Seizing opportunities to advance

MEMTECH

Memtech International Ltd.

ANNUAL REPORT 2009

Contents

These days, the key to the world of information is just a simple touch.

That's why at Memtech, we capitalise on our resources and capabilities to move into a greater platform to tap on the potential of touch technology. Our latest acquisition of a touch screen manufacturer is a testament to our commitment to synergistically expand our business to address the changing needs of our clients.

As we improve our products and search for solutions for our customers, you'd be glad to know that touching your lives is our primary concern.

Corporate Profile

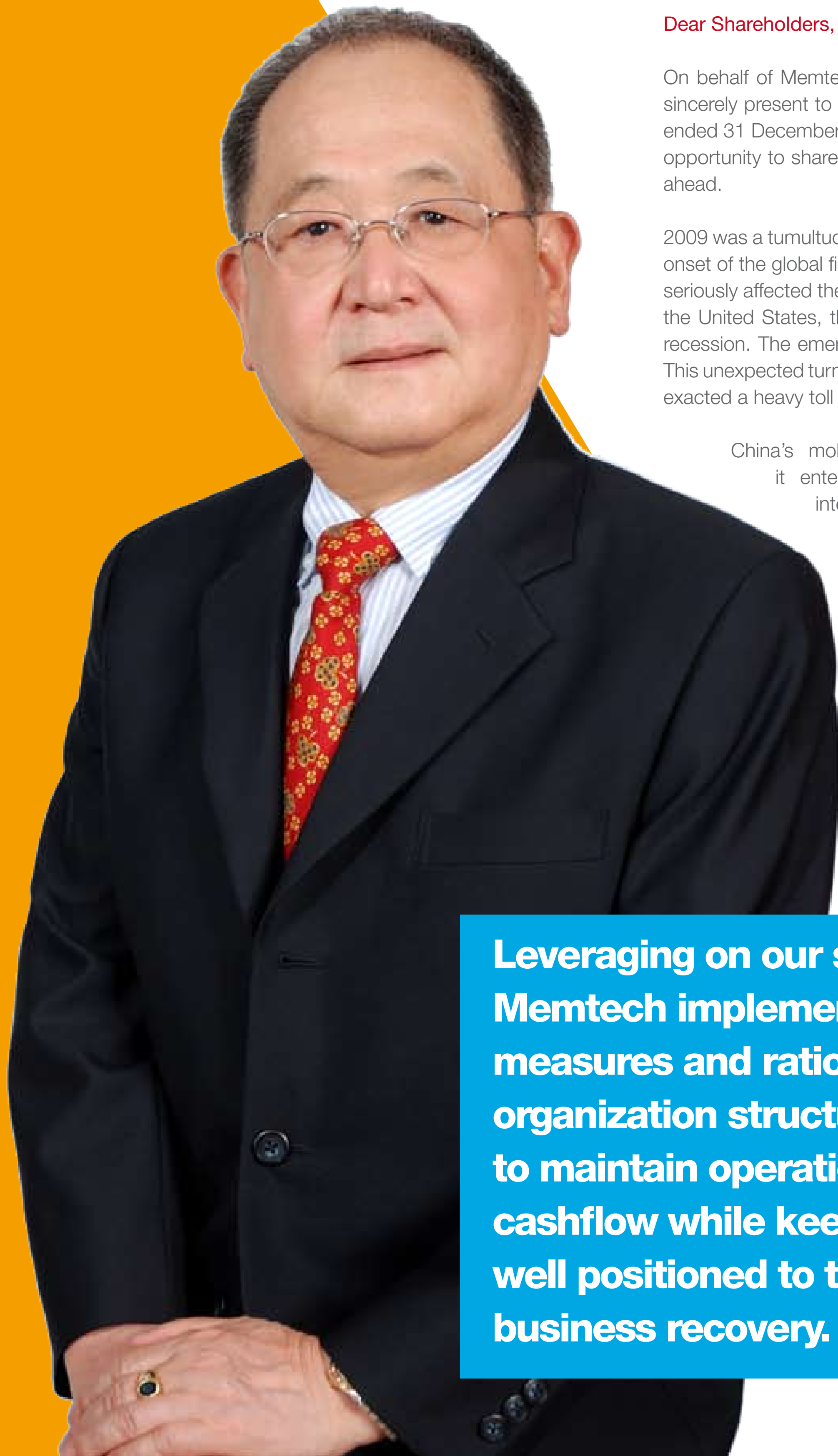
Memtech is a leading component solutions provider for the mobile phone, IT equipment and automotive industries. Besides being a total solutions provider for mechanical components including keypads, lens and plastic components, we also design and manufacture antennas and touch screen panels. Our wide 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 Alcatel, as well as reputable China brands such as Lenovo, Hwawei and ZTE.

Chairman's Statement



Dear Shareholders,

On behalf of Memtech International Ltd.'s Board of Directors, I sincerely present to you our Annual Report for the financial year ended 31 December 2009 ("2009"). I would also like to take the opportunity to share with you our Group's prospects in the year ahead.

2009 was a tumultuous year for the global economy. The sudden onset of the global financial crisis and the resultant credit crunch seriously affected the global economy. Major economies such as the United States, the European Union and Japan slipped into recession. The emerging markets were also severely impacted. This unexpected turn of events and the global downturn inevitably exacted a heavy toll on the Group's performance for the year.

China's mobile handset market remained weak as it entered the first half of 2009. Competition intensified as foreign mobile handset brands sought to expand their share in China's 3G handset market. Besides the global mobile handset market, there was also an overall drop in demand from other sectors due to the global economic downturn.

Faced with a weak consumer market in the first half of the year, the Group suffered losses in the first two quarters of 2009. Leveraging on our strong fundamentals, Memtech implemented cost cutting measures and rationalized

Leveraging on our strong fundamentals, Memtech implemented cost cutting measures and rationalized the organization structure, and was able to maintain operations and positive cashflow while keeping the Group well positioned to take advantage of business recovery.

the organization structure, and was able to maintain operations and positive cashflow while keeping the Group well positioned to take advantage of business recovery.

With the recovery of the global economy in the third and fourth quarters of 2009, the Group saw a rebound in demand for our products and services. Nevertheless, this improvement was not sufficient to offset the Group's weak first half performance. As a result, the Group reported a 4.3% decline in revenue to US$104.6 million in 2009.

Nonetheless, the Group made great strides in its efforts to increase operating efficiency and improve its cost structure. Despite the high volatility in revenue, the Group achieved a gross margin of 15.6% in 2009, marginally higher than the gross margin of 15.1% achieved in 2008.

General and administrative expenses increased 37.0% to US$10.6 million due mainly to higher allowance for doubtful debts. With a relatively stable US Dollar, the Group enjoyed a gain on foreign exchange of US$0.9 million in 2009. As a result, the Group reported an 88.7% increase in net profit attributable to shareholders to US$2.4 million despite higher tax expenses.

Despite the challenging operating environment, the performance of our keypad, plastics components, lenses and other product segments was encouraging. We successfully established strong working relationships with a new customer – a major Korean corporation, after securing keypad orders from its well-recognized branded mobile handset unit. While our plastic components business was impacted by the macroeconomic environment, we have built up a strong customer base comprising of multi-national corporations and are confident that we will be able to improve our performance going forward.

During the year under review, we also worked actively to expand our market. To maintain our competitive edge and leading market position, the Group undertook a restructuring of our investments in the touch screen panel business, which resulted in us gaining 100% ownership and control of an associated company, Tera China Co., Ltd., now renamed as Nantong Memtech TSP Solution Co., Ltd ("MTSP"). This restructuring signals the Group's intention to actively expand into the touch screen panel business. While we do not expect MTSP to contribute positively to the results of the Group in 2010, we are optimistic in its long term prospect. We will strengthen MTSP's management and research and development teams as well as production capabilities to ramp up production and sales of touch screen panels to meet market demand.

Moving into 2010

Based on the current economic recovery trend, the Group expects 2010 to be a better year as compared to 2009. However, the year 2010 will not be without challenges, against the backdrop of potential higher inflation and increasing labor costs in China, and further depreciation of the US Dollar. Hence, we are cautiously optimistic of the Group's performance in 2010.

In 2009, we worked on enhancing our operational efficiency and cost structure. In 2010, we will now focus our resources to increase our market share. We will also channel resources to improve the performance of our plastic components and touch screen panel businesses. We will work towards launching new products and solutions to meet changing market trends and consumer demand for quality products with attractive exteriors and growing range of functions.

In recent years, China has emerged as one of the world's largest mobile handset manufacturing bases. Coupled with the growing affluence of Chinese consumers; the frequency of mobile handsets replacement is also set to increase. According to industry reports and statistics, Chinese mobile handset manufacturers have seen a strong increase in their production volume in 2009. In 2010, Chinese mobile handset manufacturers are set to see their production volume rise 11% to 448 million units, driven by growing consumer demand for 3G handsets and smartphones as well as ongoing handset replacements.

Hence, in addition to our strong customer base of multinational corporations, the Group will also focus on building long-term strategic relationships with China's major mobile handset manufacturers in the year ahead. Given our strengths in the provision of one stop services ranging from preliminary engineering design and mould to production and assembly of handset keypads, we are poised to strengthen our market position.

Acknowledgements

On behalf of the Board, I would like to take this opportunity to thank all shareholders for your support and confidence in us. I also would like to express our gratitude to our customers, business associates, my fellow directors and all employees, for your diligence, commitment and contributions to our Group.

As a gesture of appreciation and thanks to our long-standing shareholders, we have declared a first and final dividend of 0.75 Singapore cents per share. Although the year ahead remains fraught with uncertainty and challenges, we will strive to maintain the Group's long term development. Together, we will weather all storms and work towards creating greater value for our shareholders.

Chuang Wen Fu
Executive Chairman
April 2010

主席致辞

中国在这几年已经晋身成为手机生产的主要基地之一，再加上中国人民消费能力的提高，更换手机以及其他电子产品的频率也随之增加。根据行业报告和数据显示，中国企业的手机出货量在2009年强劲上升，2010年则会因为消费者对3G手机和智能手机的追捧，加上换机需求上升的影响，中国企业的手机出货量有望攀升至4.48亿部，增长11%。

亲爱的股东们，

我谨代表万德国际的董事会，在此呈报集团2009年度的业绩，同时也与各位股东分享集团未来的发展前景。

2009年是世界经济形势跌宕起伏的一年。由于国际市场波动加剧，全球金融体系信心缺失。美国、欧盟、日本等发达经济体陷入衰退，新兴市场收支情况和经济增长也受到严重打击。万德国际也难免遭受这些种种难以预料的突发因素和复杂多变的国际金融形势的影响。

回顾2009年，中国手机市场在上半年延续了2008年第四季度的疲软，表现不容乐观。国际手机品牌强势扩大在中国3G市场的份额，竞争也因而更加激烈。除了手机市场之外，全球经济放缓也导致集团的其他产品市场出现弱势，整体需求下降。

面对上半年国际消费市场普遍疲弱，集团在2009年出现了连续两个季度的亏损。然而，集团秉持着坚实的基础，施行成本节约措施，从而保持集团现有的规模与现金流动量，扎稳步伐，等待转机破茧而出。

由于2009年三、四季度的全球经济开始好转，我们也见证了各市场对产品需求的回升。尽管如此，鉴于上半年业绩差强人意，集团的全年营业额还是微跌了4.3%至1亿460万美元。

另一方面，集团在2009年致力提高营运效率和监控成本的策略有了成果。营业额在上下半年即使出现落差，集团仍然取得15.6%的毛利率，比2008年微升0.5%。

集团因为提高了坏账储备，2009年的一般费用与行政费用上涨37.0%至1062万美元。但是美元汇率在过去一年相对平稳，也让集团在汇率上取得了90万美元的收益。综合以上，即便集团税务开支上扬，集团的股东佔溢利仍达240万美元，与2008年同期劲增88.7%。

另外，集团的键盘、塑料零部件、镜片等产品在2009年的业务表现令人感到乐观。尤其在键盘业务方面，我们成功地取得一家大规模韩国企业的键盘订单，并与该客户成立了良好的合作关系。集团的塑料零部件业务虽然在大环境因素下受到了一定的影响，但是现有的广大客户群不乏具规模的跨国企业，我们有信心能进一步加强该业务表现。

我们也为开拓市场而积极打拼。为确保公司的竞争力和领先优势，公司在第三季度重组触屏业务方面的投资，从而得其关联公司 Tera China Co.,Ltd 的100%所有权和控制权并将其重新命名为南通万德触控面扳科技有限公司（“MTSP”）。这项重组活动象征着我们大力发展触屏业务的决心，虽然我们不期望MTSP会对集团2010财年业绩有显著的贡献,但我们对其长期前景表示乐观。我们将扩大该子公司的管理、研发与生产队伍，以增强触屏产品的生产与销售，迎合目前与未来市场偏向触屏电子产品的走势。

展望2010

有赖于目前经济回暖的趋势，我们预计2010年的表现将会比2009年出色。不过，在通货膨胀率与中国劳动成本可能走高的形势下，加上美元贬值的可能性，2010年不是不无挑战的。因此,我们对集团未来一年的表现保持乐观但也谨慎。

我们在2009年将重点放在提升营运效率以及成本结构上，在2010年，则会集中火力，投入扩大集团的市场占有率。我们也会将资源着重放在提高集团的塑料零部件与触屏业务上，配合消费者对产品种类、素质、外观和功能的要求等趋势的改变，推出迎合消费者需求的产品。

中国在这几年已经晋身成为手机生产的主要基地之一，再加上中国人民消费能力的提高，更换手机以及其他电子产品的频率也随之增加。根据行业报告和数据显示，中国企业的手机出货量在2009年强劲上升，2010年则会因为消费者对3G手机和智能手机的追捧，加上换机需求上升的影响，中国企业的手机出货量有望攀升至4.48亿部，增长11%。

因此，除了集团客户群中的国际品牌企业，我们也将集中精力，扩展与中国客户的长期策略伙伴关系。我们相信，从初步的工程设计和铸模开始，到生产和装配手机按键的一站式服务，是集团巩固市场地位的优势。

致谢

在此，我谨代表集团董事会，对股东给予我们的信任和支持表示由衷的感谢！同时，也对我们的客户、业务伙伴、各位董事和公司全体同仁的齐心协力和尽责努力表示诚挚的感恩和感谢！

为了回报股东的长期支持，集团宣布派发一次过每股新币0.75分的股息。虽然2010年充满未知和挑战，然而，我们会尽全力保持稳定的发展，上下一心，继续奋斗，让万德国际能经历风雨的考验而立于不败之地，为股东创造更高的价值。

庄文甫
执行主席
2010年4月

Our Products and Services

Modular Services

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

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

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

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

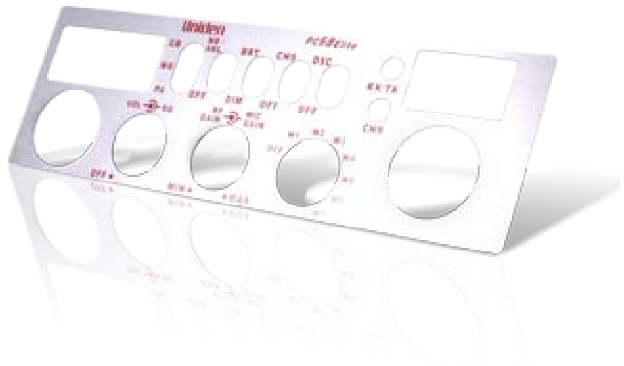
Touch Screen Panels

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

Our Products and Services



Plastic Components

Produce plastic components for digital cameras, cosmetic containers and the information technology and mobile phones sectors.

Services

Specialise in unique and challenging projects that require demanding tooling design and production capabilities.

Facilities

Manufacturing facilities in Kunshan and Dongguan

Lenses

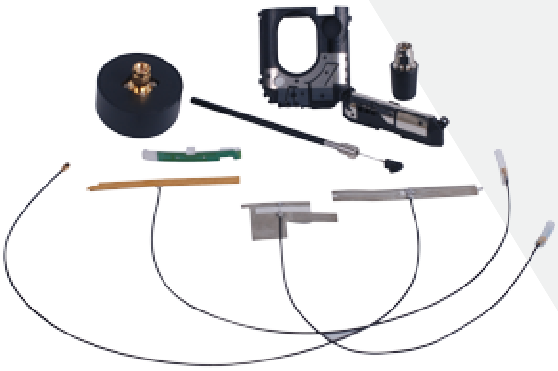
Specialise in producing IML lens, nano-sputter plated lens, plastic injected lens and acrylic lens for mobile phones and digital cameras.

Services

Provide complete end-to-end solutions.

Facilities

Manufacturing facilities in Dongguan



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

Light Guides

Design, develop and supply keypad light guides including injection, printing and compression light guides.

Services
Provide complete light guide solutions from design to manufacturing light guides.

Facilities
Manufacturing facilities in Dongguan

Sales Network

AMERICA

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

EUROPE

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

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

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

XIAMEN OFFICE
No. 344-803, Fang Zhong Road,
Huli District, AiDe Garden,
Xiamen
Tel: 86 592 5760630
Hp: 86 13606920329

TAIWAN OFFICE
5F – 2 No. 191, Sec 2
Zhongyang Road
Tucheng City, Taipei
Country 236, Taiwan
Tel: 886 2 82629291
Fax: 886 2 82629293
Hp: 886 9 11583139

JAPAN

JAPAN OFFICE
1-30-13 Edobukuro, Kawaguchi-Shi
Saitama 334-0075, Japan
Tel: 81 48 2880522
Fax: 81 48 2880525

KOREA

KOREA OFFICE
#502 Seokang B/D, 464-59
Seokyo-Dong, Mapo-Gu
Seoul, 121-841, South Korea
Tel: 82 2 6383 3822
Fax: 82 2 6383 3823

SINGAPORE

SINGAPORE OFFICE
Block 4009 Ang Mo Kio Avenue 10
Techplace 1
#02-33 Singapore 569738
Tel: 65 64561223
Fax: 65 64561226

Board of Directors

Mr Chuang Wen Fu Mr Yap Chin Kuan Mr Gu Cheng Hua Mr Teow Joo Hwa

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 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 Mr Teo Kiang Kok Mr Teng Cheong Kwee

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 currently sits on board of three other listed companies: Jadason Enterprise Ltd, Ocean Sky International Limited and Novo Group Ltd.

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 20 years in legal practice, he is a senior partner of Shook Lin & Bok. He is currently the Finance Partner and Head of Corporate Finance and the China Practice Group in Shook Lin & Bok. 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. He also serves on the Board of a number of other companies: Giant Wireless Technology Limited, Hyflux Ltd, Ocean Sky International Limited, SM Summit Holdings and Unisteel Technology Ltd.

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 honors and a Bachelor's degree in Commerce from the University of Newcastle, Australia.

Key Management

Mr Tan Seng Chun is our Chief Financial Officer. Mr Tan is responsible for the financial stewardship and information systems of our Group. He was with the Group since September 2003. Mr Tan holds a Bachelor of Accountancy degree from the Nanyang Technological University, Singapore and is a member of the Institute of Certified Public Accountants of Singapore.

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 People's Republic of China ("PRC"). Larry 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. Larry holds a Bachelor of Science (Mechanical Engineering) from Chung Cheng Institute of Technology, Taiwan.

Dr Yeh Yi Zen is our Director of Central Laboratory. He is responsible for overseeing the Group's research and the development of new materials and production processes. Dr Yeh has more than 10 years of working experience in nano material technology. He holds a Doctorate in Material Engineering from National Cheng Kung University, Taiwan and served as Associate Professor of National Chung Jung University, Taiwan from 1996 to 1999. Dr Yeh worked in several Taiwanese companies as manager of the Research and Development department prior to joining the Group in 2007.

Mr Ong Juan Liang, Samuel is our Deputy Director of International Sales. He is responsible for overseeing our marketing and business development initiatives in South Asia, Europe and America. 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 operation. Prior to assuming the post of General Manager of 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 Chang Chih Ching is the General Manager of our subsidiary, Huzhou Memtech Electronic Industries Co., Ltd. An entrepreneur and the proprietor of his own textile export company, Mr Chang is responsible for overseeing the overall management of our Huzhou plant. He has more than 20 years of experience in keypad manufacturing. Mr Chang holds a diploma in Science (Survey Engineering) from Tamkang College of Arts and Science (now known as Tamkang 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 International Ltd.

100%
Dongguan Memtech Electronic Products Co., Ltd

100%
Dongguan Memtech Precision Tools & Products Co., Ltd

100%
Dongguan Memtech Lens Technologies Co., Ltd

35.5%
Raytech Co., Ltd

100%
Nantong Memtech Electronic Industries Co., Ltd

100%
Nantong Memtech Technologies Co, Ltd

100%
Huzhou Memtech Electronic Industries Co., Ltd

35.5%
Raytech Technologies (Shenzhen) Co., Ltd

100%
Nantong Memtech TSP Solution Co., Ltd

100%
Taitech Singapore Pte Ltd

100%
Taitech Precision Electronic (Kunshan) Co., Ltd

25%
VLU Corporation Ltd

100%
Memtech Electronic Products Co., Ltd

100%
Memtech Technologies Holdings Co., Ltd

100%
Memtech Technologies Pte. Ltd.

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 2009 are as follows:

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

Column a: Number of meetings held while as a member

Column b: Number of meetings attended

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

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

Report on Corporate Governance

1 Board's Conduct of its Affairs (cont'd)

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

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

2 Board Composition and Balance

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

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

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

3 Chairman and Chief Executive Officer

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

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

3.3 The responsibilities of Chairman include the following:

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

Report on 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.

4.4 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 Chuang Wen Fu, Teow Joo Hwa and Chua Keng Hiang 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 directors. 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 Secretaries 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 Secretaries are present at all Board Meetings.

Report on Corporate Governance

Remuneration Matters

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

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

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

7.3 The RC's principal functions are to:

- review and recommend to the Board in consultation with the Management and the Chairman of the Board, a framework for the remuneration of executive directors and key management and to determine the specific remuneration packages and terms of employment for each of the executive directors and those managers related to the executive directors and controlling shareholders of the Group; and
- review and recommend to the Board in consultation with the Management and the Chairman of the Board, the Memtech Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

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

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

7.5 Executive directors do not receive directors' fees for the financial year ended 31 December 2009. 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 2009 is as follows:

	Remuneration				
	Fee[1]	Basic	Variable	Benefits in kind	Total
	%	%	%	%	%
Executive Directors					
Chuang Wen Fu	–	91	7	2	100
Yap Chin Kuan	–	58	40	2	100
Gu Cheng Hua	–	36	62	2	100
Teow Joo Hwa	–	88	8	4	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 2009.

Report on Corporate Governance

7 Procedures for Developing Remuneration Policies
Level of Mix of Remuneration
Disclosure of Remuneration (cont'd)

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

	2009	2008
Above S$500,000	–	–
S$250,000 to S$499,999	2	–
Below S$250,000	5	7
	7	7

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

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

	Salaries %	Bonus %	Benefits in kind %	Total %
S$250,000 to S$499,999				
Wang Jian	47	53	–	100
Below S$250,000				
Tan Seng Chun	83	10	7	100
Larry Lee Wei	86	10	4	100
Yeh Yi Zen	78	17	5	100
Chang Chih Ching	88	7	5	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 associates 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.

Report on Corporate Governance

9 Audit, Internal Controls and Internal Audit (cont'd)

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;
- review interested person transactions;
- review the independence of external auditors annually; and
- review the findings, if any, 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 Company's auditors is approximately S$11,000. This is in relation to tax services provided to the Company and its Singapore incorporated subsidiaries.

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

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

9.7 The Company has engaged PricewaterhouseCoopers to perform internal audit for FY2009. The Internal auditors ("IA") will report directly to the Chairman of the AC on audit matters. 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, Chief Financial Officer 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.

Report on Corporate Governance

9 Audit, Internal Controls and Internal Audit (cont'd)

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.

10.3 The Company engaged an external professional public relation company to assist in corporate communication matters. The Chairman, executive directors and Chief Financial Officer, 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 year end results, and ending one day after the date of the announcement of the results.

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

13 Compliance with Existing Best Practices to the Singapore Exchange

13.1 The Board confirms that for the financial year ended 31 December 2009, the Company has complied with the principal corporate governance recommendations set out in the Best Practices Guide issued by the SGX-ST.

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 2009.

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	8,882,000	10,559,000	–	–
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 2010.

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.

Directors' Report

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;

Directors' Report

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 2010

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 2009 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 2010

Independent Auditors' Report

For the financial year ended 31 December 2009

To the members of Memtech International Ltd.

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 78, which comprise the balance sheets of the Group and the Company as at 31 December 2009, 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 and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial statements 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,

(i) 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 2009 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; and

(ii) 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 2010

Profit and Loss Accounts

For the financial year ended 31 December 2009

	Note	Group 2009	Group 2008	Company 2009	Company 2008
		US$'000	US$'000	US$'000	US$'000
Revenue	4	104,600	109,332	–	–
Cost of sales		(88,296)	(92,823)	–	–
Gross profit		16,304	16,509	–	–
Other income	5	1,833	884	9	15
Sales and marketing expenses		(5,273)	(5,818)	(295)	(558)
General and administrative expenses		(10,621)	(7,753)	(429)	(495)
Exchange gain/(loss)	6	919	(2,437)	599	(305)
Other operating expenses		(495)	(134)	(247)	–
Finance costs	7	(4)	(38)	–	–
Share of results of associates		(124)	(624)	–	–
Profit/(loss) before tax	8	2,539	589	(363)	(1,343)
Taxation	9	(1,264)	73	–	–
Profit/(loss) for the year		1,275	662	(363)	(1,343)
Attributable to:					
Owners of the Company		2,415	1,280	(363)	(1,343)
Minority interests		(1,140)	(618)	–	–
		1,275	662	(363)	(1,343)
Basic and fully diluted earnings per share attributable to owners of the Company (US cents per share)	10	0.3	0.2		

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 2009

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Profit/(loss) for the year	1,275	662	(363)	(1,343)
Other comprehensive income (net of tax)				
Currency translation differences	(563)	6,655	1,508	349
Total comprehensive income for the year	712	7,317	1,145	(994)
Total comprehensive income attributable to:				
Owners of the Company	1,478	8,173	1,145	(994)
Minority interests	(766)	(856)	–	–
	712	7,317	1,145	(994)

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

Balance Sheets

As at 31 December 2009

	Note	Group 2009	Group 2008	Company 2009	Company 2008
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	11	42,083	44,470	2	8
Investment in subsidiaries	12	–	–	67,320	52,603
Investment in associates	13	2,073	6,731	2,303	7,618
Long term investment	14	2,023	–	2,023	–
Intangible assets	15	1,432	1,033	–	–
		47,611	52,234	71,648	60,229
Current Assets					
Cash and cash equivalents	16	38,393	32,310	494	355
Trade receivables	17	40,035	38,277	–	–
Bills and other receivables	18	11,339	10,938	13	14
Amounts due from subsidiaries	19	–	–	190	4,478
Prepayments		2,257	486	–	–
Inventories	20	8,391	8,904	–	–
		100,415	90,915	697	4,847
Current Liabilities					
Trade payables and accruals	21	27,581	20,716	266	260
Bills and other payables	22	5,291	7,033	10	11
Amounts due to subsidiaries	19	–	–	16,732	8,502
Loans and borrowings	23	–	3	–	–
Provision for taxation		655	149	15	15
Other liabilities	25	775	100	299	–
Derivatives	26	–	129	–	–
		34,302	28,130	17,322	8,788
Net Current Assets/(Liabilities)		66,113	62,785	(16,625)	(3,941)
Non-Current Liabilities					
Deferred tax liabilities	27	1,926	1,523	–	–
		1,926	1,523	–	–
Net Assets		111,798	113,496	55,023	56,288
Equity attributable to owners of the Company					
Share capital	28(a)	42,971	42,971	42,971	42,971
Treasury shares	28(b)	(502)	(479)	(502)	(479)
Currency translation reserve	29(a)	16,478	17,698	9,541	8,316
Statutory reserve fund	29(b)	3,787	3,747	–	–
Revenue reserves		48,512	48,241	3,013	5,480
		111,246	112,178	55,023	56,288
Minority interests		552	1,318	–	–
Total Equity		111,798	113,496	55,023	56,288

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 2009

	Attributable to owners of the Company							
	Share capital (Note 28(a))	Treasury shares (Note 28(b))	Revenue reserves	Currency translation reserve	Statutory reserve	Total reserves	Minority interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group								
At 1 January 2008	42,971	(427)	53,344	11,450	3,393	68,187	2,174	112,905
Net profit for the year	–	–	1,280	–	–	1,280	(618)	662
Other comprehensive income for the year	–	–	–	6,893	–	6,893	(238)	6,655
Total comprehensive income for the year	–	–	1,280	6,893	–	8,173	(856)	7,317
Transfer from revenue reserves	–	–	(354)	–	354	–	–	–
Dividends on ordinary shares (Note 38)	–	–	(6,029)	(645)	–	(6,674)	–	(6,674)
Purchase of treasury shares	–	(52)	–	–	–	–	–	(52)
At 31 December 2008 and 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 38)	–	–	(2,104)	(283)	–	(2,387)	–	(2,387)
Purchase of treasury shares	–	(23)	–	–	–	–	–	(23)
At 31 December 2009	42,971	(502)	48,512	16,478	3,787	68,777	552	111,798

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 2009

	Share capital (Note 28(a))	Treasury shares (Note 28(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 2008	42,971	(427)	12,852	8,612	21,464	64,008
Net loss for the year	–	–	(1,343)	–	(1,343)	(1,343)
Other comprehensive income for the year	–	–	–	349	349	349
Total comprehensive income for the year	–	–	(1,343)	349	(994)	(994)
Dividends on ordinary shares (Note 38)	–	–	(6,029)	(645)	(6,674)	(6,674)
Purchase of treasury shares	–	(52)	–	–	–	(52)
At 31 December 2008 and 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 38)	–	–	(2,104)	(283)	(2,387)	(2,387)
Purchase of treasury shares	–	(23)	–	–	–	(23)
At 31 December 2009	42,971	(502)	3,013	9,541	12,554	55,023

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 2009

	Note	2009	2008
		US$'000	US$'000
Cash flows from operating activities:			
Profit before tax		2,539	589
Adjustments for:			
Depreciation of property, plant and equipment	11	9,537	9,265
Interest expense	7	4	38
Interest income	5	(404)	(339)
Net loss on disposal of property, plant and equipment	8	441	27
Share of results of associates		124	624
Total adjustments		9,702	9,615
Operating cash flows before changes in working capital		12,241	10,204
Changes in working capital			
Trade and other receivables		(3,559)	20,030
Inventories		523	620
Trade and other payables		4,648	(11,645)
Total changes in working capital		1,612	9,005
Cash flows generated from operations		13,853	19,209
Income taxes paid		(856)	(1,350)
Net cash flows generated from operating activities		12,997	17,859
Cash flows used in investing activities:			
Purchase of property, plant and equipment		(5,267)	(8,610)
Proceeds from disposal of property, plant and equipment		186	49
Interest income received		208	339
Investment in associates		–	(5,649)
Investment in a subsidiary (net)	12	397	–
Long term investment		(51)	–
Net cash flows used in investing activities		(4,527)	(13,871)
Cash flows used in financing activities:			
Proceeds from loans and borrowings		–	5,202
Interest paid		(4)	(38)
Dividends paid on ordinary shares	38	(2,387)	(6,674)
Purchase of treasury shares	28(b)	(23)	(52)
Repayments of loans and borrowings		(3)	(5,126)
Net cash flows used in financing activities		(2,417)	(6,688)
Net increase/(decrease) in cash and cash equivalents		6,053	(2,700)
Effects of exchange rate changes on cash and cash equivalents		30	2,251
Cash and cash equivalents at the beginning of the year	16	32,310	32,759
Cash and cash equivalents at the end of the year	16	38,393	32,310

During the year, the Group acquired property, plant and equipment with an aggregate cost of US$5,901,000 (2008: US$8,838,000) whereby payments of US$5,267,000 (2008: US$8,610,000) (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 2009

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 a 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 as follows:

On 1 January 2009, the Group adopted the following FRS and INT FRS mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 *Presentation of Financial Statements* (Revised)
- Amendments to FRS 18 *Revenue*
- Amendments to FRS 23 *Borrowing Costs*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements* – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 *Share-based Payment* – Vesting Conditions and Cancellations
- Amendments to FRS 107 *Financial Instruments: Disclosures*
- FRS 108 *Operating Segments*
- Improvements to FRSs issued in 2008
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- Amendments to INT FRS 109 *Reassessment of Embedded Derivatives* and FRS 39 *Financial Instruments: Recognition and Measurement* – Embedded Derivatives
- INT FRS 118 *Transfers of Assets from Customers*

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

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

Adoption of these FRS and INT FRS did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

FRS 1 *Presentation of Financial Statements* – Revised presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

Amendments to FRS 107 *Financial Instruments: Disclosures*

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 34 and Note 33 to the financial statements respectively.

FRS 108 *Operating Segments*

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 37, including revised comparative information.

The adoption of the Amendment to FRS 1 (revised), FRS 107 and FRS 108 are assessed to have no material financial impact on the financial results and the financial position of the Group for the year ended 31 December 2009.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 24	Related Party Disclosures (Revised)	1 January 2011
FRS 27	Consolidated and Separate Financial Statements (Revised)	1 July 2009
FRS 32	Amendment to Financial instruments: Presentation – Amendment relating to Classification of Rights Issues	1 February 2010
FRS 39	Financial Instruments: Recognition and Measurement –Amendments relating to Eligible Hedged Items	1 July 2009
FRS 101	Amendments to FRS 101: First-Time Adoption of Financial Reporting Standards	1 January 2010
FRS 101	FRS 101 – First-Time Adoption of Financial Reporting Standards (Revised)	1 July 2009
FRS 102	Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
FRS 103	Business Combinations (Revised)	1 July 2009
INT FRS 109/ FRS 39	Amendments to INT FRS 109: Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement Embedded Derivaties	30 June 2009
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 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118	Transfers of Assets from customers	1 July 2009
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
–	Improvements to FRSs issued in 2009	
	– Amendments to FRS 38 *Intangible Assets*	1 July 2009
	– Amendments to FRS 102 *Share-based Payment*	1 July 2009
	– Amendments to INT FRS 109 *Reassessment of Embedded Derivatives*	1 July 2009
	– Amendments to INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*	1 July 2009
	– Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2010
	– Amendments to FRS 7 *Statement of Cash Flows*	1 January 2010
	– Amendments to FRS 17 *Leases*	1 January 2010
	– Amendments to FRS 18 *Revenue*	1 January 2010
	– Amendments to FRS 36 *Impairment of Assets*	1 January 2010
	– FRS 39 *Financial Instruments: Recognition and Measurement*	1 January 2010
	– Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2010
	– Amendments to FRS 108 *Operating Segments*	1 January 2010

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

2.3 *Future changes in accounting policies (cont'd)*

Except for the revised FRS 103 and the amendments to FRS 27, the Directors expect that the adoption of the other FRS and INT FRS 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 103 and the amendments to FRS 27 are described below.

<u>Revised FRS 103 *Business Combinations* and Amendments to FRS 27 *Consolidated and Separate Financial Statements*</u>

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 *Statement of Cash Flows*, FRS 12 *Income Taxes*, FRS 21 *The Effects of Changes in Foreign Exchange Rates*, FRS 28 *Investments in Associates* and FRS 31 *Interests in Joint Ventures*. The changes from the revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

2.4 *Basis of consolidation*

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

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit or loss on the date of acquisition.

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

2.5 *Transactions with minority interests*

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the profit or loss of the Group and within equity in the consolidated balance sheet, separately from shareholders' equity of the Company. Transactions with minority interests are accounted for using the extension method. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal to minority interests is recognised in the profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

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) Foreign currency transactions

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 balance sheet date. 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 balance sheet date 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 subsidiaries, 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 subsidiary.

(c) Foreign currency translation

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2.7 *Property, plant and equipment*

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

2.7 *Property, plant and equipment (cont'd)*

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.

2.8 *Intangible assets*

(a) Goodwill

Goodwill acquired in a business combination 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 is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. 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.

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 assessment 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. 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'.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

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

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. 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 measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable 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.

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

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

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

2.12 *Financial assets*

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.

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

A financial asset is derecognised 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 the profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

2.12 *Financial assets (cont'd)*

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.

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

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

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.

(b) Held-to-maturity investments

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. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(c) Loans and receivables

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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are 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 the 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.

2.13 *Impairment of financial assets*

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

(a) Assets carried at amortised cost

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

2.13 *Impairment of financial assets (cont'd)*

(a) 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) 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

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised 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.

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.

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

Provision is made for deteriorated, damaged, obsolete and slow-moving inventories.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

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

2.17 *Financial liabilities*

Financial liabilities within the scope of FRS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

2.19 *Employee benefits (cont'd)*

(a) Defined contribution plans (cont'd)

(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.

(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 transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. 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, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

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

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.

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

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.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks 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.

2.22 *Income taxes*

(a) Current tax

Current tax assets and liabilities 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 balance sheet date.

Current 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.

(b) Deferred tax

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

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

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

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries 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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

2.22 *Income taxes (cont'd)*

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

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

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

(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 other non-financial assets or liabilities 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 37, 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*

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

2.26 *Contingencies*

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

2.27 *Government grants and subsidies*

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

3. Significant accounting judgements and estimates

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

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 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 2009 were US$655,000 (2008: US$149,000) and US$1,926,000 (2008: US$1,523,000) 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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

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

(c) Impairment of long term investment

The Group reviews its available-for-sale equity instruments classified as long term investment at each balance sheet date to assess whether they are impaired. The Group also 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 2009, the amount of impairment loss recognised in the Company's profit or loss for available-for-sale financial assets was US$247,000 (2008: Nil).

(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 a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish 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. The valuation of financial instruments is described in more detail in Note 34.

3.2 *Key sources of estimation uncertainty*

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

(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 their 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 and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 11 to the financial statements.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. 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 balance sheet date is disclosed in Notes 11, 12, 13 and 15 to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

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

(c) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group 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 balance sheet date is disclosed in Note 30 to the financial statements.

4. Revenue

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Sale of keypads	90,878	91,418	–	–
Sale of other products	13,722	17,914	–	–
	104,600	109,332	–	–

5. Other income

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Fixed deposits interest income	404	339	–	15
Scrap sales	426	410	–	–
Government grants and subsidies	493	7	9	–
Insurance claim	277	–	–	–
Others	233	128	–	–
	1,833	884	9	15

6. Exchange gain/(loss)

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Foreign exchange gain/(loss)	767	(2,308)	599	(305)
Net fair value gain/(loss) on forward currency contracts	152	(129)	–	–
	919	(2,437)	599	(305)

Notes to the Financial Statements

For the financial year ended 31 December 2009

7. Finance costs

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Interest expense on:				
- Bank loans and borrowings	4	38	–	–

8. Profit/(loss) before tax

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

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Depreciation of property, plant and equipment *	9,537	9,265	6	21
Fees paid to a firm of which the Director is a member	6	13	6	13
Inventories written-down	972	1,850	–	–
Net loss on disposal of property, plant and equipment	441	27	–	–
Non-audit fees paid to auditors of the Company	8	6	4	4
Rental expense – operating leases	1,013	920	22	23
Staff costs				
– Salaries, bonus and other costs	30,690	29,534	334	390
– Defined contribution plans	2,751	2,131	60	46
Allowance for doubtful receivables, trade	1,936	374	–	–
Bad debts recovered	–	(1,277)	–	–
Impairment loss on long term investment	–	–	247	–

* Included in depreciation expense is an amount of US$8,391,000 (2008: US$8,448,000) charged under cost of sales.

Notes to the Financial Statements

For the financial year ended 31 December 2009

9. Taxation

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

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

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Statement of comprehensive income:				
Current income taxation				
- Current income taxation	1,280	930	–	–
- Overprovision in respect of previous years	(418)	(809)	–	–
Deferred taxation				
- Origination and reversal of temporary differences	402	(194)	–	–
Income tax expense/(credit) recognised in profit or loss	1,264	(73)	–	–

(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	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Profit/(loss) before tax	2,539	589	(363)	(1,343)
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,096	(88)	(62)	(242)
Adjustments:				
Non-deductible expenses	374	301	62	242
Effect of partial tax exemption and tax relief	(943)	(937)	–	–
Withholding tax on undistributed profits	402	365	–	–
Deferred tax assets not recognised	1,442	1,654	–	–
Benefits from previously unrecognised tax losses	(689)	–	–	–
Overprovision in respect of previous years	(418)	(809)	–	–
Other temporary differences	–	(559)	–	–
Income tax expense/(credit) recognised in profit or loss	1,264	(73)	–	–

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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

9. Taxation (cont'd)

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

The corporate income tax rates applicable to PRC subsidiaries of the Group were 0%, 12.5%, 15% and 25% (2008: 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.

Unrecognised tax losses

The Group has tax losses of approximately US$12,475,000 (2008: US$9,578,000) 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 amounts 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 computations of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2009	2008
	US$'000	US$'000
Profit for the year attributable to owners of the Company used in computation of basic and diluted earnings per share	2,415	1,280
	2009	2008
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation *	715,702	716,751

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 2008	6,440	49,929	2,631	1,071	4,942	835	65,848
Additions	2,049	3,857	642	142	616	1,532	8,838
Disposals	–	(433)	(60)	(83)	–	–	(576)
Reclassification	23	–	–	–	–	(23)	–
Translation difference	443	3,434	178	73	337	56	4,521
At 31 December 2008 and 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 (Note 12)	–	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	11,038	60,909	3,709	1,261	4,793	206	81,916
Accumulated depreciation:							
At 1 January 2008	713	17,163	1,907	710	3,132	–	23,625
Depreciation charge for the year	315	6,986	535	238	1,191	–	9,265
Disposals	–	(354)	(59)	(87)	–	–	(500)
Translation difference	55	1,289	139	51	237	–	1,771
At 31 December 2008 and 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 (Note 12)	–	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	1,567	31,009	3,000	966	3,291	–	39,833
Net carrying amount:							
At 31 December 2008	7,872	31,703	869	291	1,335	2,400	44,470
At 31 December 2009	9,471	29,900	709	295	1,502	206	42,083

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

Company	Office equipment	Renovation	Total
	US$'000	US$'000	US$'000
Cost:			
At 1 January 2008	25	37	62
Additions	3	–	3
Disposals	(2)	–	(2)
Translation difference	(1)	1	–
At 31 December 2008, 1 January 2009 and 31 December 2009	25	38	63
Accumulated depreciation:			
At 1 January 2008	14	22	36
Depreciation charge for the year	8	13	21
Translation difference	(2)	–	(2)
At 31 December 2008 and 1 January 2009	20	35	55
Depreciation charge for the year	3	3	6
At 31 December 2009	23	38	61
Net carrying amount:			
At 31 December 2008	5	3	8
At 31 December 2009	2	–	2

Asset held under finance leases

The carrying amount of motor vehicles held under finance leases as at 31 December 2009 was Nil (2008: US$3,000).

Leased assets were pledged as security for the related finance lease liabilities.

12. Investment in subsidiaries

	Company 2009	Company 2008
	US$'000	US$'000
Unquoted shares, at cost	67,320	52,603

Notes to the Financial Statements

For the financial year ended 31 December 2009

12. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2009	2008
Held by the Company				
Memtech Electronic Products Co., Ltd (i)	Hong Kong	Trading of keypads	100	100
Dongguan Memtech Electronic Products Co., Ltd (ii)	People's Republic of China ("PRC")	Manufacture and sale of keypads	100	100
Dongguan Memtech Precision Tools and Products Co., Ltd (iii)	PRC	Manufacture and sale of precision tools and moulds	100	100
Nantong Memtech Electronic Industrial Co., Ltd (iv)	PRC	Manufacture and sale of precision tools, moulds and keypads	100	100
Huzhou Memtech Electronic Industries Co., Ltd (v)	PRC	Manufacture and sale of precision tools, moulds and keypads	100	100
Dongguan Memtech Lens Technologies Co., Ltd (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 (formerly known as Tera China Co., Ltd) (vii)	PRC	Manufacture and sale of resistive and capacitive touch screen panels	100	–
Taitech Singapore Pte. Ltd. #	Singapore	Investment holding	75	75
Memtech Technologies Pte. Ltd. #	Singapore	Trading of electronics products	100	100
Memtech Technologies Holdings Co., Ltd @	Taiwan	Trading of keypads	100	100

Name	Country of incorporation	Principal activities	Proportion of equity held by the Group (%) 2009	2008
Held through a subsidiary *Taitech Singapore Pte. Ltd.*				
Taitech Precision Electronic (Kunshan) Co., Ltd (viii)	PRC	Manufacture and sale of plastic components and casings	75	75

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

(iv) Audited by Jiangsu Zhongruihua, Certified Public Accountants

(v) Audited by Peking Certified Public Accountants Zhejiang Office

(vi) Audited by Nantong Wanlong, Certified Public Accountants

(vii) Audited by Nantong Great Wall Associates, Certified Public Accountants

(viii) Audited by Kushan Gongxin Certified Public Accountants Co., Ltd

Audited by Ernst & Young LLP, Singapore

@ Not required to be audited by the law of its country of incorporation.

Acquisition of subsidiary

On 4 August 2009, the Company acquired an additional 80% (effective equity interest of 63.9%) in its 20% (effective equity interest of 36.1%) owned associate, Nantong Memtech TSP Solution Co., Ltd (formerly known as Tera China Co., Ltd) ("MTSP") by swopping 42,700 ordinary shares of its associate, Galaxia Display Co., Ltd (formerly known as Teradisplay Co., Ltd) ("GDCL"), as purchase consideration. Upon the acquisition, MTSP became a wholly-owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities of MTSP as at the date of acquisition were:

	Recognised on date of acquisition	Carrying amount before combination
	US$'000	US$'000
Plant and equipment	1,839	1,839
Receivables	13	13
Prepayments	479	479
Inventories	274	274
Cash and cash equivalents	417	417
Trade and other payables	(657)	(657)
Net identifiable assets	2,365	2,365

<u>Total cost of business combination</u>

The total cost of the business combination is as follows:

	US$'000
Consideration for 20% equity interest previously held:	
- Cash paid	600
Consideration for acquisition of additional 80% equity interest:	
- Cost of 42,700 ordinary shares of GDCL	
• Cash paid on 3 March 2008	2,755
• Adjustment on carrying value	(13)
- Directly attributable professional fees	20
	2,762
Total cost of business combination	3,362

Notes to the Financial Statements

For the financial year ended 31 December 2009

12. Investment in subsidiaries (cont'd)

Acquisition of subsidiary (cont'd)

	US$'000
The effect of acquisition on cash flows is as follows:	
Total consideration for 80% equity interest acquired	2,762
Less: Non-cash consideration	(2,742)
Consideration settled in cash	20
Less: Cash and cash equivalents of subsidiary acquired	(417)
Net cash inflow on acquisition	(397)

The total consideration for the 20% equity interest in MTSP was paid by the Company on 4 June 2008 and it represented the fair value of the share of net identifiable assets acquired on that date.

In connection with the acquisition of additional 80% equity interest in MTSP, the Company effectively transferred 42,700 shares in GDCL with a total fair value of US$2,762,000, being the price arrived at on a willing-buyer, willing-seller basis, to the vendor.

Impact of acquisition on profit or loss

From the date of acquisition, MTSP has incurred loss of US$579,000. If the combination had taken place at the beginning of the financial year, the Group's profit net of tax would have been US$1,337,000 and revenue would have been US$104,852,000.

Goodwill arising on acquisition

The subscription of 20% equity interest in MTSP on 4 June 2008 did not give rise to any goodwill. Goodwill of US$397,000 arose from the acquisition of additional 80% equity interest in MTSP and is attributable to in-house developed technological knowhow of touch screen panels business which is not recognised separately.

13. Investment in associates

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Unquoted shares, at cost	7,618	7,727	7,618	7,727
Reclassification	(5,195)	–	(5,382)	–
Share of post-acquisition reserves	(202)	(847)	–	–
Translation difference	(148)	(149)	67	(109)
Carrying amount of investment	2,073	6,731	2,303	7,618

Notes to the Financial Statements

For the financial year ended 31 December 2009

13. Investment in associates (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2009	2008
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	49.0
VLU Corporation Limited @	South Korea	Design, manufacture and sales of magnesium alloy products	25.0	25.0
Galaxia Display Co., Ltd (formerly known as Teradisplay Co., Ltd) **	South Korea	Manufacture and sales of touch screen panels	–	20.1
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	49.0
Galaxia Display Co., Ltd (formerly known as Teradisplay Co., Ltd) **				
Nantong Memtech TSP Solution Co., Ltd (formerly known as Tera China Co., Ltd) ****	PRC	Manufacture and sales of touch screen panels	–	36.1

* Audited by Lee, Sek, Chiu & Hui, Certified Public Accountants

** Audited by Dasan Accounting Corporation

*** Audited by Wongga Partners Certified Public Accountants (SZ)

**** Audited by Nantong Great Wall Associates, Certified Public Accountants

@ Not required to be audited by the law of its country of incorporation

This associate is in the process of being liquidated

On 4 August 2009, the Company swopped 42,700 shares in Galaxia Display Co., Ltd (formerly known as Teradisplay Co., Ltd) ("GDCL"), representing 8.8% equity interest in GDCL as purchase consideration for the acquisition of additional 80% interests in Nantong Memtech TSP Solution Co., Ltd (formerly known as Tera China Co., Ltd) ("MTSP"). Upon the transfer, cost of investment of the remaining 11.3% GDCL equity interest held by the Company is reclassified as long term investment and an available-for-sale financial asset of the Company. MTSP became a wholly owned subsidiary of the Company after the share transfer.

Notes to the Financial Statements

For the financial year ended 31 December 2009

13. Investment in associates (cont'd)

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

	Group	
	2009	2008
	US$'000	US$'000
Assets and liabilities		
Current assets	2,518	9,006
Non-current assets	840	5,238
Total assets	3,358	14,244
Current liabilities	958	3,533
Non-current liabilities	–	1,404
Total liabilities	958	4,937
Results		
Revenue	2,763	3,173
Profit/(loss) for the year	442	(2,871)

14. Long term investment

	Group and Company	
	2009	2008
	US$'000	US$'000
Available-for-sale financial asset:		
Equity instruments (unquoted), at cost	2,270	–
Less: Impairment loss	(247)	–
	2,023	–

Impairment loss recognised

During the financial year, the Company recognised an impairment loss to write-down the carrying amount of long term investment. The amount of impairment loss recognised represents the Group's share of losses of the investee previously held as an associate (Note 13), adjusted for the current equity interest holding.

15. Intangible assets

Group	Goodwill	Club memberships	Total
	US$'000	US$'000	US$'000
Cost and carrying amount:			
At 1 January 2008	832	135	967
Translation difference	57	9	66
At 31 December 2008 and 1 January 2009	889	144	1,033
Addition	397	–	397
Translation difference	2	–	2
At 31 December 2009	1,288	144	1,432

Notes to the Financial Statements

For the financial year ended 31 December 2009

15. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to three individual cash-generating units ("CGU") 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	
	2009	2008	2009	2008	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	504	503	386	386	398	–	1,288	889

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%. The average growth rate used to extrapolate the cash flows is 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	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	35,537	29,457	494	355
Short-term deposits	2,856	2,853	–	–
	38,393	32,310	494	355

Cash at banks earn interest at floating rates based on daily deposit rates of up to 0.5% (2008: 1.7%) 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 is 2.4% (2008: 2.5%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2009

16. Cash and cash equivalents (cont'd)

Cash and short-term deposits are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	24,832	20,560	–	–
United States Dollar (USD)	11,392	8,173	331	63
Hong Kong Dollar (HKD)	1,197	2,721	–	–
Singapore Dollar (SGD)	863	765	163	292
Other currencies	109	91	–	–
	38,393	32,310	494	355

17. Trade receivables

	Group	
	2009	2008
	US$'000	US$'000
Trade receivables	43,880	40,371
Amounts due from related companies	1	607
	43,881	40,978
Less: Allowance for doubtful trade receivables	(3,846)	(2,701)
	40,035	38,277

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	
	2009	2008
	US$'000	US$'000
Renminbi (RMB)	28,193	23,780
United States Dollar (USD)	14,221	14,623
Hong Kong Dollar (HKD)	883	2,459
Euro Dollar (EUR)	255	116
Singapore Dollar (SGD)	329	–
	43,881	40,978

Notes to the Financial Statements

For the financial year ended 31 December 2009

17. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$5,645,000 (2008: US$16,153,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2009	2008
	US$'000	US$'000
Trade receivables past due:		
Lesser than 60 days	4,524	10,490
60 to 120 days	461	3,129
More than 120 days	660	2,534
	5,645	16,153

Receivables that are impaired

	Group			
	Individually impaired		Collectively impaired	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Impaired trade receivables	3,846	2,701	–	–
Less: Allowance for impairment	(3,846)	(2,701)	–	–
	–	–	–	–

Movement in allowance accounts

	Group	
	2009	2008
	US$'000	US$'000
At 1 January	2,701	2,111
Charge for the year	1,936	374
Written off against allowance	(795)	–
Translation difference	4	216
At 31 December	3,846	2,701

Trade receivables that are individually determined to be impaired at the balance sheet 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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

18. Bills and other receivables

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Bills receivables	9,994	8,286	–	–
Deposits	371	347	8	8
Other receivables	974	2,305	5	6
	11,339	10,938	13	14

Bills receivables have an average maturity of 100 days (2008: 61 days), with effective interest rates of 2.7% (2008: 2.6%) per annum.

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

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	11,329	10,926	–	–
Singapore Dollar (SGD)	8	12	13	14
New Taiwan Dollar (NTD)	2	–	–	–
	11,339	10,938	13	14

19. Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are non-interest bearing and are repayable on 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	
	2009	2008
Amounts due from subsidiaries		
United States Dollar (USD)	188	4,468
Singapore Dollar (SGD)	2	10
	190	4,478
Amounts due to subsidiaries		
United States Dollar (USD)	(12,594)	(7,593)
Singapore Dollar (SGD)	(4,094)	(865)
Renminbi (RMB)	(44)	(44)
	(16,732)	(8,502)

Notes to the Financial Statements

For the financial year ended 31 December 2009

20. Inventories

	Group	
	2009	2008
	US$'000	US$'000
Balance sheet:		
Raw materials	3,231	2,690
Work-in-progress	1,933	1,641
Finished goods	2,929	4,131
Sundry consumables	298	442
	8,391	8,904
Profit and loss account:		
Inventories recognised as an expense in cost of sales	88,296	92,823
Inclusive of the following charge		
- Inventories written-down	972	1,850

21. Trade payables and accruals

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Trade payables	23,190	19,089	–	–
Amounts due to related companies	24	5	–	–
Accruals	4,367	1,622	266	260
	27,581	20,716	266	260

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

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

Trade payables and accruals are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	26,577	19,903	–	–
United States Dollar (USD)	467	392	–	–
Singapore Dollar (SGD)	477	265	266	260
Hong Kong Dollar (HKD)	32	129	–	–
Other currencies	28	27	–	–
	27,581	20,716	266	260

Notes to the Financial Statements

For the financial year ended 31 December 2009

22. Bills and other payables

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Bills payables	2,626	3,721	–	–
Other payables	2,665	3,312	10	11
	5,291	7,033	10	11

Bills and other payables are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	5,271	6,992	–	–
United States Dollar (USD)	–	30	–	11
Singapore Dollar (SGD)	10	11	10	–
Others	10	–	–	–
	5,291	7,033	10	11

Bills payables have an average maturity of 123 days (2008: 117 days) with effective interest rates of 2.7% (2008: 2.6%) per annum.

Included in other payables is an amount of US$2,166,000 (2008: US$1,807,000) relating to purchase of plant and equipment.

23. Loans and borrowings

		Group	
	Maturity	2009	2008
		US$'000	US$'000
Current:			
Obligations under finance leases - secured (Note 24)	2009	–	3

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 11)

24. Finance leases

The Group has finance leases for certain items of motor vehicles (Note 11). These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease. The average discount rate implicit in the leases is Nil (2008: 2.01%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2009

24. Finance leases (cont'd)

Future minimum lease payments under lease together with the present value of the net minimum lease payments were as follows:

Group	2009 Minimum payments	2009 Present value of payments	2008 Minimum payments	2008 Present value of payments
	US$'000	US$'000	US$'000	US$'000
Within one year	–	–	3	3
Total minimum lease payments	–	–	3	3
Less: Amounts representing finance charges	–	–	–	–
Present value of minimum lease payments	–	–	3	3

25. Other liabilities

Other liabilities relates to advances from customers.

26. Derivatives

During the financial year, the Group entered into various deliverable forward contracts to buy and sell United States Dollars. As at 31 December 2008, the Group had the following outstanding forward contracts.

The terms of these contracts and the fair value of these derivative financial instruments as at 31 December 2008 are as follows:

Group	Maturity dates	Contract/ Notional amount Buy	Fair value
		US$'000	US$'000
2008			
Deliverable forward contracts	12 January 2009- 29 May 2009	5,000	(129)

The Group does not apply hedge accounting.

27. Deferred tax liabilities

	Group 2009	Group 2008
	US$'000	US$'000
Balance at beginning of year	1,523	1,609
Current year deferred taxation	402	(194)
Translation difference	1	108
Balance at end of year	1,926	1,523

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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

28. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2009		2008	
	No. of shares		No. of shares	
	'000	US$'000	'000	US$'000
Issued and fully paid:				
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.

(b) Treasury shares

	Group and Company			
	2009		2008	
	No. of shares		No. of shares	
	'000	US$'000	'000	US$'000
At 1 January	3,700	479	3,000	427
Acquired during the financial year	660	23	700	52
At 31 December	4,360	502	3,700	479

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

The Company acquired 660,000 (2008: 700,000) ordinary shares in the Company through open market purchases on the Singapore Exchange during the year. The total amount paid to acquire the ordinary shares was US$23,000 (2008: US$52,000) and this is presented as a component within shareholders' equity.

Notes to the Financial Statements

For the financial year ended 31 December 2009

29. Other reserves

(a) Currency translation reserve

The currency translation reserve records 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.

30. Loans and receivables

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Current				
Trade receivables (Note 17)	40,035	38,277	–	–
Bills and other receivables (Note 18)	11,339	10,938	13	14
Amounts due from subsidiaries (Note 19)	–	–	190	4,478
Total trade and other receivables	51,374	49,215	203	4,492
Add: Cash and cash equivalents (Note 16)	38,393	32,310	494	355
Total loans and receivables	89,767	81,525	697	4,847

31. Financial liabilities carried at amortised cost

	Group		Company	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables and accruals (Note 21)	27,581	20,716	266	260
Bills and other payables (Note 22)	5,291	7,033	10	11
Amounts due to subsidiaries (Note 19)	–	–	16,732	8,502
Loans and borrowings (Note 23)	–	3	–	–
	32,872	27,752	17,008	8,773

Notes to the Financial Statements

For the financial year ended 31 December 2009

32. Commitments and contingencies

(a) Capital commitments

Capital expenditure contracted for as at balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2009	2008
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	1,937	1,399

(b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 3 years (2008: 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.

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

	Group	
	2009	2008
	US$'000	US$'000
Not later than one year	977	862
Later than one year but not later than five years	1,249	766
	2,226	1,628

33. 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.

(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 cash equivalents), 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.

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 2009, there were no significant concentrations of credit risk.

Notes to the Financial Statements

For the financial year ended 31 December 2009

33. 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

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

	2009			2008		
	One year or less	One to five years	Total	One year or less	One to five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
Financial assets:						
Long term investment	–	2,023	2,023	–	–	–
Cash and cash equivalents	38,393	–	38,393	32,310	–	32,310
Trade receivables	40,035	–	40,035	38,277	–	38,277
Bills and other receivables	11,339	–	11,339	10,938	–	10,938
Total undiscounted financial assets	89,767	2,023	91,790	81,525	–	81,525
Financial liabilities:						
Trade payables and accruals	27,581	–	27,581	20,716	–	20,716
Bills and other payables	5,291	–	5,291	7,033	–	7,033
Loans and borrowings	–	–	–	3	–	3
Derivatives	–	–	–	129	–	129
Total undiscounted financial liabilities	32,872	–	32,872	27,881	–	27,881
Total net undiscounted financial assets	56,895	2,023	58,918	53,644	–	53,644

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2009			2008		
	One year or less	One to five years	Total	One year or less	One to five years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Company						
Financial assets:						
Long term investment	–	2,023	2,023	–	–	–
Cash and cash equivalents	494	–	494	355	–	355
Bills and other receivables	13	–	13	14	–	14
Amount due from subsidiaries	190	–	190	4,478	–	4,478
Total undiscounted financial assets	697	2,023	2,720	4,847	–	4,847
Financial liabilities:						
Trade payables and accruals	266	–	266	260	–	260
Bills and other payables	10	–	10	11	–	11
Amounts due to subsidiaries	16,732	–	16,732	8,502	–	8,502
Total undiscounted financial liabilities	17,008	–	17,008	8,773	–	8,773
Total net undiscounted financial (liabilities)/assets	(16,311)	2,023	(14,288)	(3,926)	–	(3,926)

(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 RMB/USD exchange rates.

The Group also has transactional currency exposures arising from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 61% (2008: 54%) of the Group's sales are denominated in the functional currency of the operating unit making the sale, whilst almost 85% (2008: 89%) of costs are denominated in the unit's functional currency.

The Group and the Company also hold cash and cash equivalents 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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

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

		Group Profit after tax 2009	Group Profit after tax 2008
		US$'000	US$'000
RMB	strengthened 3% (2008: 3%)	(778)	(693)
	strengthened 5% (2008: 5%)	(1,323)	(1,179)
SGD	strengthened 3% (2008: 3%)	2	24
	strengthened 5% (2008: 5%)	3	40

34. 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 that are carried at fair value

Forward contracts

As at 31 December, the Group has the following outstanding forward contracts.

	Note	2009 Contract/ Notional amount Buy	2009 Estimated fair value	2008 Contract/ Notional amount Buy	2008 Estimated fair value
		US$'000	US$'000	US$'000	US$'000
Deliverable forward contracts	26	–	–	5,000	(129)

The maturity dates of the foreign exchange forward contracts approximate the timing of the expected cash flow of their respective hedged items, which are on varying periods of up to 5 months from the financial year end.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

34. Fair value of financial instruments (cont'd)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

Determination of fair value

Forward contracts (Note 26): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

(b) 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, current trade and other receivables, current trade and other payables, current finance leases and amounts due from/(to) subsidiaries, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently.

(c) 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.

35. 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 2009 and 31 December 2008.

As disclosed in Note 29(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 2009 and 2008.

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. Loans and borrowings from financial institutions as at 31 December 2009 was Nil (2008: US$3,000).

Notes to the Financial Statements

For the financial year ended 31 December 2009

36. Related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

The following significant transactions between the Group and related parties who are not members of the Group took place during the year on terms agreed between the parties:

(a) Sale and purchase of goods and services

	Group	
	2009	2008
	US$'000	US$'000
Sale of goods	134	698
Purchase of services	1,304	1,066
Purchase of goods	6	267

(b) Compensation of key management personnel

	Group	
	2009	2008
	US$'000	US$'000
Short-term employment benefits	1,830	1,721
Total compensation paid to key management personnel	1,830	1,721
Comprise amounts paid to:		
• Directors of the Group	886	698
• Other key management personnel	944	1,023
	1,830	1,721

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

37. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

37. Segment information (cont'd)

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

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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	90,878	91,418	13,695	17,914	27	–	–	–	104,600	109,332
Intersegment sales	153	3,145	16	1,157	–	–	(169)	(4,302)	–	–
Total revenue	91,031	94,563	13,711	19,071	27	–	(169)	(4,302)	104,600	109,332
Results:										
Segment results	8,275	1,787	(5,029)	(536)	(579)	–	–	–	2,667	1,251
Finance costs									(4)	(38)
Share of results of associates									(124)	(624)
Profit before taxation									2,539	589
Taxation									(1,264)	73
Profit for the year									1,275	662

	Keypads		Plastics		Touch Screen Panels		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets and Liabilities:								
Segment assets	111,697	110,692	22,748	18,943	3,600	5,358	138,045	134,993
Unallocated assets							9,981	8,156
Total assets							148,026	143,149
Segment liabilities	29,295	23,795	6,598	5,858	335	–	36,228	29,653
Unallocated liabilities							–	–
Total liabilities							36,228	29,653
Other segment information:								
Capital expenditure:								
- Property, plant and equipment	3,914	8,294	1,511	544	496	–	5,921	8,838
Depreciation	8,071	7,850	1,353	1,415	113	–	9,537	9,265

Notes to the Financial Statements

For the financial year ended 31 December 2009

37. Segment information (cont'd)

Currency information

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

	RMB		Other currencies *		Consolidated	
	2009	2008	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue:						
Segment revenue						
Sales to external customers	63,819	58,931	40,781	50,401	104,600	109,332
As a percentage of sales	61.0%	53.9%	39.0%	46.1%	100%	100%

* Other currencies mainly comprise of USD.

38. Dividends

	Group and Company	
	2009	2008
	US$'000	US$'000
Declared and paid during the year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2009: S$0.005 (2008: S$0.013) per share	2,387	6,674
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 2009: S$0.0075 (2008: S$0.005) per share	3,823	2,477

39. Events occurring after the balance sheet date

(a) Acquisition of minority interests

On 5 February 2010, the Company acquired an additional 25% equity interest in Taitech Singapore Pte. Ltd. ("TTS") for a 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 a wholly-owned subsidiary of the Company. On the date of acquisition, the book value of the additional interest acquired was US$486,000. The difference between the consideration and the book value of the interest acquired of US$714,000 is recognised in goodwill.

(b) Legal proceedings against a customer

Taitech Precision Electronic (Kunshan) Co., Ltd ("MTKS"), a subsidiary of the Company, has 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$1.8 million. As at the date of this report, allowance for doubtful trade receivables of US$180,000 had been made for trade debts due from this customer. No additional allowance for doubtful trade receivables has been made as the Directors are confident of recovering the amount through the legal proceedings. As at the date of this report, no proposal for settlement or counterclaim has been received from the customer.

40. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on 25 March 2010.

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 2009

No. of Issued Shares	-	720,000,000		
No. of Treasury Shares Held	-	4,360,000		
Class of shares	-	Ordinary shares		
Voting rights	-	On a show of hands	:	1 vote for each member
	-	On a poll	:	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 2010, 45.71% 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	3	0.15	291	0.00
1,000 - 10,000	712	36.03	3,942,200	0.55
10,001 - 1,000,000	1,219	61.69	104,842,509	14.56
1,000,001 and above	42	2.13	611,215,000	84.89
	1,976	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	43.09
2	DBS Nominees Pte Ltd	37,281,000	5.21
3	OCBC Capital Investment I Pte Ltd	33,333,000	4.66
4	Chuang Tze Dey (Zhuang Zidi)	27,837,000	3.89
5	Wang Jian	21,412,000	2.99
6	OCBC Securities Private Ltd	12,467,000	1.74
7	Citibank Nominees Singapore Pte Ltd	12,411,000	1.73
8	UOB Kay Hian Pte Ltd	12,036,000	1.68
9	Yap Chin Kuan	12,000,000	1.68
10	HSBC (S) Nominees Pte Ltd	11,015,000	1.54
11	Chuang Wen Fu	10,559,000	1.48
12	HL Bank Nominees (S) Pte Ltd	9,000,000	1.26
13	Chuang Tze Mon (Zhuang Zimeng)	8,548,000	1.19
14	Kao, Hsiu-Hua	8,455,000	1.18
15	Heng Ngee Boon	7,419,000	1.04
16	Gu Chenghua	7,229,000	1.01
17	Chen Zhengmao	7,133,000	1.00
18	Hong Leong Finance Nominees Pte Ltd	6,900,000	0.96
19	CIMB Bank Nominees (S) Sdn Bhd	6,000,000	0.84
20	Huang Cheng	4,313,000	0.60
		563,740,000	78.77

Shareholdings Statistics

As at 15 March 2009

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
	Direct Interests	Deemed Interests	%**
Keytech Investment Pte Ltd	308,392,000	–	43.09

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 15 March 2010, excluding 4,360,000 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 Sheraton Towers Singapore, Diamond Room, 39 Scotts Road, Singapore 228230 on Wednesday, 28 April 2010 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 2009 and the Auditors' Report thereon. [Resolution 1]

2 To declare a tax-exempt 1-tier first and final dividend of 0.75 Singapore cents per share for the financial year ended 31 December 2009. [Resolution 2]

3 To approve the payment of Directors' fees of S$150,000 for the financial year ended 31 December 2009. [Year 2008: S$150,000]. [Resolution 3]

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

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

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

As Special Business

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

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

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

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares,

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

Notice of Annual General Meeting

(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 Appendix 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
12 April 2010

Notice of Books Closure Date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed at 5.00 p.m. on 7 May 2010 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 28 April 2010.

Duly completed transfers received by the Company's Registrar, M & C Services Private Limited, at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on 7 May 2010 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 7 May 2010 will be entitled to the dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 21 May 2010.

Notice of Annual General Meeting

Explanatory Notes :

(i) Mr Chua Keng Hiang, if elected, will remain as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration 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 Appendix 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 Company's 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.

Important:

1. For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Memtech International Ltd. not less than 48 hours before the time appointed for holding the meeting.

PROXY FORM
ANNUAL GENERAL MEETING

I/We ____

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

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

and/or (delete as appropriate)

as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of MEMTECH INTERNATIONAL LTD. to be held at Sheraton Towers Singapore, Diamond Room, 39 Scotts Road, Singapore 228230 on Wednesday, 28 April 2010 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 Chuang Wen Fu		
	(b) Mr Teow Joo Hwa		
	(c) Mr Chua Keng Hiang		
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 ________________ 2010.

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 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

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

COMPANY REGISTRATION NUMBER

200312032Z

PRINCIPAL BUSINESS ADDRESS

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

REGISTRAR AND SHARE TRANSFER OFFICE

M & C Services Private Limited
138 Robinson Road
The Corporate Office #17-00
Singapore 068906

INVESTOR RELATIONS

Memtech International Ltd.
Zhang Liu Qing
Block 4009 Ang Mo Kio Ave 10
Techplace 1 #02-33
Singapore 569738
Tel: +65 6456 1223
Fax: +65 6456 1226
ir@memtechchina.com
www.memtechchina.com

Citigate Dewe Rogerson i.MAGE
Chia Hui Kheng
1 Raffles Place #26-02
OUB Centre
Singapore 048616
Tel: +65 6534 5122
Fax: +65 6534 4171
huikheng.chia@citigatedrimage.com

AUDITORS

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

BANKERS

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

Memtech International Ltd.
Block 4009 Ang Mo Kio Ave 10
Techplace 1 #02-33 Singapore 569738

Tel: 65 64561223
Fax: 65 64561226

www.memtechchina.com