EXTENDING CAPABILITIES EXTENDING POTENTIAL

ANNUAL REPORT 2014

MEMTECH

Memtech International Ltd.

CONTENTS

CORPORATE PROFILE

MEMTECH is a global components solution provider working with our partners in the business of Automotive Components, Industrial & Medical, Mobile Communications and Consumer Digital devices.

We are a Singapore-based company with three manufacturing sites in P.R.China: Dongguan, Kunshan & Nantong. Besides a wide network of sales & engineering offices in PRC, we also have offices in Germany, Japan, U.S.A and Taiwan to support our global reach of products & services.

Memtech's customers include major automotive suppliers Hella, Magna, Lear, Denso, and Kostal. We are also providing solutions to major car manufacturers including VW, GM and most recently Tesla ; At the same time, leading manufacturers including Foxconn and Celestica, along with reknowned brands such as Huawei, Lenovo, Samsung, and Netgear which are also our long-term customers.

OUR BUSINESS SEGMENT

AUTOMOTIVE

Memtech provides solutions to our customers in the automotive segments including precision parts used in ECU, functional parts used in door/seating/ mirror controls and decorative parts used in Key-Fobs, body control & Infotainment systems.

INDUSTRIAL & MEDICAL

Memtech understands the needs & requirements of different businesses and helps our customers to develop innovative products in various niche Industrial and Medical areas.

MOBILE COMMUNICATIONS

Memtech is highly experienced in the business of high volume/fast moving mobile telecommunications devices. We have the full capabilities to provide modular services including Keypads, Window-lens, Plastic Housings and Antennas

CONSUMER DIGITALS

By combining our strong capabilites in toolings and manufacturing processes, Memtech creates unique value to our customers in the competitive consumer electronics segment. Our products make full use of the combination of engineering and decorative parts.

CHAIRMAN'S MESSAGE

"I'm pleased to report that our Group achieved US$137.6 million revenue for 2014, which is an 18% increase compared to US$116.6 million obtained in FY2013. This shows that our continuous efforts devoted to the marketing and diversification of our product range have paid off."

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present an overview for the performance of Memtech International Ltd ("the Group") for the financial year ended 31 December 2014 ("FY2014").

OVERVIEW FOR FY2014

During the year in review, the Group faced challenges of uncertainty in the global economy following the global financial crisis. Global oil prices plummeted unexpectedly. Although the US economy experienced a strong recovery, the developing markets remained weak. Fears of the European economy falling also cast a pall on business conditions. In China, brought on by increasing pressures as a result of rising labour costs and weakening of currencies of developing economies, the GDP growth in 2014 fell to its lowest in 15 years, standing at 7.1%.

Global GDP growth stood at an average of 5% for the past five years. Economists predict that average global GDP growth will be below 3% in the next five years. The Group will cautiously monitor the situation and will stand prepared to face the challenges in the next year.

FINANCIAL PERFORMANCE

Despite the many difficulties we met in the face of the volatility of the global economy during FY2014, I am pleased to report that our Group achieved US$137.6 million revenue for 2014, an 18% increase from that of FY2013. This shows that our continuous efforts devoted to the marketing and diversification of our product range have paid off.

Gross profit rebounded 32.1%, increasing from US$18.2 million in FY2013 to US$24.04 million in FY2014. Correspondingly, gross profit margin increased from 15.6% to 17.5% for the year in review.

For FY2014, the Group managed to reverse the net loss of US$3.8 million in 2013, recording a net profit of US$17.18 million, of which operating profit stands at US$6.46 million and US$10.72 million is attributed to the gain from liquidation of our Hong Kong subsidiary.

The Group's financial position and cash flow remain healthy with current ratio of 3.0 times and cash and cash equivalents amounting US$32.40 million. Earnings Per Share for FY2014 was 0.9 US cents, compared to a loss per share of 0.5 US cents in FY2013 (not taking into account the liquidation gain from our Hong Kong subsidiary).

OPERATIONS REVIEW

Our strategic move to diversify the Group's product range saw marked success in FY2013, with a significant improvement in sales to the automotive and consumer electronics sectors. During the year in review, we continued building upon this foundation and have seen more positive results.

The Group made a painful decision to cease operations of its Touch Screen Panel business segment in 2013, one which proved correct having prevented us from suffering the same fate as many of our competitors who had to fold their Touch Screen Panel business during FY2014.

We previously undertook a streamlining exercise to consolidate our subsidiaries in order to achieve greater operational efficiency and cost savings. Dongguan Memtech Precision Tools & Products Co., Ltd. and Dongguan Memtech Lens Technologies Co., Ltd. were merged with Dongguan Memtech Electronics Products Co., Ltd.; and Nantong Memtech Electronics Industries Co., Ltd. was merged with Nantong Memtech Technologies Co., Ltd.

During the year, we further restructured our business, consolidating our Dongguan, Nantong and Kunshan operations into individual profit centres.

In the course of our global business development, we successfully restructured our marketing department. Our initiative of setting up focus-specific teams to drive development in new markets as well as to serve our key-customers was also successfully attained. We seek to prepare and invest for the future, and be able to secure more established clientele.

OUTLOOK FOR FY2015

In 2014, the Group successfully repositioned itself in the market with a diversified product range. We believe this will serve as a strong and stable foundation as we strive towards a better future in the automotive and consumer electronic products market.

We are aware of the challenges of the increasing costs and labour shortages faced by our operations in China and will be taking the necessary measures to overcome them.

Barring any unforeseen circumstances, we expect to see improvements to the Group's operations in 2015.

In Appreciation

On behalf of the Group, I would like to express my gratitude to our valued shareholders, and at the same time thank all customers, suppliers and business partners for their continued support through the years. To my fellow Board of Directors, management team and employees, a great thank you for your hard work and contributions in the past year. Let us look forward to brighter prospects in the year of 2015!

Chuang Wen Fu
Executive Chairman
April 2015

主席致辞

“万德集团2014年的全年销售为1亿3760万美元，与2013年的1亿1660万美元相比，有18%的成长。我们持续全力进行的，在外部市场的转型与内部管控的升级，多方面的努力，显然已见到了效益。”

敬爱的股东们：

我谨代表万德国际的董事会，向您汇报集团在2014年的业绩与业务报告。

回顾2014年

2014年，万德集团虽然面对自金融海啸后，全球经济的更加风云莫测，国际油价意外的直线下坠，美国经济复苏强劲，新兴市场却相对疲弱，以及欧洲再度陷入欧元解体的种种危机。在中国，由于劳动成本的持续高涨与受到新兴经济体货币的竞相贬值，去年的GDP成长下滑到7.1%，是15年来的新低点，中国央行总裁周小川说这可能会是常态。同样的过去五年。全球GDP平均成长率在5%，经济学者谨慎预言，未来五年将降低为3%，也就是进入了所谓的“新平庸”时代。无论如何，我们会以更谨慎的态度，来面对2015的新挑战。

财务概况

面对2014年的种种经济急速变动的挑战，本人仍然乐于报告，万德集团的全年销售增加18%达到了1亿3757万美元，我们持续全力进行的，在外部市场的转型与内部管控的升级，多方面的努力，显然已见到了效益。

集团毛利更强劲的反弹32.1%，由2013年的1820万美元增长到2404万美元，也就是毛利率由15.6%增加到17.5%。

2013年万德集团的净亏损380万美元，2014年却能转亏为盈，净盈利为1718万美元，经营盈利为646万美元，另有1072万美元为香港子公司清算盈利。截止于2014年12月31日，集团的财务状况与资金流都属健康状态，流动比率为3.0倍。现金及现金等价物总和为3240万，每股EPS由负0.5美分提高到正0.9美分（不包含香港子公司清算盈利）。

营运回顾

市场深耕及产品往汽车配件与消费性数据电子市场转型的策略，已在2013年度发挥了显著的成效，而于2014年也在此坚实的基础上，取得更正面的结果。

回忆2013年，万德全面终止触控屏的继续投入于运行。事实证明，我们当时的痛苦抉择是正确的。因为在过去的一年，触控屏行业经历了一连串的倒闭潮，我们倖免於被捲入。

为提高运行效益及降低管理成本，集团曾经进行了组织缩编行动。除了把广东东莞厂区的二个工厂（镜片厂与精密模具厂）并入东莞万德电子，也同时将江苏南通厂区的南通万德电子厂并入南通万德科技公司之内。

去年再次整编，把在中国境内的东莞、南通和昆山三个厂区，成为财务独立核算的制造中心，也就是通称的「利润中心」，以加强竞争力。

我们也对营销部门进行重整，成立了新兴市场和重点客户综合开发部门。寻求与世界先进的大型客户掛勾，打造有利于万德的更长远发展的利基。

2015的展望

我们努力经历了2014年对市场重新定位与产品的市场　转型，深信这种扎实的基础重建，将会为集团的发展无论是在汽车零配件或消费性数码电子市场，走向更丰硕的未来。面对中国地区劳动力的短缺和持续上涨的劳力成本的挑战，我们仍会时刻高度关注，持续尽方方面面的努力去克服。除非有不可预见的状况发生，我们对2015年度，集团整体营运的较好表现，有所期待。

致谢

我谨代表集团全体董事和同仁，向我们的股东致以万分感谢。

也要感谢我们的客户、供应商和生意伙伴长期以来的支持。

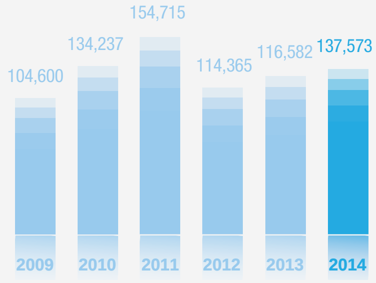
最后，我要感谢万德董事、管理层和全体员工，一年来的辛劳和付出。

让我们一起在2015年展望更美好的未来！

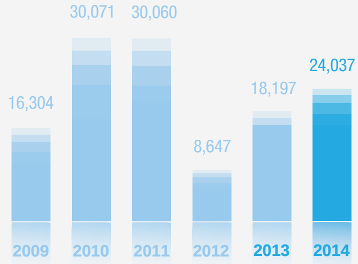
庄文甫
2015年4月

FINANCIAL HIGHLIGHTS

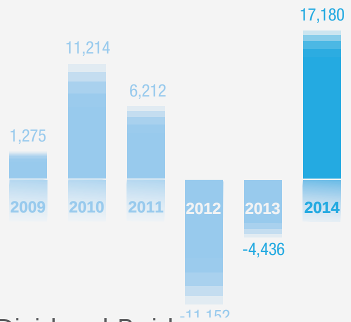
Revenue
(US$'000)



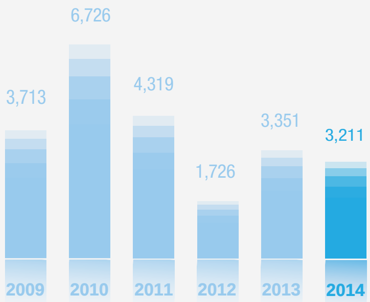
Gross Profit
(US$'000)



Net Profit After Tax
(US$'000)



Dividend Paid
(US$'000)



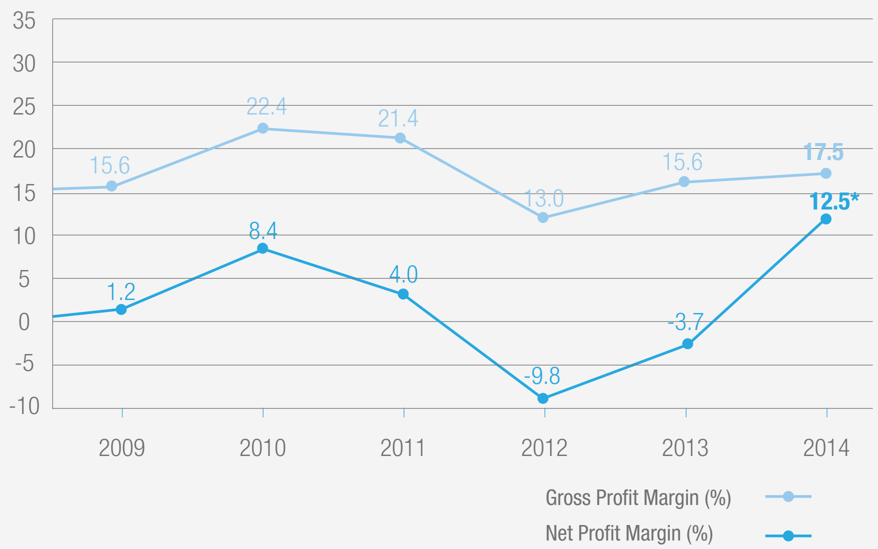
Financial Position (US$'000)

	2009	2010	2011	2012	2013	2014
Total Shareholders Equity	111,798	120,006	128,124	110,461	109,783	**112,126**
Total Assets	148,026	161,832	182,167	143,738	147,251	**152,900**
Total Liabilities	36,228	41,826	54,043	33,277	37,468	**40,774**
Net Current Assets	66,113	76,865	78,598	67,475	71,416	**71,609**
Cash and Cash Equivalents	38,393	39,100	34,576	34,912	37,094	**32,433**
Debt to Equity Ratio %	-	-	8.0%	4.5%	4.0%	**3%**

Financial Indicators

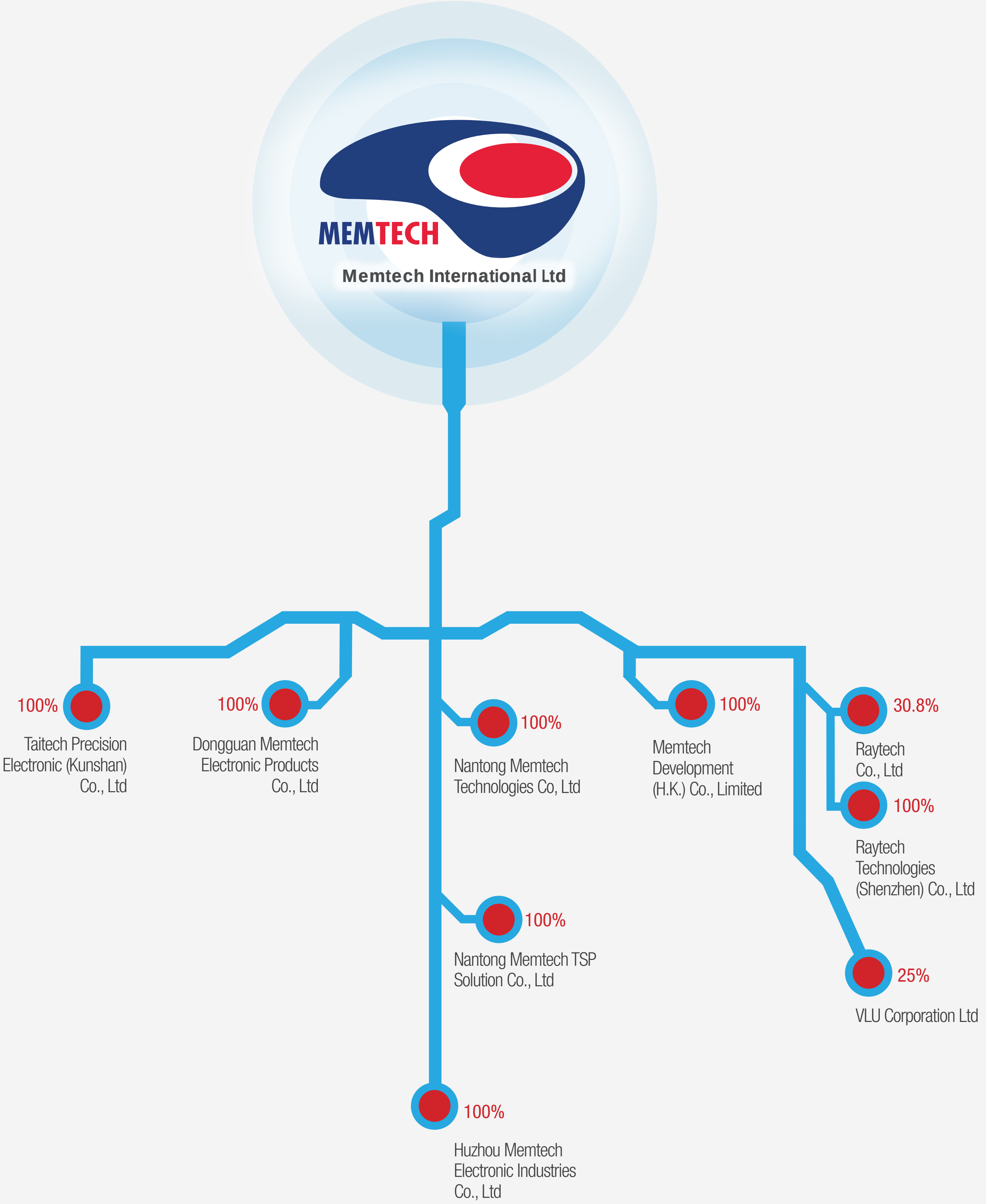
	2009	2010	2011	2012	2013	2014
Return on Shareholders Equity	1.1%	9.3%	4.8%	-10%	-3.5%	**15.3%**
Earnings Per Share (EPS)	0.3	1.6	0.9	-1.6	-0.5	**2.4**
Price-Earnings Ratio	33.3	8.8	11.1	-4.9	-14.1	**4.1**
Dividend Paid USD 000s	3,713	6,726	4,379	1,726	3,351	**3,211**
Dividend Paid Per Share S$ cents	0.75	1.1	0.8	0.3	0.6	**0.6**
Dividend Payout Ratio	291.22%	59.98%	70.49%	15.48%	88.09%	**18.82%**
Market Capitalisation SG$'000	71,564	99,700	68,913	54,587	53,650	**70,592**

Profit Margin Analysis



* Excluding the US$10.7 million gain from the liquidation of subsidiary, the FY2014 Net Profit Margin was 4.7% (US$6.46 million).

GROUP STRUCTURE



SALES NETWORK

ASIA

PRC

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Room 201, Maju Bridge of Tongzhou District,
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Xiamen City, Fujian
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QINGDAO OFFICE
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NANTONG OFFICE
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Nantong
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(Plastic Operations)
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Fax: +86-512-88848399

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Germany
Tel: +49-5303-959424
Fax: +49-5303-959428

NORTH AMERICA
Michigan Representative Office
(Automotive Products)
MICHIGAN OFFICE
100 West Long Lake Rd. Suite 220 Bloomfield Hills, MI 48304-2774
Work: +1-248-258-0301
Cell: +1-248-310-2274
Fax: +1-248-258-8797

Global Contact: memtech@memtechchina.com

BOARD OF DIRECTORS


Mr Chuang Wen Fu


Mr Gu Cheng Hua


Mr Yap Chin Kuan


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 the Board of San Teh. Mr Chuang holds a diploma in Science (Survey engineering) from Tamkang College of Arts and Science (now known as Tamkang University), Taiwan.

Mr Gu Cheng Hua is our Executive Director and President of Nantong Memtech Technologies Co., Ltd. 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 operation of business unit in Nantong, 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 President of Dongguan Memtech Electronic Products Co., Ltd. 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. Mr. Yap is responsible for overseeing the entire operation of business unit in Dongguan, including both manufacturing and marketing activities. 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 President of Taitech Precision Electronic (Kunshan) Co., Ltd. Mr Teow was appointed as a Director of the Company on 26 February 2005. . Mr. Teow is responsible for overseeing the entire operation of business unit in Kunshan, including both manufacturing and marketing activities A graduate in Mechanical Engineering from

Mr Chua Keng Hiang

Mr Teo Kiang Kok

Mr Teng Cheong Kwee

National Taiwan University and armed with over 20 years of experience, Mr Teow has a strong background in precision mechanical engineering and designing machine tools

Mr Chua Keng Hiang is a practicing member of the Institute of Singapore Chartered Accountants. He has more than 30 years of experience in public accounting, corporate finance and management. Mr Chua holds an honors degree in accountancy from the then University of Singapore and is a fellow member of the Association of Chartered Certified Accountants (UK). Mr Chua has been a director of the Company since June 2004. He also serves on the board of Jadason Enterprise Ltd and Ocean Sky International Limited.

Mr Teo Kiang Kok was appointed as a Non-executive and Independent Director of our Company on 6 June 2004. Mr Teo, a senior lawyer, was a partner of Shook Lin & Bok LLP, a firm of advocates and solicitors, from 1987 to 2011. He is currently the firm's senior consultant. Mr Teo has 30 years of experience in legal practice. His main areas of practice are corporate finance, international finance and securities. In the course of his legal practice, Mr Teo has advised listed companies extensively on corporate law and compliance requirements. He also serves on the board of Hyflux Ltd, Jadason Enterprises Ltd, and Wilton Resources Corporation Limited.

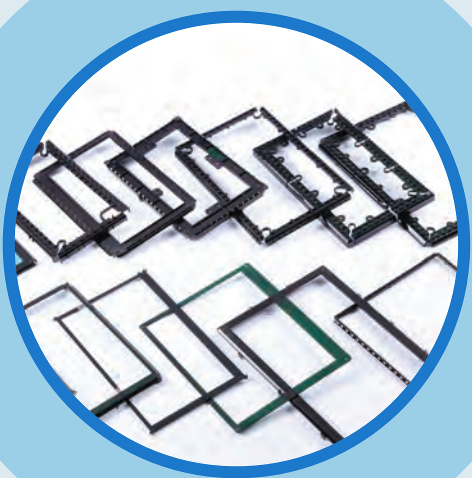
Mr Teng Cheong Kwee was appointed as a Non-executive and Independent Director of our Company on 6 June 2004. He is the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr Teng currently also serves as an Independent Director on the Boards of several other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

KEY MANAGEMENT

Mr Ng Kien Siong is our Chief Financial Officer. Mr. Ng is responsible for the financial stewardship of our Group. He has been with the Group since August 2013. Mr. Ng holds a Bachelor of Arts degree (Economics) from University of Malaya. He is also a member of Certified General Accountant (CGA), Canada. He has 16 years of professional experience in finance and accounting related role.

Dr. Han Hui Sheng is the Director of our R&D Institute. He is responsible for overseeing the Group's research and development of new materials and technologies. Dr. Han has had more than 20 years of working experience in material research and manufacturing since he graduated with a Bachelor's degree from South China University of Technology in 1985. He was awarded a PhD degree in Chemistry from Institute of Chemistry, the Chinese Academy of Sciences. After two years of post-doctoral research on polymer materials at the National University of Singapore, Dr. Han worked as QC Manager and Principal Engineer respectively in two Singapore companies. Dr. Han joined us in May 2010. Dr. Han was named as an Innovative and Entrepreneurial Talent of Jiangsu Province (江苏省“双创人才”) (2011) and a Jianghai Elite of Nantong City(南通市“江海英才”) (2012).

Mr Bai Yi Song is the General Manager of our Dongguan Memtech Electronic Product Co.,Ltd. Prior to assuming the post of General Manager of the Dongguan manufacturing facilities, he was our Director of Engineering and Technology, overseeing the engineering and technology development of the Group. He has been with the Group since 2001. Mr Bai has more than 22 years of experience in the keypad industry. He graduated with a Bachelor of Science (Mechanical Engineering) from Jiang Su Technological University (now known as Jiang Su University), PRC.



Mr Heng Ngee Boon, Steven is the vice president of plastic division of Kunshan Plant. He has more than 20 years of experience in the Keypad and Plastic manufacturing industry, of which more than 15 years were spent in PRC and Malaysia. Mr Heng joined us in 2004.

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

Mr Koh Kok Boon is the Director for Global Business Development & Sales. He oversees the consolidated sales operation for all our product-lines, and heads the business development strategies of the Group. Mr Koh joined Memtech in August 2003 and has a total of 20 years experience in the industry with background in Tooling Design & Manufacturing.

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

Mr. Edwin(Kilho) Jung is the Vice-Director for Global Business Development. He is responsible for the serving the key account—SAMSUNG, LG and leads the business development operation for Korean market. At the same time, he also takes care of a few specific Japanese key accounts. Mr. Jung graduated from Chung-Ang University in Korea. He is a fluent in his native Korean, Mandarin and English. He has worked in another Korean Keypad company for many years before joining Memtech in 2008.

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 (Lead 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

REGISTRAR AND SHARE TRANSFER OFFICE

M & C Services Private Limited
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Singapore 068902

INVESTOR RELATIONS

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www.memtechchina.com

AUDITORS

Ernst & Young LLP
Partner-in-charge: Mr. Ang Chuen Beng
(Appointed from the financial year ended 31 December 2014)

BANKERS

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

CORPORATE GOVERNANCE AND FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

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

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

Board Matters

1 Board's Conduct of its Affairs

1.1 The Board of Directors' (the "Board") key responsibilities include providing leadership and guidance to management on corporate strategy, business directions, acquisitions and divestments. It also oversees that appropriate risk management policies and controls are established, reviews management performance, sets the Group's value and standard; and ensures that the necessary financial and human resources are in place for the Group to meet its objectives.

1.2 To facilitate 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 reviewed annually.

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

1.4 The frequency of the meetings of the Board and Committees, as well as the frequency of the Directors' attendance at such meetings during the financial year ended 31 December 2014 are as follows:

	Board		Audit Committee		Renumeration 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								
Chen 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 key matters, including corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisition or disposal of assets, major corporate policies on key areas of operations, acceptances of significant bank facilities, release of Group results and material interested person transactions.

1.7 The Board comprises directors who collectively possess the relevant core competencies and diversity of experience that would enable them to contribute to the Board's effectiveness. The Company will consider appropriate training programs for directors to meet their relevant training needs, and encourages directors to attend relevant training courses at the Company's expense. 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), Mr. 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).

2.2 The independence of the independent non-executive directors is reviewed by the NC annually. The NC is of the view that the current Board, with independent non-executive Directors making up at least one-third of the Board and with the membership of the AC, NC and RC comprising wholly or largely of independent directors, has a significant independence 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. The NC has also ascertained that for the year under review, the Directors have devoted sufficient time and attention to the Group's affairs.

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:

- leading the Board to ensure its effectiveness in all aspects of its role, and setting its agenda;
- ensuring that the directors receive accurate, timely and clear information;
- ensuring effective communication with shareholders;
- encouraging constructive relations amongst the Board members and between the Board and management;
- encouraging constructive relations between executive directors and non- executive directors; and
- promoting high standards of corporate governance.

3.4 The Board has appointed Mr. Chua Keng Hiang to act as the lead independent director. Mr. Chua is also Chairman of the AC, and a member of NC and RC. Shareholders who wish to raise issues or concerns may contact him directly when contact with the Chairman, the CEO or the Chief Financial Officer ("CFO") through the normal channels has failed to provide satisfactory resolution, or when such contact is inappropriate.

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

4 Board Membership

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

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

4.3 The NC's principal functions are to:

- regularly review the Board structure, size and composition and make recommendations to the Board on any changes that the NC deems necessary;
- review and nominate candidates for appointment as directors for the approval of the Board;
- determine annually, and as and when circumstances require, the independence of each Director and ensure that the Board comprises at least one-third independent Directors;

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

- review and recommend to the Board, the training and professional development programs for the Directors.

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 contribute to the effectiveness of the Board.

4.5 In carrying out the assessment of the independence of the non-executive independent Directors, namely, Mr. Chua Keng Hiang, Mr. Teo Kiang Kok and Mr. Teng Cheong Kwee (collectively "NEIDs"), the NC considered the following attributes and contributions of all the NEIDs and concluded that the length of tenure does not impact their independence:

- the NEIDs having provided objective and constructive views to the Board and management on matters put before the Board and the Board committees;

- the NEIDs having offered practical solutions to issues and worked towards increasing value to the Group and for the benefit of all shareholders; and

- the NEIDs having evaluated and assessed the information provided to the Board in an independent and constructive manner and rendered such advice as may be necessary to assist management in implementing plans and policies.

The NC is of the view that the NEIDs' experience and knowledge of the Group's business, combined with their external business and professional experience, enable them to provide effective solutions and make constructive contributions to management discussions.

All the NEIDs have confirmed in writing of their independence in accordance with the Code.

Accordingly, the NC has determined that the NEIDs are independent notwithstanding that each of them has served on the Board for more than nine years from the dates of their respective appointment. The Board has accepted the NC's view and affirmed the independence of the NEIDs.

For Directors who have board representations in other public listed companies, the NC has reviewed the work and other commitments of such Directors and assessed their ability to discharge their Board responsibilities. The NC is satisfied that the Directors have committed and are able to commit sufficient time, effort and attention to the affairs of the Group. The NC is of the view that fixing a limit on the number of such board representation is not meaningful in the context of the Group. The Board has accepted and affirmed the view of the NC.

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

4.7 In accordance with the Company's Articles, Messrs Teow Joo Hwa, Chua Keng Hiang, and Teo Kiang Kok 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.

Directors who are retiring and offering themselves for re-election at the forthcoming annual general meeting are named below:

Director	Date of appoinment	Date of last election	Due for re-election
Chuang Wen Fu (Chairman)	27/11/2013	29/4/2014	
Yap Chin Kuan	27/11/2013	29/4/2014	
Gu Cheng Hua	1/4/2004	26/4/2013	
Teow Joo Hwa	26/2/2005	26/4/2013	29/4/2015
Chua Keng Hiang	6/6/2004	25/4/2012	29/4/2015
Teo Kiang Kok	6/6/2004	26/4/2013	29/4/2015
Teng Cheong Kwee	6/6/2004	29/4/2014	

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 each completing a Questionaire. For the financial year just ended, the NC carried out an assessment of Board effectiveness, and the findings were presented and discussed at an NC meeting with participation from all directors. The NC also discussed generally the performance and contribution by each individual director to the Board's effectiveness, as well as each director's assessment of the effectiveness of each Board committee.

6 Access to Information

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

6.2 The Board has separate and independent access to senior management and the Company Secretary at all times.

6.3 The Company Secretary is present at all Board Meetings. The appointment and removal of the Company Secretary is subject to the approval of the Board.

6.4 Where the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the CEO and/or Company Secretary will assist in appointing a professional advisor to render the service, and the cost of such professional advice will be borne by Company. The Board and AC will be kept informed of such advice.

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.

REPORT ON CORPORATE GOVERNANCE

7.5 Executive Directors do not receive directors' fees for the financial year ended 31 December 2014. 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 2014 is as follows:

	Renumeration				
	Fee[1]	**Basic**	**Variable**	**Benefits in Kind**	**Total**
	%	**%**	**%**	**%**	**%**
Executive Directors					
Chuang Wen Fu	–	78	21	1	100
Yap Chin Kuan	–	59	34	7	100
Gu Cheng Hua	–	56	29	15	100
Teow Joo Hwa	–	60	34	6	100
Independent Directors					
Chua Kieng Hiang	100	–	–	–	100
Teo Kiang Kok	100	–	–	–	100
Teng Cheong Kwee	100	–	–	–	100

[1] These fees are subject to approval by shareholders at the AGM for the financial year ended 31 December 2014.

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

	2014	**2013**
Above S$500,000	–	–
S$250,000 to S$499,999	3	–
Below S$250,000	4	7
	7	7

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**
	%	**%**	**%**	**%**
Below S$250,000				
Heng Ngee Boon	60	35	5	100
Wang Jian	69	25	6	100
Ng Kien Siong	87	6	7	100
Bai Yi Song	54	40	6	100
Jung Kil Ho	76	20	4	100

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 and the aggregate remuneration of the top five executives (who are not also directors of the Company) for competitive reasons.

7.8 Details of remuneration of employees who are immediate members of a director or the CEO, and whose remuneration exceeds S$50,000 during the financial year.

	Salaries %	Bonus %	Benefits in kind %	Total %
S$50,000-S$150,000				
Chuang Tze Mon *(Son of Executive Chairman Chuang Wen Fu)*	74	15	11	100

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

The Scheme expired on (5 June 2014) and no share options had been granted pursuant to the Scheme. Remunerations of the Directors and Key Executives do not include any benefits under the 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. Risk Management and Internal Controls

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

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

- review the audit plans of our Company's external auditors;
- review external auditors' reports;
- review the co-operation given by our officers to the external auditors and our internal auditors where applicable;
- review the plan and reports of the internal auditors;
- review with management the adequacy and effectiveness of the Company's internal control and risk management systems;
- 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;
- review interested person transactions;
- review the independence of external auditors annually; and
- review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

9.3 The AC is kept abreast by the Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

9.4 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.

9.5 For the financial year under review, the audit fees payable to the external auditors were S$215,000. The amount of non-audit fees payable to the external auditors was approximately S$6,000. This was in relation to tax services provided to the Company and its subsidiaries.

9.6 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.

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

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

9.9 The Board acknowledges that it is responsible for the overall internal control and risk management systems. In designing these controls, the Directors consider the risks to which the business is exposed, the likelihood of the risks occurring, and the cost of implementing the controls.

9.10 The AC, together with the Board and the CFO, reviewed the effectiveness of the Group's internal control and risk management systems put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliable.

9.11 The AC evaluates the need for an internal audit engagement. If an internal audit is deemed necessary, the AC will set the internal audit scope, approve the internal audit plans, review the internal audit reports and assess the effectiveness of the internal auditor, such as scope of work and the quality of its audit reports.

9.12 During the financial year, KPMG Services Pte Ltd was engaged to conduct an internal audit on several key areas of operations of one of the Group's principal subsidiaries, namely, Dongguan Memtech Electronic Products Co. Ltd. The findings and recommendations from the internal audit were presented to the AC and the Board.

9.13 In FY2012, the Group engaged an international accounting firm to facilitate its risk management review exercise to identify and prioritize the top risks affecting the Group. The exercise, which covered strategic, operational, financial and compliance risks, also deliberated on the existing and required internal controls to address the identified significant risks. Following the exercise, the Group has established a risk management framework for the identification, assessment, monitoring and reporting of significant risks. Under the framework, the Group would carry out regular risk management review exercise by a team made up of senior executives and headed by the Executive Chairman. The results of the review are reported to the AC and the Board.

9.14 The Group does not utilise sophisticated and complex computer systems in its operations and considers its exposure to information technology risks to be low.

9.15 Material risks facing the Group are proactively identified and the internal controls to manage or mitigate those risks are put in place by the respective business and corporate executive heads. The Board oversees the management in the formulation, update and maintenance of an adequate and effective risk management framework and internal control systems.

9.16 For FY2014, the Board has received written assurance from the CEO and CFO that:

- the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2014 give a true and fair view of the Group's operations and finances; and

- the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment, including material financial, operational, compliance and information technology risks.

The CEO and CFO have obtained similar assurance from the various business general managers in the Group.

Based on the risk management framework established and maintained by the Group, the internal audit conducted by KPMG Services Pte Ltd, the audit findings of our external auditors, as well as the assurance received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the internal control and risk management systems put in place are adequate to address the key financial, operational, compliance and information technology risks affecting the Group's operations.

9.17 The Company has in place a whistle-blowing policy and procedures through which staff and external parties may raise concerns in confidence about possible improprieties in financial reporting or other matters to, where appropriate, the Chairman, CFO, Director of Human Resources and Administration or the AC.

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 Chairman, executive directors and CFO maintain communication with 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.

Internal Code on Dealings with Securities

11.1 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 and its officers are not allowed to deal in the Company's shares during the period commencing at least two weeks before the announcement of the Company's Q1, Q2 and Q3 results or one month before the announcement of year end results, and ending one day after the date of the announcement of the results. Further, the officers of the Company should not deal in the Company's securities on short-term considerations.

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

Material Contracts

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

Interested Party Transactions ("IPT")

13.1 The Board and the AC meet quarterly to review if the Group enters into any IPT, and ensure that the rules under Chapter 9 of the Singapore Exchange Listing Manual are complied with. There was no transaction conducted with interested party of more than S$100,000 (as set out in the SGX Listing Manual) in FY 2014.

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, and statement of changes in equity of the Company for the financial year ended 31 December 2014.

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	27,714,000	27,714,000	–	–
Gu Cheng Hua	7,229,000	7,229,000	–	–
Yap Chin Kuan	2,000,000	2,000,000	–	–
Teow Joo Hwa	350,000	350,000	–	862,000
Chua Keng Hiang	6,000,000	6,000,000	–	–
Teng Cheong Kwee	100,000	100,000	–	–

3. Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2015.

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

4. Directors' contractual benefits

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

5. Options

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

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

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

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

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

DIRECTORS' REPORT

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:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met 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;
- Reviewed 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;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;
- Reviewed the nature and extent of non-audit services provided by the external auditors;
- Recommended to the Board of Directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- Reviewed 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.

6. Audit Committee (cont'd)

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

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

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Chuang Wen Fu
Director

Yap Chin Kuan
Director

31 March 2015

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, consolidated 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 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended 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

31 March 2015

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

Report on the financial statements

We have audited the accompanying financial statements of Memtech International Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 37 to 103, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet, and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, 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
Chartered Accountants
Singapore

31 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000
Continuing operations			
Revenue	4	137,573	116,582
Cost of sales		(113,536)	(98,385)
Gross profit		24,037	18,197
Other income	5	1,554	2,033
Sales and marketing expenses		(6,890)	(7,969)
General and administrative expenses		(11,460)	(10,981)
Exchange gain/(loss)		441	(3,323)
Other operating expenses		(427)	(635)
Net gain from liquidation of subsidiary	6	10,721	–
Finance costs	7	(129)	(196)
Share of results of associates		(4)	18
Profit/(loss) before tax from continuing operations	8	17,843	(2,856)
Taxation	9	(783)	(1,509)
Profit/(loss) from continuing operations, net of tax		17,060	(4,365)
Discontinued operation			
Profit from discontinued operation, net of tax	10	–	561
Profit/(loss) for the year		17,060	(3,804)
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations, net of tax		17,180	(4,365)
Profit from discontinued operation, net of tax		–	561
Profit/(loss) for the year attributable to owners of the Company		17,180	(3,804)
Non-controlling interests			
Loss from continuing operations, net of tax		(120)	–
Loss for the year attributable to non-controlling interests		(120)	–
Earnings per share			
Basic and fully diluted profit/(loss) per share from continuing operations attributable to owners of the Company (in US cents)	11(a)	2.4	(0.6)
Basic and fully diluted profit/(loss) per share attributable to owners of the Company (in US cents)	11(b)	2.4	(0.5)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Group	
	2014	**2013**
	US$'000	US$'000
Profit/(loss) for the year	17,060	(3,804)
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(700)	5,025
Total comprehensive income for the year	16,360	1,221
Attributable to:		
Owners of the Company	16,480	1,221
Non-controlling interests	(120)	–
Total comprehensive income for the year	16,360	1,221
Attributable to:		
Owners of the Company		
Total comprehensive income from continuing operations, net of tax	16,480	1,246
Total comprehensive income from discontinued operation, net of tax	–	(25)
Total comprehensive income for the year attributable to owners of the Company	16,480	1,221

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014	Group 2013	Company 2014	Company 2013
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	12	44,720	43,545	–	–
Investment in subsidiaries	13	–	–	78,707	80,048
Investment in associates	14	713	718	859	859
Long term investment	15	–	–	–	–
Intangible assets	16	880	816	–	–
		46,313	45,079	79,566	80,907
Current Assets					
Cash and cash equivalents	17	32,433	37,094	2,498	1,853
Bank deposits pledged	18	1,395	2,253	–	–
Trade receivables	19	51,589	44,692	–	–
Bills and other receivables	20	5,746	6,709	3	14
Amounts due from subsidiaries	21	–	–	13,459	10,175
Prepayments		2,022	1,794	–	–
Inventories	22	13,402	9,630	–	–
		106,587	102,172	15,960	12,042
Current Liabilities					
Trade payables and accruals	23	27,859	23,803	405	348
Bills and other payables	24	4,750	4,850	4	6
Amounts due to subsidiaries	21	–	–	580	42,052
Provision for taxation		369	209	–	–
Other liabilities	25	889	783	–	–
Loans and borrowings	26	1,111	1,111	1,111	1,111
		34,978	30,756	2,100	43,517
Net Current Assets/(Liabilities)		71,609	71,416	13,860	(31,475)
Non-Current Liabilities					
Loans and borrowings	26	2,222	3,333	2,222	3,333
Deferred tax liabilities	27	3,574	3,379	–	–
		5,796	6,712	2,222	3,333
Net Assets		112,126	109,783	91,204	46,099
Equity attributable to owners of the Company					
Share capital	28(a)	57,808	42,971	57,808	42,971
Treasury shares	28(b)	(1,311)	(1,222)	(1,311)	(1,222)
Currency translation reserve	29(a)	2,822	28,757	–	14,000
Statutory reserve fund	29(b)	9,065	8,547	–	–
Acquisition reserve	29(c)	(714)	(714)	–	–
Revenue reserves		44,446	31,444	34,707	(9,650)
		112,116	109,783	91,204	46,099
Non-controlling interests		10	–	–	–
Total Equity		112,126	109,783	91,204	46,099

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

STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2014

	Share capital (Note 28(a))	Treasury shares (Note 28(b))	Revenue reserves	Currency translation reserve	Statutory reserve fund	Acquisition reserve (Note 29(c))	Total reserves	Total equity
	Attributable to owners of the Company							
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group								
At 1 January 2013	42,971	(1,054)	37,097	23,743	8,418	(714)	68,544	110,461
Net loss for the year	–	–	(3,804)	–	–	–	(3,804)	(3,804)
Other comprehensive income for the year	–	–	–	5,025	–	–	5,025	5,025
Total comprehensive income for the year	–	–	(3,804)	5,025	–	–	1,221	1,221
Contributions by and distributions to owners								
Dividends on ordinary shares (Note 38)	–	–	(1,720)	(11)	–	–	(1,731)	(1,731)
Purchase of treasury shares	–	(168)	–	–	–	–	–	(168)
Total contributions by and distributions to owners	–	(168)	(1,720)	(11)	–	–	(1,731)	(1,899)
Others								
Transfer from revenue reserves	–	–	(129)	–	129	–	–	–
Total others	–	–	(129)	–	129	–	–	–
At 31 December 2013	42,971	(1,222)	31,444	28,757	8,547	(714)	68,034	109,783

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

STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2014

	Attributable to owners of the Company								
	Share capital (Note 28(a))	Treasury shares (Note 28(b))	Revenue reserves	Currency translation reserve	Statutory reserve fund	Acquisition reserve (Note 29(c))	Total reserves	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group									
At 1 January 2014	42,971	(1,222)	31,444	28,757	8,547	(714)	68,034	–	109,783
Effect of change in functional currency*	14,837	(89)	(234)	(14,514)	–	–	(14,748)	–	–
Profit for the year	–	–	17,180	–	–	–	17,180	(120)	17,060
Other comprehensive income for the year	–	–	–	(700)	–	–	(700)	–	(700)
Total comprehensive income for the year	–	–	17,180	(700)	–	–	16,480	(120)	16,360
Contributions by and distributions to owners									
Dividends on ordinary shares (Note 38)	–	–	(3,426)	–	–	–	(3,426)	–	(3,426)
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	(3,426)	–	–	–	(3,426)	–	(3,426)
Others									
Transfer from revenue reserves	–	–	(518)	–	518	–	–	–	–
Issuance of ordinary shares to minority shareholders	–	–	–	–	–	–	–	130	130
Liquidation of subsidiary	–	–	–	(10,721)	–	–	(10,721)	–	(10,721)
Total others	–	–	(518)	(10,721)	518	–	(10,721)	130	(10,591)
At 31 December 2014	57,808	(1,311)	44,446	2,822	9,065	(714)	55,619	10	112,126

* Due to the change in functional currency as set out in Note 2.5(a), the translation reserve from prior years was reclassified to share capital (Note 28), treasury shares (Note 29) and revenue reserves.

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

STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2014

	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 2013	42,971	(1,054)	(12,318)	15,491	3,173	45,090
Net loss for the year	–	–	4,388	–	4,388	4,388
Other comprehensive income for the year	–	–	–	(1,480)	(1,480)	(1,480)
Total comprehensive income for the year	–	–	4,388	(1,480)	2,908	2,908
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares (Note 38)	–	–	(1,720)	(11)	(1,731)	(1,731)
Purchase of treasury shares	–	(168)	–	–	–	(168)
Total contributions by and distributions to owners	–	(168)	(1,720)	(11)	(1,731)	(1,899)
At 31 December 2013 and 1 January 2014	42,971	(1,222)	(9,650)	14,000	4,350	46,099
Effect of change in functional currency*	14,837	(89)	(748)	(14,000)	(14,748)	–
Net profit for the year	–	–	48,531	–	48,531	48,531
Total comprehensive income for the year	–	–	48,531	–	48,531	48,531
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares (Note 38)	–	–	(3,426)	–	(3,426)	(3,426)
Purchase of treasury shares	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	(3,426)	–	(3,426)	(3,426)
At 31 December 2014	57,808	(1,311)	34,707	–	34,707	91,204

* Due to the change in functional currency as set out in Note 2.5(a), the translation reserve from prior years was reclassified to share capital (Note 28), treasury shares (Note 29) and revenue reserves.

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 2014

	2014 US$'000	2013 US$'000
Cash flows from operating activities:		
Profit/(loss) before tax from continuing operations	17,843	(2,856)
Profit before tax from discontinued operation	–	561
Profit/(loss) before tax, total	17,843	(2,295)
Adjustments for:		
Depreciation of property, plant and equipment	8,513	9,694
Interest expense	129	196
Interest income	(641)	(514)
Allowance for doubtful receivables, trade	514	254
Allowance for/(write-back of) stock obsolescence	66	(151)
Net (gain)/loss on disposal of property, plant and equipment	(233)	491
Net gain from liquidation of subsidiary	(10,721)	–
Impairment loss on property, plant and equipment	–	806
Fire insurance claim	–	(2,337)
Share of results of associates	4	(18)
Total adjustments	(2,369)	8,421
Operating cash flows before changes in working capital	15,474	6,126
Changes in working capital		
Trade and other receivables	(6,930)	(2,882)
Inventories	(3,934)	(26)
Trade and other payables	3,900	6,630
Total changes in working capital	(6,964)	3,722
Cash flows generated from operations	8,510	9,848
Income taxes paid	(919)	(1,059)
Net cash flows generated from operating activities	7,591	8,789
Cash flows used in investing activities:		
Purchase of property, plant and equipment	(8,962)	(6,972)
Proceeds from disposal of property, plant and equipment	35	327
Interest income received	591	514
Proceeds from fire insurance claim	–	2,337
Net cash flows used in investing activities	(8,336)	(3,794)

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 2014

	2014	2013
	US$'000	US$'000
Cash flows used in financing activities:		
Proceeds from loans and borrowings	–	2,000
Interest paid	(143)	(186)
Dividends paid on ordinary shares	(3,426)	(1,731)
Repayments of loans and borrowings	(1,112)	(2,556)
Purchase of treasury shares	–	(168)
Bank deposits pledged	850	(1,252)
Proceeds from issuance of shares by subsidiary company to minority shareholders	49	–
Net cash flows used in financing activities	(3,782)	(3,893)
Net (decrease)/increase in cash and cash equivalents	(4,527)	1,102
Effects of exchange rate changes on cash and cash equivalents	(134)	1,080
Cash and cash equivalents at the beginning of the year	37,094	34,912
Cash and cash equivalents at the end of the year	32,433	37,094

During the year, the Group acquired property, plant and equipment with an aggregate cost of US$9,642,000 (2013: US$6,692,000). whereby payments of US$8,962,000 (2013: US$6,972,000) (inclusive of payments made for the prior year purchases) was made using cash and the remaining balance remained outstanding at the end of the reporting period.

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

1. Corporate information

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

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13 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, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

The financial statements are presented in United States Dollars ("USD" or "US$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 19 Defined Benefits Plans: Employee Contributions	1 July 2014
Improvements to FRSs (January 2014)	
– Amendments to FRS 102 Share-based Payment	1 July 2014
– Amendments to FRS 103 Business Combinations	1 July 2014
– Amendments to FRS 108 Operating Segments	1 July 2014
– Amendments to FRS 113 Fair Value Measurement	1 July 2014
– Amendments to FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets	1 July 2014
– Amendments to FRS 24 Related Party Disclosures	1 July 2014
Improvements to FRSs (February 2014)	1 July 2014
– Amendments to FRS 103 Business Combinations	1 July 2014
– Amendments to FRS 113 Fair Value Measurement	1 July 2014

With the exception of FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

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

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

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

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

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

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

(b) Business combinations and goodwill

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

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

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

(b) Business combinations and goodwill (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordancr with FRS 39 either in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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

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

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

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is indication that the cash-generating unit may be impaired, Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

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

2.5 Foreign currency

(a) Functional and presentation currency

The Company changed its functional currency from Singapore dollars ("S$") to United States dollars ("US$") at the beginning of the financial year (with effect from 1 January 2014). The reason for the change is due to the change in the primary economic environment where majority of the financing activities are transacted in US$. Accordingly, the Company changed its functional currency from S$ to US$ and this change has been applied prospectively.

The consolidated financial statements continued to be presented in US$ as the business environment in which the Group operates, uses US$ as the main reference for strategic purposes.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

(c) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

2.6 Property, plant and equipment (cont'd)

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.16. 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.

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

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

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

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

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

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

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

2.7 Intangible assets (cont'd)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(a) 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.

(b) Technical know-how

Technical know-how is amortised on a straight line basis over its finite useful life of 3 years.

2.8 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. When the carrying amount of an asset on cash-generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.10 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates

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

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 associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture 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 profit or loss.

The financial statements of the associates are prepared as 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. Summary of significant accounting policies (cont'd)

2.11 Financial instruments

(a) Financial assets

Initial recognition and remeasurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

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

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

(ii) Loans and receivables

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

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

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

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

Derecognition

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

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

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognized, and through amortisation process.

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

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

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

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

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

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.12 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

2.12 Impairment of financial assets (cont'd)

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

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

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

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

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

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

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

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

2.12 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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

2.13 Cash and cash equivalents

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

2.14 Inventories

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

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

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

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

2.15 Provisions

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

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

2.15 Provisions (cont'd)

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

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with borrowing of funds.

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

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

The subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The above contributions are recognised as an expense in the period in which the related service is performed.

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

2.17 Employee benefits (cont'd)

(b) Employee share options plans

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

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

2.18 Leases

(a) As lessee

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 asset or, if lower, at the present value of the minimum lease payments. Any indirect 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.

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

2.18 Leases (cont'd)

(a) As lessee (cont'd)

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

2.19 Discontinued operation

A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In the profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

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

2.20 Revenue (cont'd)

(d) Sale of scrap and materials

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

2.21 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

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

(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.

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

2.22 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 *Share capital and share issue expenses*

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

2.24 *Treasury shares*

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

2.25 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

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

2.26 Government grants and subsidies

Government grants and subsidies are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with as a credit in profit or loss. Government grants and subsidies received are presented in profit or loss under "Other income".

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

(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 amounts of the Group's tax payable and deferred tax liabilities as at 31 December 2014 were US$369,000 (2013: US$209,000) and US$3,574,000 (2013: US$3,379,000) 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.

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 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.

(d) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 34.

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of each reporting period is disclosed in Note 12 to the financial statements.

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

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of non-financial assets

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

Further details of the key assumptions applied in the impairment assessment of goodwill, are given in Note 16 to the financial statements. The carrying amount of the Group's non-financial assets as at the end of the reporting period is disclosed in Notes 12, 13, 14 and 16 to the financial statements.

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of each reporting period is disclosed in Note 30 to the financial statements.

(d) Estimation of net realisable value for inventories

Inventories are stated at the lower of cost and net realisable value. Management determines the net realisable value of inventories by using prevailing market data such as most recent sale transactions. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 22 to the financial statements.

4. Revenue

	Group	
	2014	**2013**
	US$'000	US$'000
Breakdown by segment		
Sale of automotive products	45,485	29,901
Sale of telecommunication products	42,950	46,201
Sale of consumer electronic products	49,138	40,480
	137,573	116,582

5. Other income

The followings items have been included in arriving at other income:

	Group	
	2014	**2013**
	US$'000	US$'000
Fixed deposits interest income	641	514
Scrap sales	48	301
Government grants and subsidies	374	337
Sub contract income	–	198
Gain on write-off of payables	107	191
Sale of materials	–	101

6. Net gain from liquidation of subsidiary

As at 29 August 2014, the Group had announced its voluntary liquidation of the Company's wholly-owned Hong Kong subsidiary, Memtech Electronic Products Company Limited.

In relation to liquidation of the subsidiary, the Group had recorded a net gain of US$10,721,000 during the financial year.

7. Finance costs

	Group	
	2014	2013
	US$'000	US$'000
Interest expense on:		
- Bank loans and borrowings	129	196

8. Profit/(loss) before tax from continuing operations

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

	Group	
	2014	2013
	US$'000	US$'000
Depreciation of property, plant and equipment *	8,513	9,687
Fees paid to firms related to Directors	5	6
Allowance for/(write-back) of stock obsolescence	66	(20)
Net (gain)/loss on disposal of property, plant and equipment	(233)	22
Rental expense – operating leases	842	818
Packaging costs	1,997	1,915
Transportation costs	2,160	1,814
Staff costs		
– Salaries, bonus and other costs	39,880	35,353
– Defined contribution plans	2,979	3,522
Allowance for doubtful receivables, trade	514	184
Impairment loss on property, plant and equipment	–	806
Audit fees:		
– Auditors of the Company	170	171
– Other auditors	27	43
Non-audit fees:		
– Auditors of the Company	5	5
– Other auditors	13	48
Total audit and non-audit fees	215	267

* Included in depreciation expense is an amount of US$7,025,000 (2013: US$8,057,000) charged under cost of sales.

9. Taxation

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	**2013**
	US$'000	US$'000
Consolidated profit or loss:		
Current income tax – continuing operations:		
– Current income taxation	1,339	830
– Over provision in respect of previous years	(315)	(32)
Deferred income tax – continuing operations:		
Origination and reversal of temporary differences	(241)	711
Income tax attributable to continuing operations	783	1,509
Income tax attributable to discontinued operation	–	–
Income tax expense recognised in profit or loss	783	1,509

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

The reconciliation between income tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the year ended 31 December 2014 and 2013 are as follows:

	Group	
	2014	**2013**
	US$'000	US$'000
Profit/ (Loss) before tax from continuing operations	17,843	(2,856)
Profit before tax from discontinued operation (Note 10)	–	561
Profit/ (Loss) before tax	17,843	(2,295)
Tax at the domestic rates applicable to profits in the countries where the Group operates	3,162	(144)
Adjustments:		
Non-deductible expenses	1,305	1,211
Non-taxable income	(1,945)	(448)
Withholding tax on undistributed profits	144	711
Deferred tax assets not recognised	101	733
Benefits from previously unrecognised tax losses	(1,670)	(519)
Over provision in respect of previous years	(315)	(32)
Share of results of associates	1	(3)
Income tax expense recognised in profit or loss	783	1,509

9. Taxation (cont'd)

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

The corporate income tax rates applicable to PRC subsidiaries of the Group were 15% and 25% (2013: 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$16,075,000 (2013: US$22,755,000) 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. Discontinued operation

On 9 February 2013, a fire occurred at the factory premises of its wholly-owned subsidiary, Nantong Memtech TSP Solution Co., Ltd ("NTSP"), which was previously reported in the touch screen panels segment. The operation of the touch screen panels has been suspended since then and management has no intention to resume the business due to the fact that NTSP has been underperforming since its incorporation in August 2009. For the financial years ended 31 December 2013, its results are presented separately on profit or loss as "Loss from discontinued operation, net of tax".

10. Discontinued operation (cont'd)

Income statement disclosures

The results of NTSP for the years ended 31 December are as follows:

	Group	
	2014	2013
	US$'000	US$'000
Revenue	–	430
Cost of sales	–	(537)
Gross profit	–	(107)
Other income	59	2,445
Sales and marketing expenses	–	(57)
General and administrative expenses	(9)	(770)
Exchange (loss)/gain	(50)	96
Other operating expenses	–	(1,046)
Profit from discontinued operation, net of tax	–	561

During the financial year ended 31 December 2013, a loss of US$ 485,000 and US$ 499,000 were recognised in "Other operating expense" line item in respect of inventories and plant and equipment respectively that were damaged in the fire. As the inventories and plant and equipment were covered by insurance, the Group recognised insurance claims of US$2,337,000, under "Other income" line item with the receipt of full and final settlement of fire insurance claim on 23 December 2013.

Profit before tax from discontinued operation disclosures

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

	Group	
	2014	2013
	US$'000	US$'000
Depreciation of property, plant and equipment*	–	7
Write-back of stock obsolescence	–	(131)
Net loss on disposal of property, plant and equipment	–	469
Allowance for doubtful receivables, trade	–	70

* Included in depreciation expense is an amount of US$ Nil (2013: US$7,000) charged under cost of sales.

10. Discontinued operation (cont'd)

Cash flow statement disclosures

The cash flows attributable to NTSP are as follows:

	Group	
	2014	2013
	US$'000	US$'000
Operating	(120)	(1,030)
Investing	29	2,417
Financing	–	–
Net cash (outflows)/inflows	(91)	1,387

Earnings per share disclosures

	Group	
	2014	2013
Basic and fully diluted earnings per share from discontinued operation attributable to owners of the Company (in US cents)	–	0.1

The basic and diluted earnings per share from discontinued operation are calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted earnings per share computation. The profit and share data are presented in the tables in Note 11(a).

11. Earnings per share

(a) Continuing operations

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

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

	Group	
	2014	**2013**
	US$'000	US$'000
Profit/(loss) for the year attributable to owners of the Company	17,180	(3,804)
Add back: Profit from discontinued operation, net of tax, attributable to owners of the Company	–	(561)
Profit/(loss) from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	17,180	(4,365)

	2014	**2013**
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation *	705,920	707,849

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

(b) Earnings per share computation

The basic and diluted earnings per share are calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted earnings/(loss) per share computation. These profit and share data are presented in the tables in Note 11(a) above.

12. 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 2013	19,555	76,587	4,853	1,816	5,866	3,856	112,533
Additions	205	3,589	182	112	423	2,181	6,692
Disposals	–	(5,021)	(300)	(185)	(2,620)	–	(8,126)
Reclassification	5,777	75	2	–	172	(6,026)	–
Translation difference	711	2,324	144	59	79	51	3,368
At 31 December 2013 and 1 January 2014	26,248	77,554	4,881	1,802	3,920	62	114,467
Additions	358	7,032	530	138	455	1,129	9,642
Disposals	–	(8,207)	(440)	(445)	(2,379)	–	(11,471)
Reclassification	7	(9)	–	9	–	(7)	–
Translation difference	(93)	(197)	(17)	(7)	(21)	2	(333)
At 31 December 2014	26,520	76,173	4,954	1,497	1,975	1,186	112,305
Accumulated depreciation:							
At 1 January 2013	3,694	51,690	4,239	1,272	4,831	–	65,726
Depreciation charge for the year	1,129	7,238	381	307	639	–	9,694
Disposals	–	(4,312)	(321)	(180)	(2,495)	–	(7,308)
Impairment loss	–	806	–	–	–	–	806
Translation difference	135	1,578	131	43	117	–	2,004
At 31 December 2013 and 1 January 2014	4,958	57,000	4,430	1,442	3,092	–	70,922
Depreciation charge for the year	1,185	6,178	327	277	546	–	8,513
Disposals	–	(7,891)	(439)	(445)	(2,338)	–	(11,113)
Write-back of Impairment loss*	–	(549)	–	–	–	–	(549)
Translation difference	(13)	(136)	(17)	(6)	(16)	–	(188)
At 31 December 2014	6,130	54,602	4,301	1,268	1,284	–	67,585
Net carrying amount:							
At 31 December 2014	20,390	21,571	653	229	691	1,186	44,720
At 31 December 2013	21,290	20,554	451	360	828	62	43,545

* During the financial year ended 31 December 2013, a subsidiary of the Group had carried out a review of the recoverable amount of plant and equipment because the subsidiary had been persistently making losses. An impairment loss of US$806,000 approximately, representing the write-down of these equipment to the recoverable amount was recognised in the "Other expenses" (Note 8) line item of profit or loss for the previous financial year.

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

As at the date of disposal, the sale of the impaired plant and equipment was higher than the net book value of the impaired plant and equipment. Hence, the amount was written back.

Company	Office equipment	Renovation	Total
	US$'000	US$'000	US$'000
Cost:			
At 1 January 2013	27	44	71
Disposals	(26)	(43)	(69)
Translation difference	(1)	(1)	(2)
At 31 December 2013 and 1 January 2014	–	–	–
Disposals	–	–	–
Translation difference	–	–	–
At 31 December 2014	–	–	–
Accumulated depreciation:			
At 1 January 2013	27	44	71
Disposals	(26)	(43)	(69)
Translation difference	(1)	(1)	(2)
At 31 December 2013 and 1 January 2014	–	–	–
Disposals	–	–	–
Translation difference	–	–	–
At 31 December 2014	–	–	–
Net carrying amount:			
At 31 December 2014	–	–	–
At 31 December 2013	–	–	–

13. Investment in subsidiaries

	Company 2014	Company 2013
	US$'000	US$'000
Unquoted shares, at cost	83,220	83,220
Effect of change in functional currency	11,828	–
	95,048	83,220
Less: Liquidation of subsidiary (Note 6)	(127)	–
Less: Accumulated impairment loss	(16,214)	(15,000)
Translation difference	–	11,828
Carrying amount of investment	78,707	80,048

13. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2014	2013
Held by the Company				
Memtech Electronic Products Co., Ltd	Hong Kong	Trading of keypads	–#	100
Memtech Development (HK) Co., Ltd. (i)	Hong Kong	Trading of electronic products	100	100
Dongguan Memtech Electronic Products Co., Ltd (i) @	People's Republic of China ("PRC")	Manufacture and sale of keypads	100	100
Dongguan Memtech Precision Tools and Products Co., Ltd@	PRC	Manufacture and sale of precision tools and moulds	–	100
Dongguan Memtech Lens Technologies Co., Ltd@	PRC	Manufacture and sale of acrylic and plastic lenses	–	100
Huzhou Memtech Electronic Industries Co., Ltd (i)	PRC	Manufacture and sale of precision tools, moulds and keypads	100	100
Nantong Memtech Electronic Industrial Co., Ltd%	PRC	Manufacture and sale of precision tools, moulds and keypads	–	100
Nantong Memtech Technologies Co., Ltd (i) %	PRC	Manufacture and sale of keypads	100	100
Nantong Memtech TSP Solution Co., Ltd	PRC	Manufacture and sale of resistive and capacitive touch screen panels	100*	100
Taitech Precision Electronic (Kunshan) Co., Ltd (i)	PRC	Manufacture and sale of plastic components and casings	100	100

(i) A member firm of EY Global had performed the audit of the subsidiary's financial statements for the financial years ended 31 December 2014 and 2013 for Group reporting purposes.

@ The three subsidiaries had completed the merger into one entity, named as Dongguan Memtech Electronic Products Co., Ltd ("MTD")

% The two subsidiaries had completed the merger into one entity, named as Nantong Memtech Technologies Co., Ltd ("MTNT")

The subsidiary company has been liquidated during the financial year.

* In the process of being liquidated as at 31 December 2014.

14. Investment in associates

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Unquoted shares, at cost				
At 1 January	1,695	1,686	1,695	1,686
Effect of change in functional currency	126	–	164	–
	1,821	1,686	1,859	1,686
Increase investment in associates	–	9	–	9
At 31 December	1,821	1,695	1,859	1,695
Less: Accumulated impairment loss	(939)	(939)	(1,000)	(1,000)
Share of post-acquisition reserves	(169)	(165)	–	–
Translation difference	–	127	–	164
Carrying amount of investment	713	718	859	859

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2014	Proportion (%) of ownership interest 2013
Held by the Company				
Raytech Company Limited*	Hong Kong	Investment holding	30.8	30.8
VLU Corporation Limited#	South Korea	Design, manufacture and sales of magnesium alloy products	25.0	25.0
Held by associated company, Raytech Company Limited				
Raytech Technologies (Shenzhen) Co., Ltd **	PRC	Design, manufacture and sale of antennas	30.8	30.8

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

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

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

14. 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	
	2014	**2013**
	US$'000	US$'000
Assets and liabilities		
Current assets	3,864	3,765
Non-current assets	969	981
Total assets	4,833	4,746
Current liabilities	2,671	2,553
Non-current liabilities	–	–
Total liabilities	2,671	2,553
Results		
Revenue	5,722	4,379
(Loss)/profit for the year	(14)	55

There are no significant associated companies in the Group.

15. Long term investment

	Group and Company	
	2014	**2013**
	US$'000	US$'000
Available-for-sale financial asset:		
Equity instruments (unquoted), at cost	2,296	2,296
Less: Accumulated impairment loss	(2,296)	(2,296)
	–	–

16. Intangible assets

Group	Technical Know-how	Goodwill	Club memberships	Total
	US$'000	US$'000	US$'000	US$'000
Cost and carrying amount:				
At 1 January 2013	–	636	156	792
Translation difference	–	19	5	24
At 31 December 2013 and 1 January 2014	–	655	161	816
Addition	82	–	–	82
Amortisation	(16)	–	–	(16)
Translation difference	–	(2)	–	(2)
At 31 December 2014	66	653	161	880

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 business unit in a subsidiary

– Plastics business unit in a subsidiary

– Touch screen panels business unit (discontinued)

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

	Keypads		Plastics		Total	
	2014	2013	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	222	222	431	433	653	655

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 8.4% (2013: 8.4%). The average growth rate used to extrapolate the cash flows projections beyond the five-year period is 3% (2013: 3%).

Key assumptions used in the value in use calculations

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

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

16. Intangible assets (cont'd)

Key assumptions used in the value in use calculations (cont'd)

Pre-tax discount rate – The discount rate reflects management's estimate of the risks specific to the Group, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

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

Sensitivity to changes in assumptions

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value to materiality exceed its recoverable amount.

17. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	24,017	31,392	2,498	1,853
Short-term deposits	9,811	7,955	–	–
Cash and short term deposits	33,828	39,347	2,498	1,853
Less: Bank deposits pledged (Note 18)	(1,395)	(2,253)	–	–
Cash and cash equivalents	32,433	37,094	2,498	1,853

Cash at banks earn interest at floating rates based on daily deposit rates of up to 0.4% (2013: 0.4%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits as at 31 December 2014 was 4.7% (2013: 3.3%) per annum.

17. Cash and cash equivalents (cont'd)

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	2,464	–	2,064	–
United States Dollar (USD)	456	4,755	–	1,457
Hong Kong Dollar (HKD)	635	251	–	–
Singapore Dollar (SGD)	328	411	182	–
Other currencies	98	96		–

18. Bank deposits pledged

Bank deposits pledged relate to deposits of cash held in designated bank accounts as security for bills payables facilities as disclosed in Note 24 to the financial statements.

The weighted average effective interest rate on bank deposits pledged for bills payables, with a maturity of 90 days to 180 days, was 2.6% per annum (2013: 1.1%) as at 31 December 2014.

Bank deposits pledged are denominated in RMB.

19. Trade receivables

	Group	
	2014	2013
	US$'000	US$'000
Trade receivables	54,358	46,973
Less: Allowance for doubtful trade receivables	(2,769)	(2,281)
	51,589	44,692

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.

19. Trade receivables (cont'd)

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

	Group	
	2014	2013
	US$'000	US$'000
United States Dollar (USD)	6,307	21,819
Hong Kong Dollar (HKD)	544	577
Euro Dollar (EUR)	16	–
Australian Dollar (AUD)	–	1

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$4,474,000 (2013: US$4,009,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2014	2013
	US$'000	US$'000
Trade receivables past due but not impaired:		
Less than 60 days	3,841	3,110
60 to 120 days	407	444
More than 120 days	226	455
	4,474	4,009

Receivables that are impaired

	Group			
	Individually impaired		Collectively impaired	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Impaired trade receivables	2,769	2,281	–	–
Less: Allowance for impairment	(2,769)	(2,281)	–	–
	–	–	–	–

19. Trade receivables (cont'd)

Movement in allowance accounts

	Group	
	2014	2013
	US$'000	US$'000
At 1 January	2,281	1,928
Charge for the year	1,535	1,316
Written-back	(1,021)	(1,062)
Written-off against allowance	(22)	–
Translation difference	(4)	99
At 31 December	2,769	2,281

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

20. Bills and other receivables

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Bills receivables	4,575	5,641	–	–
Deposits	520	423	–	7
Other receivables	651	645	3	7
	5,746	6,709	3	14

Bills receivables

Included in bills receivables is an amount of US$294,000 (2013: US$565,000) pledged as security for bills payables facilities as disclosed in Note 24 to the financial statements.

Bills receivables have an average maturity of 94 days (2013: 101 days) from the end of the reporting period and interest-free unless encashment is made before due dates.

20. Bills and other receivables (cont'd)

Bills and other receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar (SGD)	3	–	3	–
New Taiwan Dollar (NTD)	4	5	–	–

21. Amounts due from/(to) subsidiaries

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

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

	Company	
	2014	2013
	US$'000	US$'000
Amounts due from subsidiaries		
United States Dollar (USD)	–	8,451
Renminbi (RMB)	3,271	1,724
Amounts due to subsidiaries		
United States Dollar (USD)	–	(34,064)

22. Inventories

	Group	
	2014	2013
	US$'000	US$'000
Balance sheet:		
Raw materials	4,291	3,742
Work-in-progress	2,004	1,551
Finished goods	6,138	3,732
Sundry consumables	969	605
Total inventories at lower of cost and net realisable value	13,402	9,630
Profit and loss account:		
Inventories recognised as an expense in cost of sales inclusive of the following charge	113,536	98,385
- Allowance for/(write back of) stock obsolescence	66	(151)

The write-back of inventories was made when the related inventories were used or sold above their net carrying amounts in 2014.

During the financial year ended 31 December 2013, a fire occurred at the premise of NTSP, a loss of US$485,000, was recognised in "Other operating expenses" line item in profit or loss from discontinued operation (Note 10) for the year ended 31 December 2013, representing write-down in value of inventories that were damaged in the fire.

23. Trade payables and accruals

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Trade payables	22,449	19,193	–	–
Amounts due to related companies (trade)	104	5	–	–
Accruals	5,306	4,605	405	348
	27,859	23,803	405	348

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

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

23. Trade payables and accruals (cont'd)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	US$'000	US$'000	US$'000	US$'000
United States Dollar (USD)	1,623	479	–	25
Singapore Dollar (SGD)	504	153	350	–
New Taiwan Dollar (NTD)	30	26	–	–
Hong Kong Dollar (HKD)	–	7	–	–

24. Bills and other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	US$'000	US$'000	US$'000	US$'000
Bills payables	1,228	2,003	–	–
Other payables	3,522	2,847	4	6
	4,750	4,850	4	6

Bills and other payables are denominated in the following currencies:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	US$'000	US$'000	US$'000	US$'000
United States Dollar (USD)	–	64	–	–
Renminbi (RMB)	12	–	–	–
Singapore Dollar (SGD)	4	–	4	–

24. Bills and other payables (cont'd)

Bills payables

Bills payables have an average maturity of 110 days (2013: 121 days) and are interest-free unless encashment is made before due dates.

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

	Group	
	2014	2013
	US$'000	US$'000
Bank deposits pledged (Note 17)	1,395	2,253
Bills receivables pledged (Note 20)	294	565
	1,689	2,818

Other payables

Included in other payables is an amount of US$1,053,000 (2013: US$336,000) relating to purchase of plant and equipment.

25. Other liabilities

Other liabilities relate to advances from customers.

26. Loans and borrowings

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Term loans:				
– Due within 12 months	1,111	1,111	1,111	1,111
– Due after 12 months	2,222	3,333	2,222	3,333
	3,333	4,444	3,333	4,444

The term loan of US$5,000,000 (2013: US$5,000,000) is repayable over 18 quarterly instalments commencing August 2013 and bears interest at 3% per annum over SIBOR and is unsecured.

The term loan is denominated in USD.

27. Deferred tax liabilities

	Group 2014	Group 2013
	US$'000	US$'000
Balance at beginning of year	3,379	2,892
Charge for the year	500	711
Reversal of deferred taxation	(293)	(321)
Translation difference	(12)	97
Balance at end of year	3,574	3,379

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

28. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2014		2013	
	No. of shares		No. of shares	
	'000	US$'000	'000	US$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	720,000	57,808	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.

The movement during the year ended 31 December 2014 is due to the change in functional currency as set out in Note 2.5(a).

Options

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

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

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

(a) Share capital (cont'd)

Options (cont'd)

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.

The scheme expired on 5 June 2014. No options have been granted or exercised and no Committee has been appointed to administer the Scheme since the Scheme was established.

(b) Treasury shares

	Group and Company			
	2014		2013	
	No. of shares		No. of shares	
	'000	US$'000	'000	US$'000
At 1 January	14,080	1,222	11,080	1,054
Acquired during the financial year	–	–	3,000	168
Effect of change in functional currency	–	89	–	–
At 31 December	14,080	1,311	14,080	1,222

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

The Company acquired Nil (2013: 3,000,000) 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$ Nil (2013: US$168,000) and this was presented as a component within shareholders' equity.

The movement during the year ended 31 December 2014 is due to the change in functional currency as set out in Note 2.5(a).

29. Other reserves

(a) Currency translation reserve

Group

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

Company

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

(b) Statutory reserve fund

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

(c) Acquisition reserve

On 5 February 2010, the Company acquired the remaining 25% equity interest in the subsidiary, Taitech Singapore Pte. Ltd. ("TTS") from its non-controlling interests for a cash consideration of US$1,200,000.

The difference of US$714,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Acquisition reserve" within equity.

30. Classification of loans and receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	US$'000	US$'000	US$'000	US$'000
Current				
Trade receivables (Note 19)	51,589	44,692	–	–
Bills and other receivables (Note 20)	5,746	6,709	3	14
Amounts due from subsidiaries (Note 21)	–	–	13,459	10,175
Total trade and other receivables	57,335	51,401	13,462	10,189
Add: Cash and short term deposits (Note 17)	33,828	39,347	2,498	1,853
Total loans and receivables	91,163	90,748	15,960	12,042

31. Classification of financial liabilities carried at amortised cost

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables and accruals (Note 23)	27,859	23,803	405	348
Bills and other payables (Note 24)	4,750	4,850	4	6
Amounts due to subsidiaries (Note 21)	–	–	580	42,052
Loans and borrowings (Note 26)	1,111	1,111	1,111	1,111
Non-current				
Loans and borrowings (Note 26)	2,222	3,333	2,222	3,333
	35,942	33,097	4,322	46,850

32. Commitments

(a) Capital commitments

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

	Group	
	2014	2013
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	1,363	1,942

(b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 3 years (2013: 3 years), with options to renew at the end of the lease terms. There are no restrictions placed upon the Group by entering into these leases and no contingent rent provision included in the contracts.

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

	Group	
	2014	2013
	US$'000	US$'000
Not later than one year	820	821
Later than one year but not later than five years	614	1,299
	1,434	2,120

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 trading in derivatives for speculative purposes shall be undertaken.

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

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments, as disclosed in Notes 17, 18, 19 and 20 to the financial statements.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As at 31 December 2014, there were no significant concentrations of credit risk.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 to the financial statements.

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.

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

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

Group	One year or less	One to five years	Total
	US$'000	US$'000	US$'000
2014			
Financial assets			
Cash and cash equivalents (Note 17)	32,433	–	32,433
Bank deposits pledged (Note 18)	1,395	–	1,395
Trade receivables (Note 19)	51,589	–	51,589
Bills and other receivables (Note 20)	5,746	–	5,746
Total undiscounted financial assets	91,163	–	91,163
Financial liabilities			
Trade payable and accruals (Note 23)	27,859	–	27,859
Bills and other payables (Note 24)	4,750	–	4,750
Interest-bearing loans and borrowings	1,189	2,305	3,494
Total undiscounted financial liabilities	33,798	2,305	36,103
Total net undiscounted financial assets/(liabilities)	57,365	(2,305)	55,060

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

(b) Liquidity risk (cont'd)

	One year or less	One to five years	Total
	US$'000	US$'000	US$'000
Group			
2013			
Financial assets			
Cash and cash equivalents (Note 17)	37,094	–	37,094
Bank deposits pledged (Note 18)	2,253	–	2,253
Trade receivables (Note 19)	44,692	–	44,692
Bills and other receivables (Note 20)	6,709	–	6,709
Total undiscounted financial assets	90,748	–	90,748
Financial liabilities			
Trade payable and accruals (Note 23)	23,803	–	23,803
Bills and other payables (Note 24)	4,850	–	4,850
Interest-bearing loans and borrowings	1,220	3,512	4,732
Total undiscounted financial liabilities	29,873	3,512	33,385
Total net undiscounted financial assets/(liabilities)	60,875	(3,512)	57,363
Company			
2014			
Financial assets			
Cash and cash equivalents (Note 17)	2,498	–	2,498
Bills and other receivables (Note 20)	3	–	3
Amounts due from subsidiaries (Note 21)	13,459	–	13,459
Total undiscounted financial assets	15,960	–	15,960
Financial liabilities			
Trade payable and accruals (Note 23)	405	–	405
Bills and other payables (Note 24)	4	–	4
Amounts due to subsidiaries (Note 21)	580	–	580
Interest-bearing loans and borrowings	1,189	2,305	3,494
Total undiscounted financial liabilities	2,178	2,305	4,483
Total net undiscounted financial liabilities	13,782	(2,305)	11,477

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

(b) Liquidity risk (cont'd)

Company	One year or less	One to five years	Total
	US$'000	US$'000	US$'000
2013			
Financial assets			
Cash and cash equivalents (Note 17)	1,853	–	1,853
Bills and other receivables (Note 20)	14	–	14
Amounts due from subsidiaries (Note 21)	10,175	–	10,175
Total undiscounted financial assets	12,042	–	12,042
Financial liabilities			
Trade payable and accruals (Note 23)	348	–	348
Bills and other payables (Note 24)	6	–	6
Amounts due to subsidiaries (Note 21)	42,052	–	42,052
Interest-bearing loans and borrowings	1,220	3,512	4,732
Total undiscounted financial liabilities	43,626	3,512	47,138
Total net undiscounted financial liabilities	(31,584)	(3,512)	(35,096)

(c) Interest rate risk

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

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

Surplus funds are placed with reputable banks.

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

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

(c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

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

	Profit or loss	
	1% increase	**1% decrease**
	US$'000	US$'000
Group		
2014		
Floating rate interest-bearing loans and borrowings	(49)	49
2013		
Floating rate interest-bearing loans and borrowings	(72)	72
Company		
2014		
Floating rate interest-bearing loans and borrowings	(49)	49
2013		
Floating rate interest-bearing loans and borrowings	(72)	72

(d) Foreign currency risk

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

The Group also has transactional currency exposures arising from sales or purchases by an operating units in currencies other than the units' respective functional currencies. Approximately 52% (2013: 49%) of the Group's sales are denominated in the respective functional currencies of the operating units making the sales whilst almost 90% (2013: 94%) of costs are denominated in the units' respective functional currencies. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and short term deposits denominated in foreign currencies for working capital purposes. The foreign currency balances at the balance sheet date is disclosed in Note 17 to the financial statements.

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

		Group	
		Profit after tax	
		2014	**2013**
		US$'000	US$'000
USD/RMB	strengthened 3% (2013: 3%)	(159)	(763)
	weakened 3% (2013: 3%)	159	763
USD/SGD	strengthened 3% (2013: 3%)	6	93
	weakened 3% (2013: 3%)	(6)	(93)

34. Fair value of assets and liabilities

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

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

34. Fair value of assets and liabilities (cont'd)

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

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

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

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

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

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 2014 and 2013.

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.

35. Capital management (cont'd)

	Group	
	2014	2013
	US$'000	US$'000
Trade payable and accruals (Note 23)	27,859	23,803
Bills and other payables (Note 24)	4,750	4,850
Other liabilities (Note 25)	889	783
Interest-bearing loans and borrowings (Note 26)	3,333	4,444
Less: Cash and short term deposits (Note 17)	(33,828)	(39,347)
Net cash	3,003	(5,467)
Equity attributable to equity holders of the Company	112,116	109,783
Less: Statutory reserve fund	(9,065)	(8,547)
Total capital	103,051	101,236
Capital and net debt	106,054	95,769
Gearing ratio	2.8%	–

36. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the financial year on terms agreed between the parties:

(a) Sale and purchase of goods and services

	Group	
	2014	2013
	US$'000	US$'000
Sale of goods to:		
– Associate	–	1
Purchase of goods from associate	200	34
Purchase of corporate secretarial and legal services from firms related to Directors	5	6

36. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group 2014	Group 2013
	US$'000	US$'000
Short-term employment benefits	2,130	1,633
Director's fees	143	143
Total compensation paid to key management personnel	2,273	1,776
Comprise amounts paid to:		
• Directors of the Group	1,014	798
• Other key management personnel	1,259	978
	2,273	1,776

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

In prior year for management purposes, the Group was 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.

Except as indicated above, no operating segments have been aggregated to form the above reporting segments.

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

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

37. Segment information (cont'd)

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

As at 1 January 2014, the Group had reorganised their business units based on the segments as follows:

– The automotive segment is involved in the manufacture and sales of keypads and plastic components for automotive products.

– The telecommunication segment is involved in the manufacture and sales of keypads and plastic components for telecommunication devices.

– The consumer electronic segment is involved in the manufacture and sales of keypads and plastic components for consumer electronic products..

The change in operating segments was made to reflect the management's plan to diversify into different market segments.

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss excluding amortisation of intangible assets and exceptional items

	Automotive		Telecommunication		Consumer Electronic		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Segment revenue	45,485	29,901	42,950	46,201	49,138	40,480	137,573	116,582
Segment results	3,395	1,409	1,368	(3,061)	2,492	(1,026)	7,255	(2,678)
Finance costs	(30)	(44)	(13)	(114)	(86)	(38)	(129)	(196)
Net gain from liquidation of subsidiary	–	–	10,721	–	–	–	10,721	–
Share of results of associates	–	–	(4)	18	–	–	(4)	18
Profit/(loss) before tax from continuing operations	3,365	1,365	12,072	(3,157)	2,406	(1,064)	17,843	(2,856)
Taxation	(308)	(496)	(320)	(701)	(155)	(312)	(783)	(1,509)
Profit/(loss) from continuing operations	3,057	869	11,752	(3,858)	2,251	(1,376)	17,060	(4,365)
Profit from discontinued operation	–	195	–	366	–	–	–	561
Profit/(loss) for the year	3,057	1,064	11,752	(3,492)	2,251	(1,376)	17,060	(3,804)

37. Segment information (cont'd)

Currency information

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

	RMB		Other currencies *		Consolidated	
	2014	2013	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue:						
Segment revenue						
Sales to external customers	71,226	57,092	66,347	59,490	137,573	116,582
As a percentage of sales	51.8%	49.0%	48.2%	51.0%	100%	100%

* Other currencies mainly comprise USD.

38. Dividends

	Group and Company	
	2014	2013
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2013: S$0.006 (2013: S$0.003 for 2012) per share	3,426	1,731
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 2014: S$0.006 (2013: S$0.006) per share (2013: S$0.005) per share	3,211	3,324

39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 31 March 2015.

LEASEHOLD PROPERTIES STATEMENT

For the financial year ended 31 December 2014

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

Shareholdings Statistics as at 31 March 2015

No. of Issued Shares	-	720,000,000
No. of Treasury Shares Held	-	14,080,000
Class of shares	-	Ordinary shares
Voting rights	-	1 vote per ordinary share (no vote for treasury shares)

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 31 March 2015, 42.08% 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 - 99	2	0.12	91	0.00
100 – 1,000	2	0.12	1,700	0.00
1,001 - 10,000	435	25.38	1,532,900	0.21
10,001 - 1,000,000	1,224	71.41	102,500,009	14.24
1,000,001 and above	51	2.97	612,965,300	85.55
	1,714	100.00	720,000,000	100.00

SHAREHOLDING STATISTICS

As at 31 March 2014

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%**
1	Keytech Investment Pte Ltd	308,392,000	43.69
2	Chuang Tze Dey (Zhuang Zidi)	33,372,000	4.73
3	Chuang Wen Fu	27,714,000	3.93
4	DBS Nominees Pte Ltd	20,273,600	2.87
5	Chuang Tze Mon (Zhuang Zimeng)	19,916,000	2.82
6	Citibank Nominees Singapore Pte Ltd	18,726,100	2.65
7	UOB Kay Hian Pte Ltd	17,130,000	2.43
8	Wang Jian	16,165,000	2.29
9	OCBC Securities Private Ltd	14,557,700	2.06
10	Ee Hock Leong Lawrence	14,000,000	1.99
11	Raffles Nominees (Pte) Ltd	13,607,000	1.93
12	Heng Ngee Boon	7,419,000	1.05
13	Gu Chenghua	7,229,000	1.02
14	Chen Zhengmao	7,133,000	1.01
15	MayBank Kim Eng Secs Pte Ltd	6,524,000	0.92
16	CIMB Sec (S'pore) Pte Ltd	4,237,600	0.60
17	Tan Siew Keng Christina	4,124,300	0.58
18	Xu Jianxin	3,939,000	0.56
19	HL Bank Nominees (S) Pte Ltd	3,000,000	0.42
20	Quah Wee Hua	2,960,300	0.42
		550,419,300	77.96

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
	Direct Interests	Deemed Interests	%**
Keytech Investment Pte Ltd	308,392,000	–	43.69

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 31 March 2015, excluding 14,080,000 ordinary shares held as treasury shares as at that date.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at M Hotel Singapore, Anson III, Level 2, 81 Anson Road, Singapore 079908 on Wednesday, 29 April 2015 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 2014 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final tax exempt dividend of 0.6 Singapore cents per share for the financial year ended 31 December 2014. **[Resolution 2]**

3 To approve the payment of Directors' fees of S$180,000 for the financial year ended 31 December 2014. [Year 2013: S$180,000]. **[Resolution 3]**

4 (a) 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(a)]**
[See Explanatory Note (i)]

(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 Teo Kiang Kok who is retiring in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 4(c)]**
[See Explanatory Note (ii)]

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.
[See Explanatory Note (iii)] **[Resolution 6(a)]**

(b) Renewal of Shares Purchase Mandate

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

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
13 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Notice of Books Closure Date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed on 9 May 2015 for the purpose of determining members' entitlements to the first and final tax exempt dividend to be approved by members at the Company's Annual General Meeting to be held on 29 April 2015.

Duly completed transfers received by the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on 8 May 2015 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 8 May 2015 will be entitled to the dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 22 May 2015.

Explanatory Notes :

(i) Mr Chua Keng Hiang, if elected, will remain as the Chairman of the Audit Committee, a member of Nominating Committee and the Remuneration Committee and will be considered as an independent director and will act as the Company's Lead Independent Director.

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

(iii) 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.

(iv) Resolution 6(b) if passed, will empower the Directors from the date of the above Annual General Meeting until the date the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, to purchase ordinary shares of the Company by way of off-market purchases on an equal access scheme or market purchases of up to 10 per cent. (10%) of the total number of issued ordinary shares in the capital of the Company (ascertained as at the date of the passing of the resolution no. 6(b), but excluding any shares held as treasury shares) at the Maximum Price as defined in the Appendices attached. Details on the Shares Purchase Mandate, including the sources of funds to be used for the purchase or acquisition, the amount of financing (if any) and the illustrative financial impact on the Company's financial position, are set out in the Appendices attached.

Proxies:

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

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy (or proxies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy (or proxies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy (or proxies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy (or proxies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

MEMTECH INTERNATIONAL LTD.

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

PROXY FORM – ANNUAL GENERAL MEETING

Important:

1. For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Memtech International Ltd. not less than 48 hours before the time appointed for holding the meeting.
4. By submitting an instrument appointing a proxy(ies) and/or representatives, the member accepts and agrees to the personal date privacy terms set out in the Notice of Annual General Meeting dated 13 April 2015.

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)

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

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 M Hotel Singapore, Anson III, Level 2, 81 Anson Road, Singapore 079908 on Wednesday, 29 April 2015 at 9.30 a.m. and at any adjournment thereof.

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

NO	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business :		
1.	To receive and consider Directors and Auditors' Reports and Accounts		
2.	To declare a first and final tax exempt dividend		
3.	To approve Directors' fees		
4.	To re-elect Directors :		
	(a) Mr Chua Keng Hiang		
	(b) Mr Teow Joo Hwa		
	(c) Mr Teo Kiang Kok		
5.	To re-appoint Ernst & Young LLP as Auditors		
	Special Business		
6.	(a) To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50		
	(b) Renewal of Share Purchase Mandate		
7.	Any other ordinary business		

Dated this __________ day of __________ 2015.

Total Number of Shares Held in:	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal of Corporate Member

IMPORTANT :-
PLEASE READ NOTES OVERLEAF

Notes :-

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

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

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

4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, not less than forty-eight (48) hours before the time appointed for the holding of the Annual General Meeting.

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

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

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

General:

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

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