000	US$'000
Trade receivables past due but not impaired:		
Lesser than 60 days	2,988	4,524
60 to 120 days	389	461
More than 120 days	1,871	660
	5,248	5,645

18. Trade receivables (Cont'd)

Receivables that are impaired

	Group			
	Individually impaired		Collectively impaired	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Impaired trade receivables	3,816	3,846	–	–
Less: Allowance for impairment	(3,816)	(3,846)	–	–
	–	–	–	–

Movement in allowance accounts

	Group	
	2010	2009
	US$'000	US$'000
At 1 January	3,846	2,701
Charge for the year	1,195	1,936
Written off against allowance	(1,374)	(795)
Translation difference	149	4
At 31 December	3,816	3,846

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	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Bills receivables	14,035	9,994	–	–
Deposits	258	371	–	8
Other receivables	1,280	843	11	5
Amount due from associate	76	131	–	–
	15,649	11,339	11	13

Bills receivables

Included in bills receivables is an amount of US$1,340,000 (2009: US$1,596,000) pledged as security for bills payables facilities as disclosed in Note 23 to the financial statements.

Bills receivables have an average maturity of 101 days (2009: 100 days) and interest-free unless encashment is made before due dates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

19. Bills and other receivables (Cont'd)

Amount due from associate

Amount due from associate is non-trade related, unsecured, non-interest bearing, repayable upon demand and is to be settled in cash.

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

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	15,636	11,329	–	–
Singapore Dollar (SGD)	11	8	11	13
New Taiwan Dollar (NTD)	2	2	–	–
	15,649	11,339	11	13

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	
	2010	2009
	US$'000	US$'000
Amounts due from subsidiaries		
United States Dollar (USD)	1,386	188
Singapore Dollar (SGD)	–	2
	1,386	190
Amounts due to subsidiaries		
United States Dollar (USD)	(18,933)	(12,594)
Singapore Dollar (SGD)	(5,705)	(4,094)
Renminbi (RMB)	–	(44)
	(24,638)	(16,732)

21. Inventories

	Group	
	2010	2009
	US$'000	US$'000
Balance sheet:		
Raw materials	3,397	3,231
Work-in-progress	1,848	1,933
Finished goods	2,760	2,929
Sundry consumables	426	298
	8,431	8,391
Profit and loss account:		
Inventories recognised as an expense in cost of sales	104,166	88,296
Inclusive of the following charge		
- Inventories (written-back)/written-down	(428)	972

The write-back of inventories was made when the related inventories were used or sold above their net carrying amounts in 2010.

22. Trade payables and accruals

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Trade payables	22,130	23,190	–	–
Amounts due to related companies (trade)	–	24	–	–
Accruals	5,189	4,367	450	266
	27,319	27,581	450	266

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	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	25,945	26,577	–	–
United States Dollar (USD)	731	467	–	–
Singapore Dollar (SGD)	584	477	450	266
Hong Kong Dollar (HKD)	25	32	–	–
Other currencies	34	28	–	–
	27,319	27,581	450	266

23. Bills and other payables

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Bills payables	5,085	2,626	–	–
Other payables	4,870	2,665	20	10
Amount due to related party (non-trade)	7	–	7	–
	9,962	5,291	27	10

Bills and other payables are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	9,891	5,271	–	–
United States Dollar (USD)	21	–	–	–
Singapore Dollar (SGD)	27	10	27	10
Others	23	10	–	–
	9,962	5,291	27	10

Bills payables

Bills payables have an average maturity of 109 days (2009: 123 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	
	2010	2009
	US$'000	US$'000
Bank deposits pledged (Note 17)	2,148	297
Bills receivables pledged (Note 19)	1,340	1,596
	3,488	1,893

Other payables

Included in other payables is an amount of US$2,084,000 (2009: US$2,166,000) relating to purchase of plant and equipment.

Amount due to related party (non-trade)

Amount due to related party (non-trade) relates to amount due to a director-related company and is unsecured, non-interest bearing and normally settled on 30-90 days terms.

24. Other liabilities

Other liabilities relates to advances from customers.

25. Deferred tax liabilities

	Group	
	2010	2009
	US$'000	US$'000
Balance at beginning of year	1,926	1,523
Current year deferred taxation	486	402
Translation difference	71	1
Balance at end of year	2,483	1,926

The deferred tax liabilities arise as a result of excess of net book value over tax written down value of property, plant and equipment and withholding tax on undistributed profits of the People's Republic of China subsidiaries of the Group.

26. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2010		2009	
	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).

To-date, no Committee has been appointed to administer the Scheme.

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, since the Scheme was established.

26. Share capital and treasury shares (Cont'd)

(b) Treasury shares

	Group and Company			
	2010		2009	
	No. of shares '000	US$'000	No. of shares '000	US$'000
At 1 January	4,360	502	3,700	479
Acquired during the financial year	3,500	314	660	23
At 31 December	7,860	816	4,360	502

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

The Company acquired 3,500,000 (2009: 660,000) 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$314,000 (2009: US$23,000) and this was presented as a component within shareholders' equity.

27. Other reserves

(a) Currency translation reserve

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.

(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.

28. Loans and receivables

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Current				
Trade receivables (Note 18)	46,266	40,035	–	–
Bills and other receivables (Note 19)	15,649	11,339	11	13
Amounts due from subsidiaries (Note 20)	–	–	1,386	190
Total trade and other receivables	61,915	51,374	1,397	203
Add: Cash and short term deposits (Note 16)	41,248	38,393	208	494
Total loans and receivables	103,163	89,767	1,605	697

29. Financial liabilities carried at amortised cost

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables and accruals (Note 22)	27,319	27,581	450	266
Bills and other payables (Note 23)	9,962	5,291	27	10
Amounts due to subsidiaries (Note 20)	–	–	24,638	16,732
	37,281	32,872	25,115	17,008

30. 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	
	2010	2009
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	1,863	1,937

(b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 3 years (2009: 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	
	2010	2009
	US$'000	US$'000
Not later than one year	1,012	977
Later than one year but not later than five years	634	1,249
	1,646	2,226

31. Contingencies

Contingent liability – legal claim

Taitech Precision Electronic (Kunshan) Co., Ltd ("MTKS"), a subsidiary of the Company, initiated legal proceedings in the Kunshan City Subordinate Court in the People's Republic of China on 17 March 2010 against one of its customers to recover trade debts amounting to approximately US$1,800,000. As at the date of this report, allowance for trade receivables of US$180,000 had been made for trade debts due from this customer. No additional allowance for trade receivables has been made as the Directors are confident of recovering the amount through the legal proceedings, as advised by the Group's legal counsel.

31. Contingencies (Cont'd)

On 22 April 2010, the customer of MTKS initiated counter legal action against MTKS in the same court. The legal action against MTKS is with respect to claim sub-standard products sold and late delivery of products by MTKS. The customer had claimed US$1,900,000 in compensation from MTKS. The Group has been advised by its legal counsel with a written opinion dated 10 February 2011, that it is possible, but not probable, that the legal action by the customer will succeed and accordingly no provision for any liability has been made in these financial statements.

As at the date of this report, there has been no significant development in the legal suits since the date of the opinion provided by the Group's legal counsel.

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 derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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 2010, 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.

Analysis of financial instruments by remaining contractual maturities

As at 31 December 2010 and 2009, all of the Group's financial assets and liabilities mature in one year or less.

(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 policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

The Group is not exposed to any significant interest rate risk. Information relating to the Group's interest rate exposure is also disclosed in the respective notes to the financial statements where applicable.

(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 67% (2009: 61%) of the Group's sales are denominated in the respective functional currencies of the operating units making the sales, whilst almost 90% (2009: 85%) 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, with all other variables held constant.

		Group	
		Profit after tax	
		2010	2009
		US$'000	US$'000
USD/RMB	strengthened 3% (2009: 3%)	(604)	(778)
	strengthened 5% (2009: 5%)	(1,029)	(1,323)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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 and amounts due from/(to) subsidiaries, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature.

(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 2010 and 31 December 2009.

As disclosed in Note 27(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 2010 and 2009.

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. There were no loans and borrowings from financial institutions as at 31 December 2010 and 2009.

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 2010	Group 2009
	US$'000	US$'000
Sale of goods to:		
- Related company	5	119
- Associate	2	15
Purchase of services from:		
- Related company	219	1,304
- Associate	–	–
Purchase of goods from associate	–	6
Purchase of corporate secretarial and legal services from firms related to Directors	19	6

(b) Compensation of key management personnel

	Group 2010	Group 2009
	US$'000	US$'000
Short-term employment benefits	2,380	1,830
Total compensation paid to key management personnel	2,380	1,830
Comprise amounts paid to:		
• Directors of the Group	1,295	886
• Other key management personnel	1,085	944
	2,380	1,830

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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	113,335	90,878	20,398	13,695	504	27	–	–	134,237	104,600
Intersegment sales	250	153	58	16	–	–	(308)	(169)	–	–
Total revenue	113,585	91,031	20,456	13,711	504	27	(308)	(169)	134,237	104,600
Results:										
Segment results	16,341	8,275	96	(5,029)	(2,717)	(579)	–	–	13,720	2,667
Finance costs									(2)	(4)
Share of results of associates									67	(124)
Profit before taxation									13,785	2,539
Taxation									(2,571)	(1,264)
Profit for the year									11,214	1,275

36. Segment information (Cont'd)

	Keypads		Plastics		Touch Screen Panels		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and Liabilities:								
Segment assets	128,726	111,697	23,786	22,748	3,992	3,600	156,504	138,045
Unallocated assets							5,328	9,981
Total assets							161,832	148,026
Segment liabilities	36,442	29,295	5,154	6,598	230	335	41,826	36,228
Total liabilities							41,826	36,228
Other segment information:								
Capital expenditure:								
- Property, plant and equipment	5,453	3,894	1,388	1,511	867	496	7,708	5,901
Depreciation	7,624	8,071	1,690	1,353	523	113	9,837	9,537

Currency information

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

	RMB		Other currencies *		Consolidated	
	2010	2009	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue:						
Segment revenue						
Sales to external customers	90,310	63,819	43,927	40,781	134,237	104,600
As a percentage of sales	67.3%	61.0%	32.7%	39.0%	100%	100%

* Other currencies mainly comprise of USD.

37. Dividends

	Group and Company	
	2010	2009
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2010: S$0.0075 (2009: S$0.005) per share	3,713	2,387
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 2010: S$0.011 (2009: S$0.0075) per share (2009: S$0.005) per share	6,081	3,823

38. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 25 March 2011.

LEASEHOLD PROPERTIES STATEMENT

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

SHAREHOLDINGS STATISTICS

As at 15 March 2011

No. of Issued Shares	-	720,000,000
No. of Treasury Shares Held	-	7,860,000
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 2011, 44.59% 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	0.21	1,291	0.00
1,000 - 10,000	685	36.07	3,762,200	0.52
10,001 - 1,000,000	1,164	61.30	99,698,809	13.85
1,000,001 and above	46	2.42	616,537,700	85.63
	1,899	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	43.30
2	DBS Nominees Pte Ltd	33,700,000	4.73
3	OCBC Capital Investment I Pte Ltd	33,333,000	4.68
4	Chuang Tze Dey (Zhuang Zidi)	27,337,000	3.84
5	Citibank Nominees Singapore Pte Ltd	22,208,000	3.12
6	Wang Jian	21,412,000	3.01
7	Chuang Wen Fu	17,714,000	2.49
8	OCBC Securities Private Ltd	15,548,700	2.18
9	Yap Chin Kuan	12,000,000	1.69
10	HSBC (S) Nominees Pte Ltd	11,115,000	1.56
11	Chuang Tze Mon (Zhuang Zimeng)	9,466,000	1.33
12	UOB Kay Hian Pte Ltd	7,955,000	1.12
13	Memtech International Ltd	7,860,000	1.10
14	Heng Ngee Boon	7,419,000	1.04
15	Gu Chenghua	7,229,000	1.02
16	Chen Zhengmao	7,133,000	1.00
17	Hong Leong Finance Nominees Pte Ltd	6,700,000	0.94
18	CIMB Nominees (S) Pte Ltd	6,000,000	0.84
19	Huang Cheng	4,313,000	0.61
20	Xu Jianxin	3,939,000	0.55
		570,773,700	80.15

SHAREHOLDINGS STATISTICS

As at 15 March 2011

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
	Direct Interests	Deemed Interests	%**
Keytech Investment Pte Ltd	308,392,000	–	43.30

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 15 March 2011, excluding 7,860,000 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 Orchard Room Level 4 Raffles City Convention Centre – Fairmont Singapore 80 Bras Basah Road Singapore 189560 on Tuesday, 26 April 2011 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 2010 and the Auditors' Report thereon. [Resolution 1]

2 To declare a tax-exempt 1-tier first and final dividend of 1.1 Singapore cents per share for the financial year ended 31 December 2010. [Resolution 2]

3 To approve the payment of Directors' fees of S$150,000 for the financial year ended 31 December 2010. [Year 2009: S$150,000]. [Resolution 3]

4 (a) 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(a)]

(b) 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(b)]
[See explanatory note (i)]

(c) To re-elect Mr Yap Chin Kuan who is retiring in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. [Resolution 4(c)]

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 Share 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 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 centum (10%) of the total number of issued ordinary share (excluding treasury shares) in the capital of the Company (ascertained as at the date of the Annual General Meeting of the Company held to approve inter alia, this Ordinary Resolution) at the price of up to but not exceeding the Maximum Price as defined in Appendices attached, and this mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier. [Resolution 6(c)]
[See explanatory Note (iv)]

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
8 April 2011

Notice of Books Closure Date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed on 7 May 2011 for the purpose of determining members' entitlements to the tax-exempt 1-tier first and final dividend to be approved by members at the Company's Annual General Meeting to be held on 26 April 2011.

Duly completed transfers received by the Company's Share Registrar, M & C Services Private Limited, at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on 6 May 2011 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 6 May 2011 will be entitled to the dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 20 May 2011.

NOTICE OF ANNUAL GENERAL MEETING

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) will empower the Directors to purchase or acquire, from the date of the above meeting to the date of next Annual General Meeting, an aggregate amount not exceeding ten per cent (10%) of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company as at the date of this Resolution. More details of the Share Purchase Mandate to be renewed are set out in Appendices enclosed with this Notice.

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 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 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

PROXY FORM – ANNUAL GENERAL MEETING

Important:
1. For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Memtech International Ltd. not less than 48 hours before the time appointed for holding the 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 Orchard Room Level 4 Raffles City Convention Centre – Fairmont Singapore 80 Bras Basah Road Singapore 189560 on Tuesday, 26 April 2011 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 tax-exempt 1-tier first and final dividend		
3.	To approve Directors' fees		
4.	To re-elect Directors :		
	(a) Mr Gu Cheng Hua		
	(b) Mr Teo Kiang Kok		
	(c) Mr Yap Chin Kuan		
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 __________ 2011.

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 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, 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.

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
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Singapore 188216

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

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Shanghai Pudong Development Bank
Industrial and Commercial Bank of China
Oversea-Chinese Banking Corporation Limited

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