ALANTAC
TECHNOLOGY LTD

ANNUAL REPORT 2009

Contents

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Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Alantac Technology Ltd, I present to you the Annual Report of Alantac Technology Ltd ("Alantac" or "the Group") for financial year ended 31 December 2009 ("FY2009").

After a year of multiple challenges starting with the financial meltdown triggered by the sub-prime mortgage crisis in the US, the global economy has shown early signs of stabilization. Although many industries continue to be affected by the slowdown, we believe the worst of the crisis is over.

Alantac has also seen its fair share of challenges in FY2009. We continued to operate in a difficult business environment in both the aerospace, and oil and gas segments.

Our priorities in FY2009 were as follows:

(1) In terms of our manufacturing services, our priority was to focus on our core strengths i.e. providing advanced precision engineering services for aerospace, and oil and gas industries especially to the existing customers.

(2) In the area of capital management, our priority was to reduce bank borrowings to strike a better balance between bank borrowings and equity financing.

(3) For operating expenses, we continued to restructure our operations with the aim of generating cost savings.

To these ends, I wish to inform you that we have made some progress in FY2009.

MANUFACTURING SERVICES – FOCUSING ON AEROSPACE AND OIL & GAS SECTORS

The main priority at our manufacturing entities was to focus on our core strengths – advanced precision engineering services for aerospace, and oil and gas components. These specialised fields require high precision machining, stringent standards of quality control and the ability to deliver on schedule and at the right price.

While the first few months of FY2009 started out slow for orders coming from both sectors, signs of improvement have returned towards the end of FY2009. Our main customers in the aerospace industry had provided us with a stable base of orders. Our working relationship with our long term customers remain strong, and our experienced engineering and management teams are committed to serving the customers well into the future.

While we are committed to serving our long term customers, no effort was spared to work with other existing customers to consolidate and strengthen existing business ties, and explore new business opportunities.

We hope that with the possibility of the global economy stabilising, and despite the remaining uncertainties, our businesses will recover in a healthy manner. Predictability remains an important factor in our advanced precision engineering business.

BALANCING DEBT AND EQUITY FINANCING

One of the critical challenges we faced in FY2009 was to reduce our exposure to debt by seeking equity financing from investors who took a long term view of the Group. I am pleased that by the end of FY2009, we have secured some equity financing via a share placement exercise in November 2009 which raised gross proceeds of S$6.3 million.

I welcome this new group of investors, among them, a company listed on the main board of SGX, which has taken an interest in Alantac.

A healthy balance sheet is also a pivotal part of our recovery and growth.

CONTINUED RESTRUCTURING AND COST CUTTING

While we see some degree of stabilization in our order patterns and had been able to gradually improve the health of our balance sheet, an ongoing challenge for the Group is to keep the operations responsive to changes in the business environment.

As announced in March 2009, the Getech operations have been liquidated. The economic slowdown last year took a toll on the world economy. Our Suzhou subsidiary was not spared the resulting negative impact. There was a significant decline in order flows from the electronics and semiconductor businesses. Our subsidiary in Suzhou, China which had recorded losses since FY2007, underwent a restructuring exercise. Among other measures taken, the management reduced the fixed overhead cost significantly. The management is monitoring the situation in Suzhou closely and will consider if further action is needed.

FINANCIAL PERFORMANCE FY2009

The Group's revenue of S$25.9 million in FY2009 represented a decrease of 31.4% over FY2008. The decline reflected the negative impact on the Group as a result of the global economic crisis last year. The primary sources of revenue were mainly from the aerospace, and oil and gas industries. The combined contribution from these sectors contributed to 61.3% of the total revenue for FY2009 as compared to 42.2% in FY2008.

The contribution from the electronic and semiconductor sectors fell 63.8% from FY2008 as a result of the weak global semiconductor and electronic demand coupled with very low profit margin.

On a positive note, in spite of the global economic downturn, JEP Precision Engineering Pte Ltd, Singapore ("JEPS"), the main subsidiary of the Group where its main businesses are in aerospace, and oil and gas industries, continued to contribute positively to the Group's results. JEPS contributed 86.6% of the revenue in FY2009 as compared to 59.0% in FY2008.

In spite of the decline in revenue and the high absorption of manufacturing overhead costs arising from lower utilisation of production hours especially from the electronics and semiconductor sectors, the gross profit margin improved to 8.9% from 6.9% in FY2008.

Although the Group's revenue declined 31.4% as compared to FY2008, net loss after tax of S$11.9 million did not worsen. Instead net loss was reduced from $13.9 million to $11.9 million in FY2009. The reduction in net loss was mainly due to cost reduction measures taken.

Letter to Shareholders

The Group was required to comply with certain financial covenants in respect of certain bank loans. In this regard, it has obtained waivers from the banks. As a result of the waivers, some loans were re-classified resulting in reduction of the total current liabilities from S$41.5 million in FY2008 to S$27.1 million in FY2009.

The Group completed a private placement in December 2009 with the issuance of 105,003,000 shares for a gross proceed of S$6.3 million. The Group has since used approximately 60.0% for repayment of bank loans. The balance was used as working capital.

CHALLENGES IN FY2010

We expect 2010 to remain a challenging year. While the business outlook remains uncertain amidst weak signs of stabilisation, the Group will continue to monitor the cost and implement cost cutting measures, if necessary, to stay competitive.

The reported revenue trend provided a good indication that the Group's strategy of shifting from its dependence on the electronic industry to the aerospace, and oil and gas industries was a positive shift of focus. In spite of the global economic downturn, the revenue from especially the aerospace sector was stable. We will continue to remain focused in the aerospace, and oil and gas sectors. We will remain committed to develop businesses in these industries, strengthen existing relationship with existing customers, at the same time broadening our customer base.

We will aiso continue to identify new growth engines and platforms, and constantly evaluate the effectiveness of our cost control measures and efforts to respond to changing business environment.

The progress and success of Alantac requires teamwork, commitment and a practical approach to business and financial management.

APPRECIATION

I wish to extend a warm welcome to our new directors, Mr. Quek Hiong How (Independent Director), Mr. Koh How Thim (Executive Director) and Mr. Andy Luong (Non-Executive Director) who were appointed last year, and my appreciation to Mr. Wong Gang for his positive contribution as the Lead Independent Director. I am thankful for their continued advice and guidance.

In concluding my letter, I would like to express my sincere gratitude to all shareholders, members of the Board, management and staff as well as our partners, customers and suppliers who stood by Alantac throughout the years and continue to stand by us into the future.

We look forward to a brighter year ahead.

Thank you.

Adam Lau Fook Hoong @ Joe Lau
Executive Chairman

Operational and Financial Review

REVIEW OF FINANCIAL PERFORMANCE

The Group's core businesses are made up of two main business segments, namely, the aerospace, and oil and gas segments. In FY2009, the Group had, in accordance to plan, focused less on the electronic and the semiconductor segment. The move to focus on the aerospace, and oil and gas segments had placed the Group in a stronger position to weather the challenges and difficult business environment as a result of the global downturn experienced for the year.

The Group reported a decrease in revenue of 31.4% from S$37.7 million in FY2008 to S$25.9 million in FY2009. The decrease was largely due to the decline from the electronic and semiconductor industries as a result of the global downturn. Revenue contribution from the electronic and semiconductor, and precision machining businesses fell from 37.8% to 17.3% of total revenue. The aerospace, and oil and gas businesses were the main revenue contributors, making up 61.3% of the total revenue as compared to 42.2% in FY2008.

In spite of the decline in the revenue, the Group was able to increase its gross profit margin to 8.9% as compared to 6.9% in 2008. This was mainly attributed to cost saving measures deployed to reduce manufacturing overhead costs and to increase profit margin.

On a year-on-year comparison, Selling and Distribution expenses have reduced by 40.5% to S$0.6 million in FY2009 as compared to S$1.1 million in FY2008. The consolidation of the marketing activities within the Group was the main reason for the reduction in expenses.

General and Administrative expenses decreased from S$14.3 million in FY2008 to S$12.5 million in FY2009. The decrease represented a drop of 12.6%. The reduction was due to reduction in impairment loss on property, plant and equipment of S$2.0 million, lower provision for inventory obsolescence and write off of S$1.0 million, and translation differences of S$0.4 million in FY2009. The savings were offset by S$0.9 million in loss sustained from the liquidation of Getech and an increase in depreciation expenses of S$0.7 million in FY2009.

Financial expenses were reduced to S$1.8 million in FY2009 as compared to S$2.1 million in FY2008. The lower financial expenses were due to repayment of $10.2 million of the Group's borrowings in FY2009, resulting in reduction of total Group borrowings from S$38.8 million in FY2008 to $28.7 million in FY2009.

Operational and Financial Review

A net loss of S$11.9 million was recorded for FY2009 as compared to S$13.9 million in FY2008. Despite a decline in the revenue over the previous year, the net loss for the year did not worsen largely due to gross margin improvement and cost savings highlighted above.

The Group's ability to sustain its business revenue, particularly, from the aerospace industry despite the weak global economic performance, was attributed to the conscientious efforts in maintaining strong relationships with key customers and meeting their requirements.

BALANCE SHEET AND CASH FLOW

The Group's property, plant and machinery decreased by S$10.5 million in FY2009. The decrease was mainly due to depreciation expenses of S$8.0 million, S$2.3 million of Getech fixed assets being placed under liquidation, S$0.5 million of assets being disposed of and written-off and impairment loss of S$0.9 million. The decrease was partially offset by S$1.2 million of equipment purchase.

Total current assets decreased from S$22.3 million in FY2008 to S$13.2 million in FY2009. The decrease was due to an amount of S$2.3 million of property, plant and equipment included as current assets which were written off upon the liquidation of Getech Industries Pte Ltd., and reduction of inventory by S$3.4 million over previous as a result of the effort to manage inventory level. The cash and bank balances were reduced by S$3.5 million mainly as a consequence of funds use for partial repayment of bank loans.

In FY2009, the group has a reduction of S$3.1 million in cash and cash equivalent. The reduction is mainly attributed by a negative cash flow from operating activities of S$0.1 million, net cash used in investing and financing activities of S$3.0 million.

The Group was required to comply with certain financial covenants in respect of certain bank loans. In this regard, it has obtained waivers of non-compliance of certain covenant requirements and the continued support from the banks.

The Group completed a private placement in December 2009 with the issuance of 105,003,000 shares for gross proceeds of S$6.3 million. Almost 60% of the proceeds have since been utilized for repayment of bank loans and the balance used for working capital.

LOOKING AHEAD

We expect 2010 to remain a challenging year amidst early signs of stabilization. The Group is committed to review its business model and restructure as and when necessary, to meet any challenges pose by the uncertainties ahead.

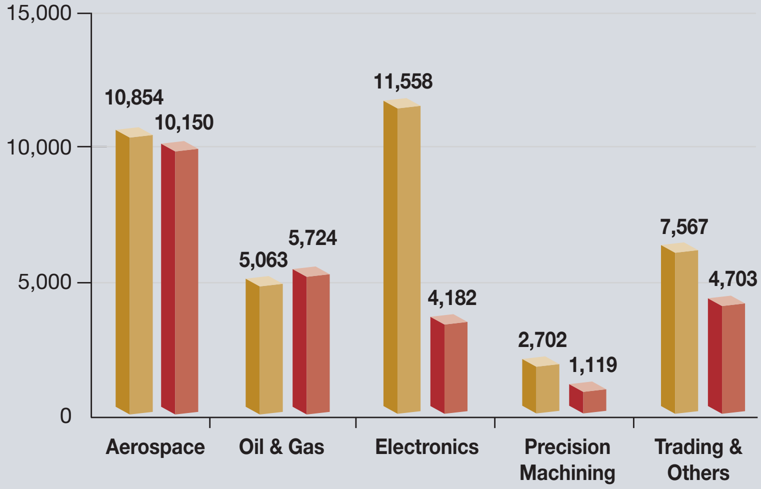
To date, the change in the Group's business strategy from high dependency in electronic and semiconductor industries to a sought-after high value-added revenue base in aerospace, and oil and gas industries has enabled the Group to weather the downturn with no increase in losses and improvement in gross profit margin in spite of the decline in revenue.

Singapore will continue to remain as the core revenue driver and engineering centre of the Group. The Group will continue to assess and explore all practical means to restructure its operations in Thailand and Suzhou, China.

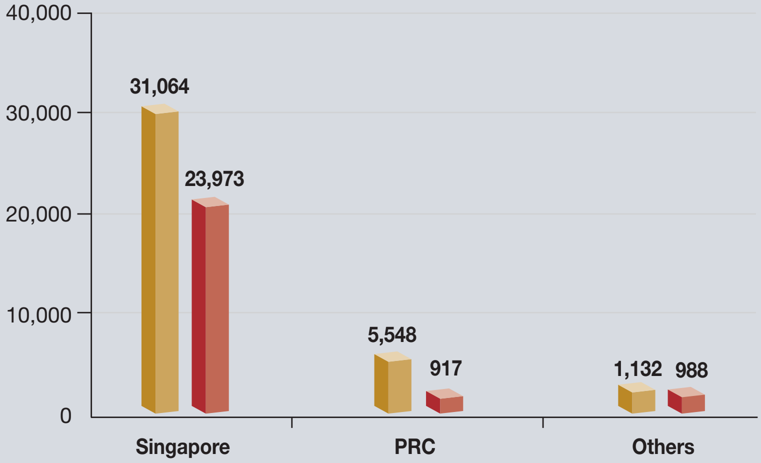
The Group remains committed to develop businesses in growth industries, particularly in the aerospace, and oil and gas industries, at the same time, strengthening existing relationships with customers' broadening customer base and identifying new business opportunities in line with our strategy. Last but not least, we will continue to keep control over cost.

FY2009
FY2008

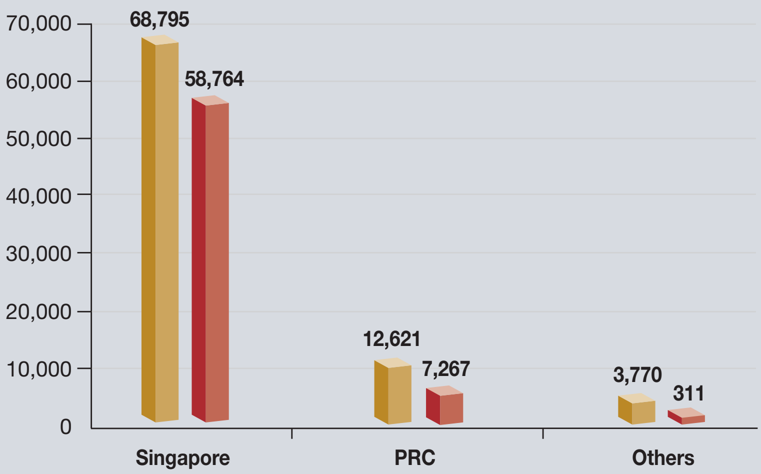
REVENUE BY INDUSTRY
$'000



REVENUE BY REGION
$'000



ASSETS BY REGION
$'000



Board of Directors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1 **Mr. Adam Lau Fook Hoong @ Joe Lau**
2 **Mr. Koh How Thim**
3 **Mr. Wong Gang**
4 **Mr. Quek Hiong How, Raymond**
5 **Mr. Andy Luong**

1. Mr. Adam Lau Fook Hoong @ Joe Lau

Mr. Adam Lau Fook Hoong @ Joe Lau was appointed as the Executive Chairman and Chief Executive Officer of the company on 17 August 2009. Mr. Lau, the founder of JEP Precision Engineering Pte Ltd joined us as Executive Vice Chairman on 1 October 2007. With more than 20 years of experience in the precision engineering industry, he drives all operational matters for the Group. Mr. Lau was the recipient of the 2006 Entrepreneur Award and the EYA Innovation Award 2006. He successfully built JEP Precision Engineering Pte Ltd to become an Enterprise 50 award winner in 2007. These awards clearly demonstrate his capability in building a successful business.

2. Mr. Koh How Thim

Mr. Koh How Thim, prior to his re-designation as the Executive Director in 14 December 2009, was a Non-Executive Director with the Company since May 2009.

Mr. Koh has extensive experience in the banking and finance industry for more than 20 years. Prior to his appointment in the Company, Mr Koh was a Director, Head of Compliance with a Swiss-based private bank. His banking and finance experience included holding positions as Director of Corporate/Relationship Banking and Director of Treasury of an American bank, Manager, Finance and Administration of a Swiss-based private banking and asset management subsidiary. He has also worked with Agilent Technologies, an American MNC in Singapore where he held the position of Asia Pacific Treasury Manager overseeing cash and financial management functions, and the Treasury operations of all the entities located in more than 10 of the Asia Pacific countries. His other experiences in MNC and financial institutions included M&A activities, financial structuring, management of Treasury risk and operations, and cross-border business activities and projects.

He holds a Bachelor of Arts, Hons (Accounting and Finance) from the University of Northumbria in Newcastle, United Kingdom and Master of Business Administration from University of Leicester, United Kingdom. He is also a member of the Singapore Institute of Directors.

3. Mr. Wong Gang

Mr. Wong Gang is a Partner in law firm, Shook Lin & Bok LLP since 2002, joined us as an Independent Director. With more than 12 years of professional experience advising on a wide range of corporate finance and securities transactions, including stock market flotations, rights issue, securities regulation for public listed companies, mergers and acquisitions, joint ventures, as well as general corporate advisory work, he is also a member of Shook Lin & Bok LLP's China practice group and has advised multinational corporations and Singapore companies on cross border transactions in China, as well as on public offerings of securities in Singapore by companies from China. He has been cited by Chambers Asia as one of Singapore's leading corporate lawyers in the capital markets, and is currently also an Independent Director of several other companies listed on the SGX-ST.

4. Mr. Quek Hiong How, Raymond

Mr. Quek Hiong How, Raymond, was appointed an Independent Director on 6 August 2009. Mr. Quek has held several senior positions and directorships in finance and accounting over the past 30 years. Amongst the senior positions he has held, Mr. Quek was the Finance Director for 2 subsidiaries of Boustead Singapore Limited (an SGX main board listed company) as well as the Chief Financial Officer for Keppel Telecommunications and Transportation Ltd ("Keppel T&T"). Mr. Quek was also the Vice President (Finance and Administration) for the then-Television Corporation of Singapore Pte Ltd ("TCS") .

Mr. Quek has extensive experience in the areas of project feasibility studies, setting up of joint-ventures, mergers and acquisitions and corporate governance and finance .

5. Mr. Andy Luong

Mr. Andy Luong was appointed as Non-Executive Director on 7 May 2009. Mr. Luong has more than 20 years of experience in the manufacturing of front-end semiconductor components - honing his machining skills from working in his family's machining business in Vietnam. He emigrated to the United States of America in 1979 and shortly after completing college, he started a precision machining business called Long's Manufacturing Inc. He started UMS in 1996 in Singapore, and is currently the Chief Executive Officer of UMS Holding Ltd, a company listed in the main board of SGX-ST.

Key Executives

In addition to Mr. Adam Lau Fook Hoong @ Joe Lau (Executive Chairman, CEO) and Mr. Koh How Thim (Executive Director), the following are the two key executives.

Mr. Low Wai Cheong

Mr. Loh Wai Cheong joined JEP Precision Engineering Pte Ltd, the main subsidiary of the Group in 2010 as the Chief Operating Officer. He currently assists the CEO and Chairman of the Group to oversee its operations in Singapore, China, and Thailand.

Mr. Loh started his career with Hamilton Sundstrand in Singapore as a Manufacturing Engineer in 1992. He joined Singapore Aerospace Manufacturing in 1998 and rose through the ranks from Senior Engineer to Deputy General Manager. In 2003, Mr. Loh joined Smiths Aerospace Engine Components (later known as Unison Engine Components) as its General Manager to start and manage the state-of-the-art manufacturing plant in Suzhou, China.

Mr. Loh attended Bradley University of Peoria Illinois and graduated with a Bachelor of Science degree (Summa Cum Lauder) in Manufacturing Engineering under the Sundstrand-EDB Scholarship Scheme. While working with Hamilton Sundstrand, he received his Master of Science degree in Computer Integrated Manufacturing from Nanyang Technological University.

Mr. Leong Weng Cheong

Mr. Leong Weng Cheong joined the Group in 2006 and is presently serving as Group Financial Controller. Mr. Leong started his career with one of the Big 4 auditing firms before he takes on the role of Finance Manager and subsequently Financial Controller for several US multi-national companies in Singapore. To date, he has had over 15 years of working experience in the finance and accounting industry.

Mr. Leong graduated with a degree in Bachelor of Accountancy from Nanyang Technological University. He is a Certified Public Accountant (CPA) and a member of the Institute of Certified Public Accountants of Singapore.

Corporate Information

Board of Directors

Adam Lau Fook Hoong @ Joe Lau
Executive Chairman and Chief Executive Officer

Koh How Thim
Executive Director

Wong Gang
Lead Independent Director

Raymond Quek Hiong How
Independent Director

Andy Luong
Non-Executive Director

Company Secretary

Chan Shok Hing

Registered Office

44 Changi South Street 1
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Fax: +65 6545 2823
Website: www.alantac-technology.com

Bankers

United Overseas Bank
DBS Bank
OCBC Bank
Standard Chartered Bank

Share Registrar

Boardroom Corporate &
Advisory Services Pte Ltd
50 Raffles Place,
#32-01 Singapore Land Tower
Singapore 048623

Auditors

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

Partner in charge

Tan Peck Yen
(since financial year ended
31 December 2006)

Financial Contents

CORPORATE GOVERNANCE

Corporate Governance Statement

The Board of Directors and Management of Alantac Technology Ltd. (the "Company") are committed to observing high standards of corporate governance and transparency and the protection of shareholders' interests. This report describes the processes and measures adopted, where feasible and; the principles set out in the Code of Corporate Governance (the "Code").

Principle 1 – The Board's Conduct of its Affairs

The Company is headed by the Board that leads and oversees its operations and affairs.

The Board comprises the following members:

Executive Directors

Adam Lau Fook Hoong @ Joe Lau	
Koh How Thim	(Appointed on 7 May 2009 as Non-Executive Director and redesignated as Executive Director on 14 December 2009)
Tan Ngee Teck	(Ceased as a Director after the EGM)
Tay Lay Hoon	(Resigned on 20 November 2009)

Non-Executive Directors

Wong Gang	(Lead Independent Director)
Ng Pock Too	(Not re-elected after the AGM)
Raymond Quek Hiong How	(Appointed on 3 August 2009)
Andy Luong	(Appointed on 7 May 2009)

The Board is responsible for the Company's system of corporate governance, and is ultimately responsible for the Group's activities, strategies and financial performance. It endeavours to enhance long-term value and return for shareholders.

The primary functions of the Board included:

- Approving Group business objectives, strategic plans, and key initiatives,
- Overseeing the processes for evaluating adequacy of internal controls, risk management, financial reporting and compliance,
- Approving nomination of directors and appointment of key personnel,
- Approving annual budgets, major capital expenditures and funding proposals, major investment and divestment proposals,
- Approving half-year / full-year result announcements and all other announcements.

In carrying out his duties, each director is expected to consider, at all times, the interest of the company.

The Board delegates certain decision making authorities to the Audit Committee, the Nominating Committee and the Remuneration Committee, and these committees will in turn be monitored by the Board.

The Board has adopted internal guidelines that require Board approval, including appointment of directors, company secretary and appointment of Catalist Sponsor and as well as major transactions, *inter alia*, capital funding, acquisitions and disposals.

There will be an orientation of the Company's operational facilities and a meeting with the management staff for newly appointed Directors to familiarise them with the Company's business and governance policies. The Company would also be happy to open this orientation as a refresher for seasoned directors. To keep abreast with developments in financial, legal and accounting requirements, the Company will encourage its directors to attend relevant instructional/training courses at the Company's expense.

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

The Company Secretary attends most of the Board meetings and ensures that Board procedures are followed and that applicable rules and regulations are complied with.

To discharge its duties effectively and efficiently, the Board has established three committees, namely, the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), each of which functions within the defined terms of reference and operating procedures which are reviewed on a regular basis.

The Company's Articles of Association allow a board meeting to be conducted by way of teleconference and a resolution in writing signed by the majority of directors.

The Board, as a Group, possesses the necessary competencies to lead and govern the Company effectively.

The number of Board and other committee meetings held in the year and the attendance of each director, where relevant, is set out as follows:

	Board Meeting		**Audit Committee Meeting**		**Nominating Committee Meeting**		**Remuneration Committee Meeting**	
Name of Director	Number Held	Attendance	Number Held	Attendance	Number Held	Attendance	Number Held	Attendance
Tan Ngee Teck [(1)]	8	4	3	-	3	2	2	-
Adam Lau Fook Hoong @ Joe Lau	8	7	3	-	3	-	2	-
Tay Lay Hoon [(2)]	8	8	3	1	3	3	2	2
Wong Gang	8	6	3	2	3	3	2	2
Ng Pock Too [(3)]	8	3	3	1	3	3	2	2
Koh How Thim	8	4	3	2	3	-	2	-
Raymond Quek Hiong How	8	2	3	2	3	-	2	-
Andy Luong	8	4	3	1	3	-	2	-

(1) Mr. Tan Ngee Teck ceased as a director after EGM.
(2) Ms. Tay Lay Hoon has resigned on 20 November 2009.
(3) Dr. Ng Pock Too was not re-elected after the AGM.

Principle 2 – Board Composition and Balance

The Board comprises five directors, of whom three are independent directors. There is a strong and independent element on the Board that enables it to exercise objective judgment on corporate affairs independently, in particular, from the management. No individual or small group of individuals are allowed to dominate the Board's decision-making. The independence of each director is reviewed annually by the NC based on guidelines on criteria of independence stated in the Code. The directors are not related to one another.

The NC is of the opinion that its current Board size and mix of expertise and experience of its members, as a group, provide core competencies necessary to meet the Company's requirements.

The independence of each director will be reviewed annually by the NC, based on the guidelines on criteria of independence stated in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independence business judgement.

Principle 2 – Board Composition and Balance (cont'd)

The Independent Directors provide an independent and professional element to the Board, enabling the Board to challenge management from an objective perspective, and at the same time, allow for constructive suggestions that will shape the Company's policies. The Independent Directors also aid in the review of management performance and monitor the management reporting framework.

Principle 3 – Chairman and Chief Executive Officer

The Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should, in principle, be separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Group's Executive Chairman, Mr. Adam Lau Fook Hoong @ Joe Lau, assumes the role of both the Chairman and CEO. The Board is of the view that based on the Company's current size and operation, it is in the best interests of the Group to adopt a single leadership structure, whereby the Executive Chairman and the CEO is the same person, so as to ensure that the decision-making process of the Group and implementation of Board's corporate plans and polices would not be unnecessarily hindered.

The role of the Chairman includes ensuring the Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Company Secretary and ensuring that the Board is provided with adequate and timely information.

All major decisions are reviewed by the Audit Committee. His performance and appointment to the Board are reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual. The lead independent director is also available to shareholders, where they have concerns which contact through the normal channels of the Chairman, CEO, or the relevant director has failed to resolve or for which such contact is inappropriate.

Principle 4 – Board Membership

The Nominating Committee ("NC"), comprises three members; two are Independent Directors and one Executive Director.

Wong Gang	(Lead Independent Director and Chairman);
Raymond Quek Hiong How	(Independent Director);
Adam Lau Fook Hoong @ Joe Lau	(Executive Director)

The principal roles of the NC are to establish a formal and transparent process for appointments and reappointments to the Board and to review Board effectiveness, structure, size and composition.

The NC shall be responsible for identifying and nominating candidates for the Board, determining annually, whether a director is independent, filling Board vacancies as well as to putting in place plans for succession, in particular the positions of Chairman and Chief Executive Officer.

In addition, the NC will make recommendations to the Board concerning the continuation of the services of any Director who has reached the age of seventy (70) years. Should a director have multiple board representations, the NC has to decide whether he or she has been adequately carrying out his / her duties as a director of the Company.

NC will oversee and ensure that at least a third of the Board retires by rotation at every AGM, and every director will be required to submit themselves for re-nomination and re-election on a rotational basis and at least once every 3 years.

Director	Date of Appointment	Date of Last Re-election
Adam Lau Fook Hoong @ Joe Lau	1-Oct-2007	25-Apr--2008
Wong Gang	1-Nov-2006	26-Apr-2007
Koh How Thim	7-May-2009	-
Raymond Quek Hiong How	3-Aug-2009	-
Andy Luong	7-May-2009	-

Principle 4 – Board Membership (cont'd)

At the forthcoming AGM, Mr Wong Gang, Mr Koh How Thim and Mr Raymond Quek Hiong How shall retire and being eligible, agreed to re-election.

The process for selection and appointment of new directors will be led by the NC in the following order: (i) Determining the desirable competencies for the appointment, and after consultation with management, (ii) Assessment of suitability of candidates and an open dialogue to ensure the candidate is aware of his role and obligation and (iii) a final shortlist for recommendation to the Board.

Principle 5 - Board Performance

Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of individual directors. Part of the process is through the review of the appraisal / evaluation forms, that includes an assessment of the size and composition of the Board, the Board's access to information, the Board performance in relation to discharging its key responsibilities and the time commitments of directors who served on multiple boards.

Principle 6 - Access to Information

The Directors are updated regularly on corporate governance, changes in listing rules and regulations and performance of the Group. The Directors have separated and independent access to the senior management, including the Company Secretary of the Group, at all times. The Directors, either individually or as a group, in the furtherance of their duties, can take independent professional advice, if necessary, at Company expense.

The Company makes available to all Directors its half-year and full-year management accounts and where required, other financials statements, budgets and forecasts and other relevant information as necessary. Detailed reports and board papers are sent out to the Directors before the meetings so that the Board can have a proper understanding of the issues. With regard to budgets whereby material variances exist between the actual and forecasted numbers, they are reviewed by the Board as well as disclosed and explained by the Management, where required by the Board.

Principle 7- Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC"), comprises three members, all of whom are Independent Directors.

Wong Gang	(Lead Independent Director and Chairman);
Raymond Quek Hiong How	(Independent Director); and
Andy Luong	(Non-Executive Director)

The RC reviews and recommends to the Board, in consultation with Management, a framework of remuneration for Management and key executives in the Company.

Independent and Non-Executive Directors receive directors' fees as determined by the RC, who takes into account their level of contribution and responsibilities.

Currently, the Company does not have any long-term incentive scheme for its Directors. However, the Company is currently looking into this issue with its independent directors into the possibility of adopting incentive schemes. Where appropriate, the board will adopt such recommendations and modifications, if feasible and applicable.

Principle 8 - Level and Mix of Remuneration

The RC is responsible for reviewing and approving specific remuneration packages and terms of employment of Directors and employees related to Executive Directors and controlling shareholders of the Company. The RC also reviews the adequacy and form of remuneration for Directors to ensure that their compensation commensurate with the responsibilities and risks involved in being a Director and the remuneration packages are comparable within the industry and include a performance-related element with appropriate and meaningful measures of assessing performance. Such remuneration packages include but are not limited to director's fees, salaries, allowances, bonuses and benefits in kind. In case of service contracts, there should be a fixed appointment period for all directors, after which they are subject to re-election. No Director or member of the RC shall be involved in deciding his own remuneration.

Principle 9 – Disclosure on Remuneration

The remuneration of Directors and the top 3 senior executives of the Company for the year ended 31 December 2009 are set out below:

Remuneration band and name	Fees (1)	Salary (2)	Bonus (2)	Others (3)	Total
Directors					
S$250,000 to S$499,999					
Adam Lau Fook Hoong @ Joe Lau	-	66%	8%	26%	100%
Tan Ngee Teck	-	89%	-	11%	100%
(Resigned on 5 June 2009)					
Below S$250,000					
Tay Lay Hoon	5%	72%	-	23%	100%
(Resigned on 20 November 2009)					
Wong Gang	100%	-	-	-	100%
Koh How Thim	64%	32%	-	4%	100%
Raymond Quek Hiong How	100%	-	-	-	100%
Andy Luong	100%	-	-	-	100%
Key Executives					
S$250,000 to S$499,999					
NIL	-	-	-	-	-
Below S$250,000					
Tan Boon Chuan	-	76%	7%	17%	100%
Leong Weng Cheong	-	78%	7%	15%	100%
Loh Wai Cheong	-	78%	-	22%	100%

(1) These fees are subject to approval by shareholders as a lump sum at the forthcoming AGM.
(2) Salaries and bonuses include employer contributions to the Central Provident Fund.
(3) Benefits in kind such as use of company vehicles are included.

In the financial year ended 31 December 2009, the Group has no employee whose annual remuneration exceeds S$150,000 who is related to any Director.

Principle 10 - Accountability

The Board is collectively responsible for the success of the Company and works with management to achieve this. The Company reports its results once every six months.

Through these reports, the Board aims to provide shareholders with clear and balanced assessments of the Group's financial performance, position and prospects.

The Management provides all members of the Board sufficient and timely information on its financial performance and potential issues before all Board meetings.

Principle 10 - Accountability (cont'd)

In line with continuous disclosure obligations of the Company and in accordance to the Catalist Listing Manual of the SGX-ST and the Companies Act, the Board adopts a policy whereby shareholders shall be informed of all major developments of the Company.

Financial information and other price sensitive information are circulated in a timely manner to the shareholders through announcement via SGXNET, press release, the Company's website and media and analyst briefings. The Company's corporate information as well as annual reports are also available on the Company's website.

The management makes available to all Directors its half-year and full-year management accounts and where required, such other necessary financial information for other periods if applicable.

Principle 11 – Audit Committee

The Audit Committee ("AC"), comprises three members who have accounting or related financial expertise or experience to discharge the responsibilities. It comprises of two Independent Directors and one non-executive director

Raymond Quek Hiong How	(Independent Director and Chairman)
Wong Gang	(Lead Independent Director); and
Andy Luong	(Non-Executive Director)

The duties of the Committee shall be:

a) to review with the external auditors the audit plan, their audit report, their management letter and Management's response.

b) to review the half-year and annual financial statements on significant financial reporting issues and judgments before submission to the Board for approval.

c) to review any formal announcements relating to the Company's financial performance.

d) to discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors.

e) to meet with the external auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have.

f) to review the assistance given by Management to external auditors.

g) to review and evaluate the adequacy of the Company's internal controls systems by reviewing reports from internal and external auditors.

h) to review the effectiveness of the company's internal audit function

i) to review annually the scope and results of the audit and its cost-effectiveness as well as the independence and objectivity of the external auditors.

j) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters within its terms of reference. A lead independent director will lead in all queries as may be raised by the staff of the Company. The AC will have full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings. The AC also has reasonable resources to enable it to discharge its functions properly.

   The Company has put in place a whistle blowing policy, reviewed and endorsed by the AC, where the employees can, in confidence, raise concerns about improper conduct for investigation.

Principle 11 – Audit Committee (cont'd)

k) to report to the Board its findings from time to time on matters arising and requiring the attention of the Committee.

l) to review interested person transactions (IPTs) falling within the scope of the Catalist Listing Manual of the SGX-ST.

m) to undertake such other reviews and projects as may be requested by the Board.

n) to consider the appointment/re-appointment of external auditors, the audit fee and matters relating to the resignation or dismissal of auditors.

The AC has reviewed the non-audit services provided by the external auditors and is of the opinion that the provision of such services does not affect the independence of the external auditors.

Principle 12 - Internal Controls

The internal controls (which include internal financial controls, operational and compliance controls) and the risk management process established by the Group are to manage, rather than eliminate, the risk of failure in achieving the Group's strategic objectives. It should be noted that such system provides reasonable, but not absolute assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets.

The AC had reviewed the effectiveness of the measures taken by the Management based on the recommendations made by the external auditors and are of the view that the internal controls are adequate to meet the needs of the Group in its current business environment.

Principle 13 - Internal Audit

The Board has appointed Howarth First Trust LLP to perform the internal audit functions of the Group. The Internal Auditor's primary line of reporting is to the Chairman of the AC. The AC ensures that the internal audit functions is adequately resourced and has appropriate standing within the Group. The adequacy of the internal audit function is determined at least annually by the AC.

Principle 14 – Communication with Shareholders

The Board is committed to being open and transparent in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. The Board is mindful of its obligations to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy of the Singapore Exchange. Financial Results, annual reports and other material information are released via SGXNET. Announcements released via SGXNET are also uploaded promptly on the Company's corporate website.

Shareholders are informed of shareholders' meeting through notices published in the newspaper and reports or circulars sent to all shareholders.

Principle 15 – Shareholder Participation

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its businesses. Shareholders may appoint proxies to attend and vote on their behalf.

Each item of special business in the notices of the shareholders' general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for each distinct issue.

The Chairman of the AC, RC and NC is required to be present during the general meeting to address shareholders' queries. In addition, external auditors are also present at such meetings to assist the Directors in addressing the queries, if required.

SECURITIES TRANSACTIONS

In line with the Singapore Exchange's Best Practice on Dealings in Securities, the Company has issued a policy to its Directors and key officers / employees that there must be no dealings in the securities of the Company one month before the release of the half-year and full-year financial results, or when they are in possession of unpublished material price-sensitive information.

An internal memorandum informing all persons covered by the policy that they are prohibited from dealing in the securities of the Company during the 'closed window' period until after the release of the results.

In view of the process in place, the Board is of the opinion that the Company has set up policies and procedures to inform all officers that they are prohibited in trading in the Company's securities on short-term considerations as well as to provide guidance to its officers with regards to dealing by the Company and its officers in the Company's securities. The Board is also of the opinion that the Company has complied with the principal corporate governance recommendations set out in Best Guide issued by the Singapore Exchange Securities Trading Limited ("SGX-ST").

MATERIAL CONTRACTS

No material contracts of the Company and its subsidiaries involving the interest of the CEO or any Director or controlling Shareholder subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

There was no interested person transaction during the financial year under review.

SPONSORS

During the financial year, there were no non-sponsor fees paid to the Sponsor during the financial year.

DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of Alantac Technology Ltd. (the Company) and its subsidiaries (collectively, the Group) and the balance sheet, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2009.

Directors

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

Adam Lau Fook Hoong @ Joe Lau	–	Executive Chairman of the Board, Chief Executive Officer
Koh How Thim	–	Executive Director
Andy Luong	–	Non-Executive Director
Quek Hiong How (Raymond)	–	Independent Director
Wong Gang	–	Lead Independent Director

Arrangements to enable directors to acquire shares and debentures

Except for the subscription for shares under the share placement of the Company, 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 object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		**Deemed interest**	
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Adam Lau Fook Hoong @ Joe Lau	2,320,586	73,837,686	71,517,100	–
Koh How Thim	100,000	100,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2010.

Except as disclosed in this financial statements, no director who held office at the end of the financial year had interests in shares, share options, convertible securities, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or date of appointment of later, or at the end of the financial year and 21 January 2010.

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.

Options

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2009, there were no options on the unissued shares of the Company or its subsidiaries which were outstanding.

Audit committee

The audit committee (AC) carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

- Reviews the half yearly unaudited results announcement and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;

- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviews the cost effectiveness and the independence and objectivity of the external auditors;

- Reviews the nature and extent of non-audit services provided by the external auditors;

- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;

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

- Reviews interested person transactions in accordance with the requirements of the Catalist Listing Manual of the Singapore Exchange Securities Trading Limited.

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

The AC convened two meetings during the year attended by 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.

Auditors

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

On behalf of the board of directors,

Adam Lau Fook Hoong @ Joe Lau
Director

Koh How Thim
Director

Singapore
8 April 2010

STATEMENT BY DIRECTORS

We, Adam Lau Fook Hoong @ Joe Lau and Koh How Thim, being two of the directors of Alantac Technology Ltd., do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, statements of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and the results of the business and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on that date, and

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

On behalf of the board of directors,

Adam Lau Fook Hoong @ Joe Lau
Director

Koh How Thim
Director

Singapore
8 April 2010

INDEPENDENT AUDITORS' REPORT

for the financial year ended 31 December 2009
to the Members of Alantac Technology Ltd.

We have audited the accompanying financial statements of Alantac Technology Ltd. (the Company) and its subsidiaries (collectively, the Group) set out on pages 28 to 80, which comprise the balance sheets of the Group and the Company as at 31 December 2009, the income statements and the statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

Without qualifying our opinion, we draw attention to Note 2.1(b) to the financial statements. The Group and the Company incurred net losses after tax of $11,934,000 and $14,958,000 respectively during the financial year ended 31 December 2009. As at that date, the Group's and the Company's current liabilities exceeded the current assets by $$13,912,000 and $8,929,000 respectively. As at the date of this report, the Group and the Company do not as yet have sufficient cashflows to repay their existing short term borrowings amounting to $20,610,000 and $9,244,000 which have various maturity dates within the financial year ending 31 December 2010. These factors indicate the existence of a material uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared.

As disclosed more fully in Note 2.1(b), the ability of the Group and the Company to continue as going concern is dependent on the successful completion of the rights issue, the continued financial support from bankers and the ability to generate sufficient cash flows from operations.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants

Singapore
8 April 2010

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2009

(In Singapore dollars)

		Group		Company	
	Note	2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Revenue	4	25,878	37,744	3,735	9,637
Cost of sales		(23,551)	(35,136)	(4,505)	(10,148)
Gross profit		2,327	2,608	(770)	(511)
Other items of income					
Financial income	8	3	45	2	36
Other operating income	5	633	1,427	1,147	914
Other items of expense					
Selling and distribution expenses		(669)	(1,124)	(73)	(290)
Administrative expenses		(12,481)	(14,301)	(7,363)	(11,648)
Financial expenses	8	(1,836)	(2,092)	(794)	(994)
Other income	8	–	147	–	147
Other financial charges	8	(138)	(121)	(138)	(121)
Impairment loss on goodwill on consolidation		–	(425)	–	–
Impairment loss on investment		–	–	(6,900)	–
Loss before tax	6	(12,161)	(13,836)	(14,889)	(12,467)
Tax (expense) / credit	9	227	(80)	(69)	(224)
Net loss for the year, attributable to equity holders of the Company		(11,934)	(13,916)	(14,958)	(12,691)
Other Comprehensive income:					
Currency translation differences		695	688	–	–
Reserve attributable to liquidation of subsidiaries		(674)	–	–	–
Foreign currency translation represent other comprehensive income for the year, net of tax		21	688	–	–
Total comprehensive income for the year		(11,913)	(13,228)	(14,958)	(12,691)
Loss attributable to:					
Owners of the Company		(11,811)	(13,928)		
Minority interests		(123)	12		
		(11,934)	(13,916)		
Total comprehensive loss attributable to:					
Owners of the Company		(11,794)	(13,207)		
Minority interests		(119)	(21)		
		(11,913)	(13,228)		
Loss per share (cents per share)					
Basic	10	(2.80)	(4.33)		
Diluted	10	(2.80)	(4.33)		

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

BALANCE SHEETS
as at 31 December 2009

(In Singapore dollars)

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Non-current assets					
Property, plant and equipment	11	31,806	39,933	2,205	4,148
Investment in subsidiaries	12	–	–	34,697	37,943
Goodwill on consolidation	13	12,720	12,720	–	–
Intangible assets	14	8,608	10,194	–	–
		53,134	62,847	36,902	42,091
Current assets					
Property, plant and equipment	11	–	2,378	–	–
Inventories	15	2,402	5,807	1,156	3,863
Trade receivables	16	5,518	5,882	1,330	1,230
Other receivables	17	646	718	–	–
Deposits and prepaid operating expenses	18	804	193	89	193
Amount due from subsidiaries	19	–	–	137	2,573
Fixed deposits pledged	20	17	17	–	–
Cash and bank balances	20	3,821	7,344	882	4,185
		13,208	22,339	3,594	12,044
Total assets		66,342	85,186	40,496	54,135
Equity and liabilities					
Current liabilities					
Trade payables	21	2,653	4,643	561	1,770
Other payables and accruals	22	3,525	4,169	1,667	1,752
Tax payable		125	44	–	–
Amount due to subsidiaries	19	–	–	1,051	712
Finance lease obligations	23	5,658	10,447	544	1,512
Loans and borrowings	24	14,952	21,660	8,700	11,649
Bank overdrafts		207	590	–	30
		27,120	41,553	12,523	17,425
Non-current liabilities					
Finance lease obligations	23	1,242	2,100	246	412
Loans and borrowings	24	6,627	4,047	1,258	1,171
Deferred tax liabilities	9	2,811	3,331	–	–
		10,680	9,478	1,504	1,583
Total liabilities		37,800	51,031	14,027	19,008
Net current liabilities		(13,912)	(19,214)	(8,929)	(5,381)
Net assets		28,542	34,155	26,469	35,127
Equity attributable to equity holders of the Company					
Share capital	25	63,377	57,077	63,377	57,077
Equity component of convertible term loan	24	993	993	993	993
Accumulated losses		(37,844)	(26,033)	(37,901)	(22,943)
Translation reserve		(1,011)	(1,028)	–	–
		25,515	31,009	26,469	35,127
Minority interests		3,027	3,146	–	–
Total equity		28,542	34,155	26,469	35,127
Total equity and liabilities		66,342	85,186	40,496	54,135

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2009

(In Singapore dollars)

Group	Share capital (Note 25)	Equity component of convertible term loan	Translation reserve	Accumulated losses	Equity attributable to equity holders of the parent, total	Minority interests	Total
	Attributable to equity holders of the parent						
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2008 as restated	51,916	993	(1,749)	(12,105)	39,055	3,167	42,222
Net loss for the year	–	–	–	(13,928)	(13,928)	12	(13,916)
Other comprehensive loss for the year	–	–	721	–	721	(33)	688
Total comprehensive loss for the year	–	–	721	(13,928)	(13,207)	(21)	(13,228)
Rights issue during the year	5,277	–	–	–	5,277	–	5,277
Rights issue expenses	(116)	–	–	–	(116)	–	(116)
At 31 December 2008	57,077	993	(1,028)	(26,033)	31,009	3,146	34,155
At 1 January 2009	57,077	993	(1,028)	(26,033)	31,009	3,146	34,155
Net loss for the year	–	–	–	(11,811)	(11,811)	(123)	(11,934)
Currency translation differences	–	–	691	–	691	4	695
Reserve attributable to liquidation of subsidiaries	–	–	(674)	–	(674)	–	(674)
Total comprehensive loss for the year	–	–	17	(11,811)	(11,794)	(119)	(11,913)
Share Placement during the year	6,300	–	–	–	6,300	–	6,300
At 31 December 2009	63,377	993	(1,011)	(37,844)	25,515	3,027	28,542

	Share capital (Note 25)	Equity component of convertible term loan	Accumulated losses	Equity, total
	$'000	$'000	$'000	$'000
Company				
At 1 January 2008	51,916	993	(10,252)	42,657
Net loss for the year represents total comprehensive loss for the year	–	–	(12,691)	(12,691)
Rights issue during the year	5,277	–	–	5,277
Rights issue expenses	(116)	–	–	(116)
Closing balance at 31 December 2008	57,077	993	(22,943)	35,127
At 1 January 2009	57,077	993	(22,943)	35,127
Net loss for the year represents total comprehensive loss for the year	–	–	(14,958)	(14,958)
Total comprehensive loss for the year	–	–	(14,958)	(14,958)
Share placement during the year	6,300	–	–	6,300
Closing balance at 31 December 2009	63,377	993	(37,901)	26,469

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

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2009

(In Singapore dollars)

	2009	2008
	$'000	$'000
Cash flows from operating activities		
Loss before tax	(12,161)	(13,836)
Adjustments for:		
Allowance for doubtful receivables	164	177
Allowance for obsolete inventory	397	928
Depreciation of property, plant and equipment	8,072	9,112
Amortization of intangible assets	1,586	1,586
(Gain)/loss on disposal of property, plant and equipment	(322)	6
Impairment loss on goodwill on consolidation	–	425
Impairment of property, plant and equipment	962	2,995
Impairment of intangible assets	–	186
Inventories written off	491	998
Interest income	(3)	(45)
Interest expense	1,836	2,092
Fair value loss on derivative financial instrument	–	(147)
Property, plant and equipment written off	–	14
Translation difference	(512)	319
Loss on liquidation of subsidiaries	910	–
Total adjustments	13,581	18,646
Operating cash flows before changes in working capital	1,420	4,810
Changes in working capital		
Decrease (increase) in:		
Trade receivables	(102)	5,654
Other receivables, deposits and prepaid operating expenses	(574)	(536)
Inventories	2,263	1,141
Increase (decrease) in:		
Trade payables	(1,731)	(3,979)
Other payables and accruals	528	(1,068)
Total changes in working capital	384	1,212
Cash generated from operations	1,804	6,022
Interest and other financial charges paid	(1,836)	(2,092)
Interest income received	3	45
Tax paid	(111)	(472)
Net cash (used in) generated from operating activities	(140)	3,503
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(1,339)	(3,301)
Proceeds from disposal of property, plant and equipment	702	185
Net cash outflow on acquisition of minority interest	–	(580)
Net cash used in investing activities	(637)	(3,696)

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

CONSOLIDATED CASH FLOW STATEMENT
for the financial year ended 31 December 2009

(In Singapore dollars)

	2009	2008
	$'000	$'000
Cash flows from financing activities		
Repayment of finance lease obligations	(4,942)	(7,695)
Proceeds from bank term loans	–	6,751
Repayment of bank term loans	(3,721)	(7,353)
Proceeds from rights issue	–	5,277
Rights issue expenses	–	(116)
Proceeds from share placement	6,300	–
Net cash used in financing activities	(2,363)	(3,136)
Net decrease in cash and cash equivalents	(3,140)	(3,329)
Cash and cash equivalents at beginning of year	6,754	10,083
Cash and cash equivalents at end of year (Note 20)	3,614	6,754

Notes to the Consolidated Cash Flow Statement

A. Purchase of property, plant and equipment

	2009	2008
	$'000	$'000
Aggregate cost of property, plant and equipment acquired (Note 11)	1,339	8,661
Less:		
Financed by finance lease obligations	–	(5,360)
Cash payments to acquire property, plant and equipment	1,339	3,301

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

1. Corporate information

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

The registered office and the principal place of business of the Company is located at 44 Changi South Street 1, Singapore 486762.

The principal activities of the Company are in the provision of advance engineering services in precision machining and manufacturing of critical parts and components used mainly in the Aerospace, Oil & Gas industries. The principal activities of its subsidiaries are as disclosed in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 (a) ***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 a historical cost basis except as disclosed in the accounting policies below.

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

(b) ***Fundamental accounting concept***

For the financial year ended 31 December 2009, the Group and the Company incurred net losses after tax of $11,934,000 (2008: $13,916,000) and $14,958,000 (2008: $12,691,000) respectively. As at that date, the Group's and the Company's current liabilities exceeded the current assets by $13,912,000 (2008: $19,214,000) and $8,929,000 (2008: $5,381,000) respectively. As at 31 December 2009, the Group's and the Company's short term bank loans and finance lease obligations amounting to $20,610,000 (2008: $32,107,000) and $9,244,000 (2008: $13,161,000) have various maturity dates within the financial year ending 31 December 2010. As at the date of this report, the Group and the Company do not as yet have sufficient cashflows to repay these borrowings when they all fall due. As disclosed in Notes 23 and 24 to the financial statements, the Group and the Company breached certain financial covenants in connection with certain bank loans and finance lease obligations. To-date, management has obtained the waivers from the bankers.

The matters set out in the paragraph above indicate the existence of a material uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements of the Group and the Company are prepared.

The directors are of the view that the use of the going concern assumption is appropriate for the preparation of these financial statements as they believe that the bankers and shareholders remain supportive of the Group. As disclosed in Note 33, the Company will be undertaking a rights issue to raise approximately $11,700,000 to meet the repayment of the Group's and the Company's borrowings as well as to provide working capital. The directors remain positive on the support of the shareholders in subscribing for the rights issue. Taking into account the support of the bankers and shareholders, the directors are of the opinion that the Group and the Company will be able to generate sufficient cash flow to meet the working capital needs of the Group and the Company.

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

2.1 (b) ***Fundamental accounting concept (cont'd)***

If the support from the shareholders and bankers are not forthcoming, or the Group and the Company are unable to generate sufficient cash from their operations, the Group and the Company may be unable to continue in operational existence for the foreseeable future. The Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to the financial statements.

2.2 ***Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009 (unless otherwise stated).

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs (Effective on 23 June 2009)
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures – Amendments relating to Reclassification of Financial Assets (Effective for annual periods beginning on or after 1 July 2008)
- Amendments to FRS 107 Financial Instruments: Disclosures – Amendments relating to Improving Disclosures About Financial Instruments

FRS 108 Operating Segments

Improvements to FRSs issued in 2008

INT FRS 113 Customer Loyalty Programmes (Effective for annual periods beginning on or after 1 July 2008)

INT FRS 116 Hedges of a Net Investment in a Foreign Operation (Effective for annual periods beginning on or after 1 October 2008)

Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives (Effective for periods ending on or after 30 June 2009)

INT FRS 118 Transfers of Assets from Customers (Effective on 1 July 2009)

FRS 39 Amendments to Financial Instruments: Recognition and Measurement – Embedded Derivatives (Effective for periods ending on or after 30 June 2009)

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

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

FRS 109 Amendments to Reassessment of Embedded Derivatives (Effective for periods ending on or after 30 June 2009)

The Group early adopted Improvements to FRS issued in 2009 relating to Amendments to FRS 108, Operating Segments.

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

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised presentation

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

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The adoption of this Standard has resulted in a change in segment information presentation to business segment. FRS 108 and amendments to FRS 108, Operating Segments require disclosure of a measure of total assets and liabilities for each reportable segment only if such amounts are regularly provided to the Group's chief operating decision maker. Accordingly, segment assets and liabilities have not been presented. Additional disclosures about each of the segments are shown in Note 31, including revised comparative information.

2.3 ***Standards issued but not yet effective***

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 27 Consolidated and Separate Financial Statements	1 July 2009
Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Item	1 July 2009
Revised FRS 103 Business Combinations	1 July 2009
Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT FRS 117 Distributions of Non-cash Assets to Owners	1 July 2009
Amendments to FRS101 Additional Exemptions for First-Time Adopters	1 January 2010
INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Revised FRS 24 Related Party Disclosures	1 January 2011
Amendments to INT FRS 114 Prepayments of a Minimum Funding Requirement	1 January 2011
Improvements to FRSs issued in 2009:	
– Amendments to FRS 38 Intangible Assets	1 July 2009
– Amendments to FRS 102 Share-based Payment	1 July 2009
– Amendments to INT FRS 109 Reassessment of Embedded Derivatives	1 July 2009
– Amendments to INT FRS 116 Hedges of a Net Investment in a Foreign Operation	1 July 2009
– Amendments to FRS 1 Presentation of Financial Statements	1 January 2010

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

2.3 ***Standards issued but not yet effective (cont'd)***

Description	**Effective for annual periods beginning on or after**
– Amendments to FRS 7 Statement of Cash Flows	1 January 2010
– Amendments to FRS 17 Leases	1 January 2010
– Amendments to FRS 36 Impairment of Assets	1 January 2010
– FRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
– Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
– Amendments to FRS 108 Operating Segments	1 January 2010
– Amendments to FRS 102 Share-based Payment – Amendment relating to Group Cash-settled Share-based Payment Transactions	1 January 2010
– Amendments to FRS 32 Financial Instruments: Disclosures and Presentation – Amendments relating to Classification of Rights Issues	1 February 2010

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

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

2.4 ***Functional and foreign currency***

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company and the subsidiaries operate i.e. functional currency, to be SGD (also for the subsidiaries in Singapore), Renminbi ("RMB") (for subsidiaries in the PRC) and Thai Baht (for the subsidiary in Thailand). Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in the respective currencies of the Company and its subsidiaries.

(b) *Foreign currency transactions*

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

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

2.4 ***Functional and foreign currency (cont'd)***

(b) *Foreign currency transactions (cont'd)*

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to statement of comprehensive income of the Group on disposal of the foreign subsidiaries.

(c) *Foreign currency translation*

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

2.5 ***Subsidiaries and basis of consolidation***

(a) *Subsidiaries*

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

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

(b) *Basis of consolidation*

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

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.7(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the statement of comprehensive income on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flow that would otherwise be required under the contract.

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

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

2.5 ***Subsidiaries and basis of consolidation (cont'd)***

(c) *Transactions with minority interests*

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

2.6 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of an asset begins when it is available for use and is computed based on cost on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of property, plant and equipment of the Group are as follows:

		Years
Freehold factory building	–	20
Leasehold factory buildings	–	30
Machinery and equipment	–	5 to 10
Electrical installations and renovations	–	5 to 10
Furniture, fittings and office equipment	–	3 to 10
Computers	–	1 to 5
Motor vehicles	–	5

Construction-in-progress included in property, plant and equipment is 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 values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

2.7 ***Intangible assets***

(a) *Goodwill*

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

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

2.7 ***Intangible assets (cont'd)***

(a) *Goodwill (cont'd)*

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with accounting policy set out in Note 2.4.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

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 portion 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. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

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.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceed and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

<u>Customer relationships</u>

The customer relationships are acquired in business combinations. The customer relationships are amortised over their estimated useful lives of 5 or 10 years.

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

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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicator. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in statement of comprehensive income 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the statement of comprehensive income unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 ***Financial assets***

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.10 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and at banks, unsecured fixed deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and short-term deposits carried in the balance sheets are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is stated in Note 2.9.

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

2.11 ***Impairment of financial assets***

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

<u>Assets carried at amortised cost</u>

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

When the assets 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 the statement of comprehensive income.

<u>Assets carried at cost</u>

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 flow discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 ***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 is accounted for as follows:

- Raw materials are determined on a weighted average basis.

- Consumables are determined on a first-in, first-out basis.

- Finished goods and work-in-progress comprise direct materials (cost is determined on a first-in, first-out basis) and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

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

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

2.13 ***Financial liabilities***

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

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

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

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

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

2.14 ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due.

Financial guarantees are recognised initially at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently to initial recognition, financial guarantees are recognised as income in the statement of comprehensive income over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the statement of comprehensive income.

2.15 ***Borrowing costs***

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying 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 being incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.16 ***Provisions***

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligations, 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 risk 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. Summary of significant accounting policies (cont'd)

2.17 ***Employee benefits***

(a) *Defined contribution plans*

Singapore

The Group makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as an expense in the period in which the related service is performed.

People's Republic of China ("PRC")

The subsidiary which is registered and operating in the People's Republic of China ("PRC") is required to provide certain staff pension benefits to its employees under existing PRC regulations. Contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's PRC employees.

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

Thailand

The subsidiary which is registered and operating in Thailand is required to make contribution to the Social Security Fund. This is an authorized pension scheme under the Thailand law and costs are recognized as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

2.18 ***Convertible term loan***

When convertible term loan is drawdown, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible term loan. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the term loan.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

2.19 ***Convertible notes***

The equity conversion option of convertible notes exhibits characteristics of an embedded derivative and is separated from its liability component. On initial recognition, the embedded equity conversion option is measured at its fair value and presented as part of derivative financial instruments. The difference between total proceeds and the fair value of the equity conversion option is recognized as the liability component.

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

2.19 ***Convertible notes (cont'd)***

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in the statement of comprehensive income. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability components and the equity conversion option are derecognised with a corresponding recognition of share capital.

2.20 ***Leases***

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date; whether fulfilment of the arrangement is dependent on the use of a specific asset(s) or the arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance to the transitional requirements of INT FRS 104.

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 leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. 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.

2.21 ***Revenue***

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

(a) *Sale of goods*

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

(b) *Interest income*

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

2.22 ***Income taxes***

(a) *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the statement of comprehensive income except to the extent that the tax relates to items recognised outside statement of comprehensive income, either in other comprehensive income or directly in equity.

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

2.22 ***Income taxes (cont'd)***

(b) *Deferred tax*

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

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

- where the deferred tax 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;

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

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

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

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

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

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

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

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

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

2.22 ***Income taxes (cont'd)***

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or Value-added-tax (VAT) except:

- Where the GST/VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the 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 GST/VAT included.

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

2.23 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 ***Share capital and share issue expenses***

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

2.25 ***Treasury shares***

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

2.26 ***Contingencies***

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

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

2.27 ***Jobs Credit Scheme***

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

3. Significant accounting judgements and estimates

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

(a) *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 amount recognised in the financial statements:

(i) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2009 were $125,000 (2008: $44,000) and $2,811,000 (2008: $3,331,000) respectively.

(ii) Capitalisation of labour and overheads

The Group has adopted a system to quantify and capitalise direct labour and direct overheads to work-in-progress held at the end of the financial year. Direct labour, depreciation of property, plant and equipment and other directly attributable production costs form a pool of the qualifying cost from which these costs are allocated to be included in the total cost of the inventory at year end and this is based on machine hours incurred for each product. Based on the above, the total overheads capitalised is $384,000 (2008: $375,000). The machine hours worked is based on best estimates by the production department. This estimation is approved by the management.

(iii) Liquidation of Getech Industries Pte Ltd ("Getech Industries")

The Group has placed Getech Industries under voluntary winding up on 10 March 2009. The Group considered that with the appointment of liquidators, it has lost control of Getech Industries. Accordingly Getech Industries has been deconsolidated from that date. During the financial year ended 31 December 2009, the management has recognised a loss on liquidation of subsidiaries that amounted to $910,000 (2008: $Nil). Based on management's assessment, there will be no further costs to be incurred in connection with the liquidation of Getech Industries.

(b) *Key sources of estimation uncertainty*

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

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

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

(i) Useful lives of machinery and equipment

Machinery and equipment are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these assets to be within 5 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's machinery and equipment at the balance sheet date is disclosed in Note 11 to the financial statements. A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 7% (2008: 7%) variance in the Group's loss for the year.

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including investment in subsidiaries) at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment of goodwill are given in Note 13 to the financial statement.

Based on assessment carried out, the Group has recognised impairment loss on property, plant and equipment and intangible assets of $962,000 (2008: $2,995,000) and $Nil (2008: $186,000) respectively. At the Company level, the Company recognised impairment loss on investment in subsidiaries of $6,900,000 (2008: $4,085,000).

(iii) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 16 to the financial statements.

4. Revenue

Revenue represents the sale of goods in the normal course of business. Intra-group transactions have been excluded from Group revenue.

5. Other operating income

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Gain on disposal of property, plant and equipment	322	–	–	6
Gain on investment in subsidiary	–	–	988	–
Sale of scrap waste metal	37	1,326	21	242
Jobs Credit Subsidy	260	–	53	–
Rental Income	2	–	85	666
Others	12	101	–	–
	633	1,427	1,147	914

6. Loss before tax

This is determined after charging (crediting) items in Notes 5 and 8 and the following:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Allowance for obsolete inventories	397	928	397	825
Allowance for doubtful receivables	164	177	94	1
Allowance for doubtful intercompany balances	–	–	2,224	2,537
Amortisation of intangible assets	1,586	1,586	–	–
Depreciation of property, plant and equipment	8,072	9,112	982	1,028
Directors' remuneration	738	1,213	699	1,048
Directors' fees	100	140	100	100
Foreign exchange (gain) loss, net	(77)	(76)	94	253
Impairment of intangible assets	–	186	–	–
Impairment of goodwill on consolidation	–	425	–	–
Impairment of property, plant and equipment	962	2,995	900	–
Impairment of investment in subsidiaries	–	–	6,900	4,085
Inventories written off	491	998	491	289
Loss (gain) on disposal of property, plant and equipment	(322)	6	–	(6)
Loss on liquidation of subsidiaries	910	–	–	–
Operating lease expenses	539	637	80	421
Non-audit fees paid/payable to auditor of the Company	32	85	20	53
Personnel expenses (non directors)	6,860	11,143	1,386	3,695
Property, plant and equipment written off	–	14	–	–

7. Personnel expenses

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Salaries and bonus	6,169	10,557	1,932	4,352
Central Provident Fund and other pension contributions	400	1,131	68	391
Other personnel costs	1,029	668	85	–
	7,598	12,356	2,085	4,743

Personnel expenses include directors' remuneration as disclosed in Note 6.

8. Financial expenses (income)/other financial charges/other income

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial expenses				
Interest expense				
- bank term loans	1,215	1,364	686	734
- bank overdrafts	43	140	14	35
- finance lease	535	485	94	224
- factoring charges	32	91	–	–
- others	11	12	–	1
	1,836	2,092	794	994
Financial income				
Interest income on fixed deposits	(3)	(45)	(2)	(36)
Other financial charges				
Bank charges	138	121	138	121
Other income				
Fair value gain on derivative financial instrument	–	(147)	–	(147)

9. Taxation

Major components of income tax (credit) expense were as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current tax				
- Current financial year	–	–	–	–
- Underprovision in respect of prior year	186	50	–	224
Deferred tax				
- Current financial year	(365)	30	69	–
- (Over)/underprovision in respect of prior years	(48)	–	–	–
	(227)	80	69	224

9. Taxation (cont'd)

A reconciliation between tax expense and the product of loss before tax multiplied by the applicable tax rate for the year ended 31 December 2009 and 2008 was as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Loss before tax	(12,161)	(13,836)	(14,889)	(12,467)
Tax at the domestic rates applicable to profits in the countries concerned [(1)]	(2,288)	(3,420)	(2,531)	(2,244)
Adjustments:				
Effect of reduction in tax rate	(79)	–	–	–
Non-deductible expenses	702	1,397	1,814	945
Income not subject to tax	(44)	–	(177)	–
(Over) underprovision in respect of prior years				
- Current tax	186	50	–	224
- Deferred tax	(48)	–	69	–
Deferred tax assets not recognised	1,396	2,167	680	903
Group tax relief	–	–	214	435
Effect of partial tax exemption	(27)	(27)	–	–
Tax exemption under the Development and Expansion Incentive Status	–	–	–	(39)
Others	(25)	(87)	–	–
	(227)	80	69	224

(1) This is prepared by aggregating separate reconciliations for each national jurisdiction.

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	(1,306)	(1,454)	–	–
Fair value adjustments on acquisition of subsidiaries	(1,505)	(1,790)	–	–
Others	–	(87)	–	–
	(2,811)	(3,331)	–	–

Alantac Technology (Suzhou) Co., Ltd ("ATS") enjoyed full exemption from tax for the first two years and a 50% relief from the tax rate of 24% from the next three years thereafter. ATS was in its first profitable year for the year ended 31 December 2006. ATL is in tax loss position for both the financial year ended 31 December 2009 and 2008.

The corporate tax rate applicable to the Company and JEP Precision Engineering Pte Ltd was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009. JEP Precision Engineering Co., Ltd is subject to tax at 25% (2008: 25%).

JEP Precision Engineering Pte Ltd has been granted the Development and Expansion Incentive ("DEI") Status for 7 years commencing from 1 January 2007. The base income under the DEI will be taxed at 17% while qualifying income in excess of the income base will be taxed at 10% concessionary rate.

9. Taxation (cont'd)

Unrecognised tax losses

At the balance sheet date, the Group has tax losses and unutilised capital allowances of approximately $15,127,000 (2008: $6,608,000) and $1,195,000 (2008: $1,095,000) 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 countries in which the companies operate.

Deferred income tax related to other comprehensive income

There is no deferred income tax related to other comprehensive income for the current financial year (2008: NIL)

Group tax relief

The Company intend to transfer unabsorbed trade losses of $ 1,260,000 (2008: $2,420,000) to the subsidiary in Singapore under the Group relief system, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore.

10. Loss per share

Basic loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income statement and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2009	**2008**
Loss for the year attributable to ordinary equity holders of the Company ($'000)	(11,811)	(13,928)
Weighted average number of ordinary shares for basic earnings per share computation ('000)	421,881	321,980

The convertible term loan has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2009 and were ignored in the calculation of diluted earnings per share.

As at 31 December 2008 and 2009, the remaining undiscounted convertible notes of $1,450,000 cannot be converted as the maximum number of shares which the convertible notes can be converted into has been reached. The maximum number of shares was based on 50% of existing issued shares of the Company prior to issuance of the convertible notes.

Accordingly, diluted loss per share is the same as basic loss per share.

11. Property, plant and equipment

Group	Freehold Land	Freehold factory building	Leasehold factory buildings	Machinery and equipment	Electrical installations and renovations	Furniture, fittings and office equipment	Computers	Motor vehicles	Construction-in-progress	Total
Cost	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2008	–	–	7,326	60,702	1,611	629	1,475	739	–	72,482
Additions	–	–	374	6,431	633	518	298	–	407	8,661
Disposals	–	–	–	(1,828)	(53)	(1)	(300)	(45)	–	(2,227)
Written off	–	–	–	(14)	–	–	–	–	–	(14)
Translation difference	–	–	(142)	852	39	8	(4)	(3)	1	751
Reclassification	287	1,006	(964)	1,129	234	(84)	(38)	(11)	2	1,561
At 31 December 2008	287	1,006	6,594	67,272	2,464	1,070	1,431	680	410	81,214
Additions	–	–	811	218	133	30	2	–	145	1,339
Disposals	–	–	–	(4,980)	(243)	(1)	(2)	(58)	–	(5,284)
Liquidation of a subsidiary	–	–	–	(7,867)	–	(304)	(229)	(34)	–	(8,434)
Translation difference	–	–	21	(371)	(12)	(17)	8	–	–	(371)
Reclassification	–	–	406	–	3	–	–	–	(409)	–
At 31 December 2009	287	1,006	7,832	54,272	2,345	778	1,210	588	146	68,464
Accumulated depreciation and impairment loss										
At 1 January 2008 as restated	–	–	275	24,722	615	142	1,019	315	–	27,088
Charge for the year	–	–	270	7,787	448	200	292	115	–	9,112
Disposals	–	–	–	(1,652)	(30)	(1)	(298)	(56)	–	(2,037)
Impairment loss	–	–	–	2,974	–	–	21	–	–	2,995
Translation difference	–	–	(12)	176	20	(1)	2	(1)	–	184
Reclassification	–	84	(73)	1,598	(24)	(12)	47	(59)	–	1,561
At 31 December 2008	–	84	460	35,605	1,029	328	1,083	314	–	38,903
Charge for the year	–	49	230	6,887	366	199	251	90	–	8,072
Disposals	–	–	–	(4,617)	(243)	(1)	(2)	(41)	–	(4,904)
Liquidation of a subsidiary	–	–	–	(5,831)	(216)	(32)	(167)	–	–	(6,246)
Impairment loss	–	–	–	962	–	–	–	–	–	962
Translation difference	–	–	1	(116)	(8)	(5)	(2)	1	–	(129)
At 31 December 2009	–	133	691	32,890	928	489	1,163	364	–	36,658
Net carrying amount										
At 31 December 2009	287	873	7,141	21,382	1,417	289	47	224	146	31,806
At 31 December 2008*	287	922	6,134	31,667	1,435	742	348	367	409	42,311

* Property, plant and equipment with carrying amount of $2,378,000 are stated at estimated realisable values and classified as "current assets" as at 31 December 2008.

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

Company	Machinery and equipment	Electrical installations and renovations	Furniture, fittings and office equipment	Computers	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 January 2008	10,508	297	146	710	85	11,746
Additions	48	174	–	204	–	426
Disposals	(369)	(54)	–	–	(45)	(468)
At 31 December 2008	10,187	417	146	914	40	11,704
Additions	–	–	6	1	–	7
Disposals	(3,871)	(243)	(1)	–	–	(4,115)
At 31 December 2009	6,316	174	151	915	40	7,596
Accumulated depreciation						
At 1 January 2008	6,103	250	28	459	74	6,914
Charge for the year	772	51	16	182	7	1,028
Disposals	(312)	(29)	–	–	(45)	(386)
At 31 December 2008	6,563	272	44	641	36	7,556
Impairment Loss	900	–	–	–	–	900
Charge for the year	755	38	16	171	2	982
Disposals	(3,803)	(243)	(1)	–	–	(4,047)
At 31 December 2009	4,415	67	59	812	38	5,391
Net carrying amount						
At 31 December 2009	1,901	107	92	103	2	2,205
At 31 December 2008	3,624	145	102	273	4	4,148

The carrying amounts of property, plant and equipment purchased under finance leases were as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Machinery and equipment	11,620	19,461	807	2,009
Motor vehicles	84	213	–	–
Computers	–	62	–	62
	11,704	19,736	807	2,071

Assets under finance leases

In addition to the assets under finance leases, the Group's freehold land, building and machinery and equipment with carrying amount of $287,000 (2008: $287,000), $8,014,000 (2008: $6,729,000), and $2,048,000 (2008: $6,318,000) are pledged as security to secure certain loans of the Group (Note 24).

Fully depreciated assets

The gross carrying amount of the Group's fully depreciated property, plant and equipment that is still in use amounted to $6,171,000. (2008: $5,068,000).

Idle Machinery

The carrying amount of the Group's idle machinery is $11,314,000 (2008: $10,649,000).

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

Impairment of Machinery

During the financial year, a review of recoverable amount of its machinery residing in the Group is performed because of its idle nature. An impairment loss of $962,000 (2008: $2,995,000), representing the carrying amount that exceeds the fair value less cost to sell, was recognised in "Other Expenses" (Note 6) line item of the statement of comprehensive income for the financial year ended 31 December 2009. The recoverable amount of the machinery was based on its fair value less cost to sell.

12. Investment in subsidiaries

	Company	
	2009	**2008**
	$'000	$'000
Cost of investment		
As at 1 January	45,828	45,366
Add: Capital injection:		
- via injection of property, plant and machinery	1,066	–
- via cash	2,588	–
- via capitalization of amount due from a subsidiary	–	462
As at 31 December	49,482	45,828
Accumulated impairment loss		
As at 1 January	(7,885)	(3,800)
Impairment loss for current year	(6,900)	(4,085)
As at 31 December	(14,785)	(7,885)
Net carrying amount as at 31 December	34,697	37,943

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2009	**2008**
			%	%
Held by the Company				
Alantac Technology (Suzhou) Co., Ltd ("ATS") (1)	Contract manufacture of precision machining parts and components, assembly and integration of equipment/ automated assembly lines	The People's Republic of China	100	100
Getech Industries Pte Ltd ("Getech Industries") (2)	Industries dealing in mechanical engineering works	Singapore	–	100
JEP Precision Engineering Pte Ltd ("JEP") (3)	Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works	Singapore	85	85

12. Investment in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2009	**2008**
			%	%
Held through subsidiaries				
Ningbo Getech Precision Industries Co., Ltd. ("Ningbo Getech") (2)	Industries dealing in mechanical engineering works	The People's Republic of China	–	100
Getech Mold & Tooling (Shanghai) Co., Ltd. (2)	Industries dealing in mechanical engineering works (dormant)	The People's Republic of China	–	100
JEP Precision Engineering Co., Ltd ("JEP Thailand") (4)/(5)	Manufacturing of high-technology products	Thailand	99.66	84.7

(1) Audited by member firm of Ernst & Young Global in PRC in 2008 and by Welson Certified Public Accountant Co. Ltd, Certified Public Accountant in 2009.

(2) Getech Singapore has been put under voluntary winding up since 10 March 2009 (i.e. date of appointment of liquidators). The Company has lost control of Getech Group since that date and accordingly, the Getech Group has been deconsolidated from that date.

(3) Audited by Ernst & Young, Singapore.

(4) Audited by member firm of Ernst and Young Global in Thailand.

(5) Held as to 99.66% (2008: 84.7%) by JEP Precision Engineering Pte Ltd.

Impairment

During the financial year, the Group recognised an impairment loss of $6,900,000 in respect of the cost of investment in Alantac Technology (Suzhou) Co. Ltd. This is to reflect the write down in the carrying value of the investment after taking into account its recoverable amount.

The impairment loss of $4,085,000 was recognised during the financial year ended 31 December 2008 in respect of investment in Getech Group as management had the invention to voluntarily liquidate Getech Group and the investment amount was deemed not recoverable.

Liquidation of Getech Industries Pte Ltd ("Getech Industries")

The Group has placed Getech Industries under voluntary winding up on 10 March 2009. The Group considered that with the appointment of liquidators, it has lost control of Getech Industries. Accordingly, Getech Industries has been deconsolidated from that date. During the financial year, management has recognised a loss on liquidation of subsidiaries of $910,000 derived as follows:

	2009
	$'000
Property, plant and equipment	2,188
Inventories	254
Trade and other receivables	337
Trade and other payables	(1,431)
Loans and borrowings	(1,112)
Realisation of foreign translation reserve	674
Net assets liquidated represents loss on liquidation	910

13. Goodwill on consolidation

	Group	
	2009	2008
	$'000	$'000
Goodwill on consolidation arising on:		
- acquisition of 100% equity interest in Getech Industries Pte Ltd ("Getech Industries")	4,225	4,225
- acquisition of 85% equity interests in JEP Precision Engineering Pte Ltd	12,335	12,335
- acquisition of an additional 48.7% equity interest in JEP Precision Engineering Co. Ltd by JEP Precision Engineering Pte Ltd	385	385
Liquidation of Getech Industries	(4,225)	–
	12,720	16,945
Accumulated impairment loss:		
At 1 January	4,225	3,800
Impairment loss recognised during the year	–	425
Liquidation of Getech Industries	(4,225)	–
	–	4,225
Net carrying amount:		
At 31 December	12,720	12,720

Impairment testing of goodwill

JEP Precision Engineering Pte Ltd

The recoverable amount of goodwill arising on acquisition of JEP Precision Engineering Pte Ltd and JEP Precision Engineering Co., Ltd are determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a 5-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the 5-years period are 10% and 3% respectively.

Management has considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performances and the expectation of market developments for each entity.

The discount rate applied to the cash flow projections is derived from the borrowing rate plus a reasonable risk premium.

Upon considering these factors, no impairment has been included in the income statement for the financial year ended 31 December 2009.

Changes to the assumptions used by the management to determine the impairment required, particularly the discount rate, can significantly affect the results.

Getech Industries Pte Ltd

Impairment loss for the financial year ended 31 December 2008 was $425,000 and this mainly arose from management's intention to voluntarily liquidate Getech Group. Accordingly, goodwill arising from acquisition of Getech Industries is stated net of impairment at a carrying amount of $Nil as of 31 December 2008, after taking into account an impairment loss of $3,800,000 recognised in the financial year ended 31 December 2007.

The goodwill and corresponding impairment amounts have been written off in the financial year ended 31 December 2009 upon deconsolidation of Getech Group.

14. Intangible assets

	Group
	$'000
Cost	
At 1 January 2008, 31 December 2008 and 1 January 2009	12,362
Liquidation of Getech Industries	(186)
At 31 December 2009	12,176
Accumulated amortisation and impairment	
At 1 January 2008	(396)
Amortisation	(1,586)
Impairment loss	(186)
At 31 December 2008 and 1 January 2009	(2,168)
Amortisation	(1,586)
Liquidation of Getech Industries	186
At 31 December 2009	(3,568)
Net carrying amount	
At 31 December 2009	8,608
At 31 December 2008	10,194

Customer relationship

This relates to customers relationship arising from the acquisition of JEP Precision Engineering Pte Ltd and its subsidiary. The useful life and remaining amortisation period of the customer relationship range from 3 years to 7 years (2008: 4 years to 8 years).

Amortisation expense

The amortisation of customer relationship is included in the “Administrative expenses” line items in the statement of comprehensive income.

Impairment loss recognised

During the financial year, no impairment loss was recognised (2008: $186,000).

15. Inventories

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Finished goods	216	1,038	87	606
Raw material	775	1,623	769	2,610
Work-in-progress	718	2,271	300	647
Consumables	693	849	–	–
Goods-in-transit	–	26	–	–
	2,402	5,807	1,156	3,863
Income statement:				
Administrative expenses include the following charge:				
- Inventories written off	(491)	(998)	(491)	(289)
- Allowance for obsolete inventories	(397)	(928)	(397)	(825)

16. Loans and receivables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables	5,854	6,295	1,425	1,230
Less: Allowance for doubtful receivables	(336)	(413)	(95)	–
	5,518	5,882	1,330	1,230
Other receivables	646	718	–	–
Deposits	602	62	24	62
Amount due from subsidiaries	–	–	195	2,573
Fixed deposits pledged	17	17	–	–
Cash and cash equivalents	3,821	7,344	882	4,185
	10,604	14,023	2,431	8,050

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

United States dollar	3,419	2,778	1,244	1,178
Japanese Yen	13	13	–	–

Trade receivables 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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $1,843,000 (2008: $2,546,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2009	2008
	$'000	$'000
Trade receivables past due:		
Less than 30 days	979	926
30 to 60 days	428	613
61-90 days	152	196
91-120 days	256	136
More than 120 days	28	675
	1,843	2,546

16. Loans and receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group Individually impaired	
	2009	**2008**
	$'000	$'000
Trade receivables –nominal amounts	336	413
Less: Allowance for impairment	(336)	(413)
	–	–
Movement in allowance account:		
At 1 January	413	236
Charge for the year	164	177
Liquidation of Getech Industries	(239)	–
Written off	(2)	–
At 31 December	336	413

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. Other receivables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Tax recoverable	–	138	–	–
GST Input Tax	537	283	–	–
Other receivables	109	297	–	–
	646	718	–	–

18. Deposits and prepaid operating expenses

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Deposits	602	62	24	62
Prepaid operating expenses	202	131	65	131
	804	193	89	193

19. Amount due from/(to) subsidiaries

The amount due from/(to) subsidiaries is unsecured, interest-free and repayable within the next twelve months.

	Company	
	2009	2008
	$'000	$'000
Due from subsidiaries		
Non trade	2,246	290
Trade	115	2,283
	2,361	2,573
Allowance for doubtful receivables	(2,224)	–
	137	2,573
Due to subsidiaries		
Non trade	506	222
Trade	545	490
	1,051	712

20. Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, unpledged fixed deposits and bank overdrafts which are short term liquid investments readily convertible to cash. Certain fixed deposits are excluded from cash and cash equivalents because they may not be realisable as they are fully pledged to banks for banking facilities granted to a subsidiary.

For the purpose of the consolidated cash flows statement, cash and cash equivalents comprise the following at the balance sheet date:

	Group	
	2009	2008
	$'000	$'000
Cash and bank balances	3,338	5,361
Fixed deposits	500	2,000
	3,838	7,361
Bank overdrafts	(207)	(590)
	3,631	6,771
Less: fixed deposits pledged	(17)	(17)
Cash and cash equivalents	3,614	6,754

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management. Bank overdrafts are repayable on demand and bear interest at a range of 5.5% to 5.75% (2008: 5.5% to 5.75%) per annum. Interest rates of bank overdrafts re-price every month.

Cash and bank balances have an effective interest rate of between 0.10% to 0.33% (2008: 0.34% to 1.15%) per annum in the financial year ended 31 December 2009.

Fixed deposits bear interest rates at 0.1% (2008: 1.0% to 1.15%) per annum and have an average maturity period of 1 month (2008: 1 month).

20. Cash and cash equivalents (cont'd)

Cash and bank balances denominated in foreign currencies at 31 December are as follow:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
United States dollar	402	1,163	–	42
Japanese Yen	7	53	–	–

21. Trade payables/financial liabilities at amortised cost

Trade payables are non-interest bearing and are normally settled on 60 to 120 days terms.

Trade payables are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
United States dollar	699	882	403	798
Japanese Yen	54	14	–	–
Swiss franc	37	21	37	21
Euro	5	–	5	–

Financial liabilities at amortised cost comprise:

Trade payables	2,653	4,643	561	1,770
Other payables and accruals	3,525	4,169	1,667	1,752
Amount due to subsidiaries	–	–	1,051	712
Finance lease obligations				
- current	5,658	10,447	544	1,512
- non-current	1,242	2,100	246	412
Bank overdrafts	207	590	–	30
Loans and borrowings				
- current	14,952	21,660	8,700	11,649
- non-current	6,627	4,047	1,258	1,171
	34,864	47,656	14,027	19,008

22. Other payables and accruals

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Other payables	547	1,484	295	720
Accrued personnel costs	410	559	37	25
Other accrued operating expenses	1,811	1,618	610	613
VAT and other tax expenses	50	103	18	54
Deferred income	607	265	607	240
Provision for directors' fee	100	140	100	100
	3,525	4,169	1,667	1,752

Other payables are non-interest bearing and are due within 30 to 365 days.

23. Finance lease obligations

The Group has finance leases for certain items of property, plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease. The range of discount rate implicit in the leases is 2.6% to 4.9% (2008: 2.6% to 4.9%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	Total minimum payments 2009	Present value of payments 2009	Total minimum payments 2008	Present value of payments 2008
	$'000	$'000	$'000	$'000
Not later than one year	6,007	5,658	11,262	10,447
Later than one year but not later than five years	1,311	1,242	2,240	2,100
Total minimum lease payments	7,318	6,900	13,502	12,547
Less: amounts representing finance charges	(418)	–	(955)	–
Present value of minimum lease payments	6,900	6,900	12,547	12,547

Except for an amount of $287,000 denominated in Thai Baht, the finance lease obligations are denominated in SGD.

	Company			
	Total minimum payments 2009	Present value of payments 2009	Total minimum payments 2008	Present value of payments 2008
	$'000	$'000	$'000	$'000
Not later than one year	584	544	1,621	1,512
Later than one year but not later than five years	254	246	446	412
Total minimum lease payments	838	790	2,067	1,924
Less: amounts representing finance charges	(48)	–	(143)	–
Present value of minimum lease payments	790	790	1,924	1,924

As at 31 December 2009, the Company and one of its subsidiaries, JEP Precision Engineering Pte Ltd, did not fulfil certain covenant requirements to maintain the debt service coverage ratio at certain levels in respect of certain lease arrangements with certain banks. Due to this breach of the covenant requirements, the banks are contractually entitled to request for immediate repayment of the outstanding finance lease amount of $933,000. However, the banks had granted formal waiver on the breaches on 14 December 2009 and 30 December 2009 respectively. Accordingly, the outstanding amount was presented as a non-current liability as at 31 December 2009.

24. Loans and borrowings

		Group		Company	
	Maturity	2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Current:					
Short-term SGD bank loan [1]	2009	–	1,000	–	1,000
Current portion of SGD factoring loan [2]	2010	500	–	500	–
Current portion of long term SGD convertible term loan (Note a) [3]	2010	7,200	9,649	7,200	9,649
Current portion of long term USD bank loan [4]	2010	2,715	1,280	–	–
Current portion of long term SGD bank loan [5]	2009	–	41	–	–
Current portion of long term SGD term loan [6]	2010	–	35	–	–
Short term RMB bank loan [7]	2009	–	421	–	–
Current portion of SGD machinery loan [8]	2009	–	16	–	–
Current portion of long term SGD bank term loan [9]	2010	94	91	–	–
Current portion of long term SGD bank term loan [10]	2009	–	172	–	–
Current portion of long term SGD bank term loan [11]	2021	134	2,178	–	–
Current portion of long term SGD bank term loan [12]	2022	134	2,271	–	–
Current portion of long term SGD bank term loan [13]	2010	10	149	–	–
Current portion of long term SGD bank term loan [14]	2010	55	227	–	–
Current portion of USD factoring loan [15]	2010	1,101	359	–	–
Current portion of long term Thai Baht bank land loan[16]/[24]	2011	–	34	–	–
Current portion of long term Thai Baht bank machinery loan[17]/[24]	2010	–	34	–	–
Current portion of long term Thai Baht bank factory building loan[18]/[24]	2015	–	81	–	–
Current portion of long term Thai Baht bank machinery loan[19]/[24]	2011	–	57	–	–
Short-Term SGD bank loan [20]	2010	1,000	1,000	1,000	1,000
Current portion of long term SGD bank term loan [21]	2011	631	1,775	–	–
Current portion of long term SGD bank term loan [22]	2010	1,245	790	–	–
Current portion of long term Thai Baht Bank loan [23]	2014	133	–	–	–
		14,952	21,660	8,700	11,649

24. Loans and borrowings (cont'd)

		Group		Company	
	Maturity	**2009**	**2008**	**2009**	**2008**
		$'000	$'000	$'000	$'000
Non-current:					
Long term portion of SGD convertible notes (Note b)	2012	1,258	1,171	1,258	1,171
Long term portion of USD bank loan [4]	2010	–	1,496	–	–
Long term portion of long term SGD bank term loan [9]	2010	–	94	–	–
Long term portion of long term SGD bank term loan [11]	2021	1,915	–	–	–
Long term portion of long term SGD bank term loan [12]	2022	2,011	–	–	–
Long term portion of long term Thai Baht bank land loan[16] [24]	2011	–	29	–	–
Long term portion of long term Thai Baht bank machinery loan[17] [24]	2010	–	1	–	–
Long term portion of long term Thai Baht bank factory building loan[18] [24]	2015	–	555	–	–
Long term portion of long term Thai Baht bank machinery loan[19] [24]	2011	–	76	–	–
Long term portion of long term SGD bank term loan [21]	2011	542	–	–	–
Long term portion of SGD Bank loan [22]	2010	–	625	–	–
Long term portion of Thai Baht bank loan [23]	2014	901	–	–	–
		6,627	4,047	1,258	1,171

(1) The loans bear interest at 2.5% and 2.5% per annum over the Bank's prevailing cost of funds and fully repaid on by 30 January 2009 and 20 February 2009 respectively. The term loans are unsecured.

(2) The factoring loan bears a charge of 0.25% per annum below the Bank's prime lending rate for advances less than S$500,000.

(3) The convertible term loan bears interest at 1.5% per annum over the Bank's Cost of Funds and is repayable over 12 staggered quarterly instalments commencing 6 months from date of first drawdown (28 September 2007). Please refer to Note a below for further details on the convertible term loan.

(4) The term loan bears interest at 6.54-7.06% per annum and is repayable over 36 equal instalments commencing October 2007. The term loan is secured against certain machinery of a subsidiary.

(5) The term loan bears interest at 2% per annum above the prevailing bank's prime rate and is repayable in 48 instalments from 1 June 2005. The term loan is secured against a fixed and floating charge on all of a subsidiary's assets and undertaking, both present and future. The term loan is fully repaid during the current financial year.

(6) The term loan bears interest at 6.0% and is repayable in 59 monthly instalments from 6 September 2005. The term loan is secured by joint and several personal guarantees by certain vendors of a subsidiary of the Group. The term loan is fully repaid during the current financial year.

(7) The term loan bears interest at 7.25% per annum and was repaid on 10 July 2009. The term loan is secured against certain property, plant and equipment of a subsidiary.

24. Loans and borrowings (cont'd)

(8) The term loan bears interest at 5% per annum and is repayable in 47 instalments from 25 December 2005. The term loan is secured against 2 machineries and corporate guarantee by the Company. The term loan is fully repaid during the current financial year.

(9) The loan is repayable in monthly instalment over a period of 5 years from 20 July 2005 and interest is charged at the bank's prevailing commercial financial rate.

(10) The loan is repayable in monthly instalments over a period of 3 years from 1 November 2006 and interest is charged based on the prevailing interest rate of 5.25% per annum.

A first fixed charge is secured over the equipment and personal guarantee from a director. The loan is fully repaid during the financial year.

(11) The loan is repayable in monthly instalments over a period of 15 years from 17 October 2006.

The interest is charged at a 3.25% per annum for the first year, 4% per annum for the second year and 0.5% per annum below the enterprise financing rate for the subsequent years.

(12) The loan is repayable in monthly instalments over a period of 15 years from 14 February 2007.

Interest is charged at 3.68% per annum for the first year, 4.1% per annum for the second year and enterprise financing rate for the subsequent years.

(13) The loan is repayable in monthly instalments over a period of 3 years from 17 October 2006.

Interest is charged at 3.25% per annum for the first year, 4% per annum for the second year and 0.5% per annum below the enterprise financing rate for the subsequent years.

(14) The loan is repayable in monthly instalments over a period of 3 years from 13 March 2007. Interest is charged at 0.25% per annum above prevailing prime rate.

(15) The factoring loan bears interest at 1.5% per annum above the bank's prevailing Los Angeles prime lending rate for advances less than US$150,000 and interest is charged at a 2% per annum above the bank's prevailing Los Angeles prime lending rate for advances more than US$150,000. The facility is secured by the property located at 44 & 46 Changi South Street 1 as well as corporate guarantee by the Company. The facility is repayable on demand and the bank has a right of recourse in the event of non-payment by customers.

(16) The loan is repayable in monthly instalments over a period of 7 years from 21 June 2004. Interest is charged at the bank's minimum retail rate ("MRR") for the first and second year. Thereafter, interest is charged at 1% above the bank's MRR. The loan is secured by a mortgage of a subsidiary's freehold land and a joint and several personal guarantee provided by ex-directors of the subsidiary and a director of the Company.

(17) The loan is repayable in monthly instalments over a period of 5 years from 28 March 2005. Interest is charged at minimum retail rate ("MRR") for the first and second year. Thereafter, interest is charged at 1% above the bank's MRR. The loan is secured by a mortgage of a subsidiary's machinery and a joint and several personal guarantee provided by ex-directors of the subsidiary and a director of the Company.

(18) The loan is repayable in monthly instalments over a period of 10 years from 18 November 2005. Interest is charged at the bank's minimum lending rate ("MLR"). This loan is secured by a mortgage of a subsidiary's freehold land and a joint and several personal guarantee provided by ex-directors of the subsidiary and a director of the Company.

24. Loans and borrowings (cont'd)

(19) The loan is repayable in monthly instalments over a period of 5 years from 1 October 2006. Interest is charged at minimum retail rate ("MRR") for the first and second year. Thereafter, interest is charged at 1% above the bank's MRR. This loan is secured by a mortgage of a subsidiary's machinery and a joint and several personal guarantee provided by ex-directors of the subsidiary and a director of the Company.

(20) The loan bears interest at 1.5% per annum over the Bank's Cost of Funds. The Company is allowed to roll over on the Bank's discretion. The loan is currently repayable by 30 April 2010. The term loan is unsecured.

(21) The loan is repayable in monthly instalment over a period of 3 years from 30 November 2008 and interest is charged at prevailing Prime Lending Rate.

(22) The loan bears interest at 3% per annum above the Cost of Funds and is repayable by end of 2010. The facility is secured by a corporate guarantee from the Company.

(23) The loan is repayable in monthly instalments over a period of 5 years from 30 April 2009. Interest is charged at MRR +1% per annum. The loan is secured by a mortgage of the subsidiary's freehold land, building and machinery.

(24) These loans are derecognised and restructured into a loan stipulated in sub-note 23.

Note a - Convertible term loan

On 28 September 2007, the Company obtained a convertible term loan ("convertible term loan") of $12,000,000 from the United Overseas Bank. The convertible term loan bears interest at 4.18% per annum and is repayable over 12 staggered quarterly instalments commencing 6 months from date of first drawdown, 28 September 2007. The Bank shall have the rights during the duration of the loan to convert up to $6,000,000 of the principal loan outstanding under the convertible term loan into new ordinary shares of the Company at the Conversion Ratio. The Conversion Ratio shall be at a 10% premium over the volume-weighted average share closing price of first 5 trading days of the Company on Singapore Exchange calculated from the date of first drawdown of the convertible term loan. The loan is convertible into 14,094,000 shares of the Company based on the Conversion Ratio.

The convertible term loan recognised in the balance sheet is analysed as follows:

	2009	**2008**
	$'000	$'000
Face value of convertible term loan drawdown on 28 September 2007	12,000	12,000
Embedded equity conversion option	(993)	(993)
Liability component as at initial recognition, 28 September 2007	11,007	11,007
Less: Repayment made during the financial year	(4,800)	(2,000)
Add: Interest expense		
- Opening balance at 1 January	642	311
- Interest expense recognised during the financial year	351	331
- Closing balance at 1 January	993	642
Liability component at end of financial year	7,200	9,649

24. Loans and borrowings (cont'd)

Note b - Convertible notes

On 27 April 2007, the Company entered into a subscription agreement with Pacific Capital Investment Management Limited ("Pacific Capital") to issue up to $27,000,000 0% equity linked structured convertible notes in nine equal tranches of S$3,000,000 each at an issue price of 100% of the principal amount of the convertible notes.

Pacific Capital undertakes to subscribe for Tranche 1-6 convertible notes of $18,000,000 provided the closing share price on any day during the tenure is at least $0.14. The Company likewise undertook to issue a minimum of $18,000,000 convertible notes.

For Tranche 7-9 convertible notes, the Company shall have the call option to call upon the remaining $9,000,000 convertible notes at anytime from and including the completion of conversion of the preceding tranches.

The convertible notes are convertible into a variable number of shares. The price at which each share shall be issued upon conversion (the "Conversion Price") shall be either:

(a) *Fixed Conversion Price*

125% of the average of the traded Closing Day Price per Share for the 30 Business Days immediately prior to (i) in respect of the 1st tranches of the Tranche 1-6 convertible notes, the date of the Agreement; or (ii) in respect of the subsequent tranches of the Tranche 1-6 convertible notes and the Tranche 7-9 convertible notes, the respective Closing Date

(b) *Floating Conversion Price*

90% of the average of the Closing Day Price per Share on any 5 consecutive Business Days during the 30 Business Days immediately preceding the relevant Conversion Date.

Pacific Capital has the discretion anytime from and including the respective Closing Dates of the tranches up to the close of business on the day falling one week prior to the final maturity date, to decide on the dates to convert the convertible notes.

Upon entering into the agreement, a commitment fee is recognised. This is an option given as a consideration of the commitment. The commitment fee is amortised over the period of the commitment.

The derivative financial instrument recognised in the balance sheet is analysed as follows:

	2009	2008
	$'000	$'000
Derivative financial instrument recognised on 27 April 2007, as at initial recognition	1,809	1,809
Add: Fair value changes		
- Opening balance at 1 January	891	1,038
- Fair value gain recognised during the year	–	(147)
- Closing balance at 31 December	891	891
Amount transferred to share capital upon Conversion	(2,700)	(2,700)
Derivative financial instrument at year end	–	–

As of 31 December 2009 and 2008, the Company has drawdown S$18,000,000 of convertible notes and converted S$16,550,000 to equity. The remaining undiscounted convertible notes of $1,450,000 cannot be converted as the maximum number of shares which the convertible notes can be converted into has been reached. The maximum number of shares was based on 50% of existing issued shares of the Company prior to issuance of the convertible notes.

24. Loans and borrowings (cont'd)

Note c - Breach of financial covenants

During the financial year, the Company did not fulfill the requirement to maintain consolidated positive earnings before interest, taxes, depreciation and amortisation at all times in respect of a loan arrangement with a bank as described in Note a. The loan of $7,200,000 is presented as current liabilities at balance sheet date as the contractual repayment date is 30 November 2010. The Company has obtained a letter of waiver in respect of the breach in March 2010 with a validity period of up to 30 June 2010.

25. Share capital

	Group and Company			
	2009		2008	
	Number of shares	$'000	Number of shares	$'000
At 1 January	415,839,438	57,077	319,876,491	51,916
Placement of shares	105,003,000	6,300	–	–
Rights issue	–	–	95,962,947	5,277
Rights issue expenses	–	–	–	(116)
At end of year	520,842,438	63,377	415,839,438	57,077

The Company conducted a share placement of 105,003,000 new ordinary shares at $0.06 per share. The share placement was completed on 11 December 2009 with total gross proceeds of $6,300,000.

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

26. Related party disclosure

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

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

(a) ***Sale and purchase of services***

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Rental and utilities paid to a subsidiary	–	–	274	842
Subcontract fees received from a subsidiary	–	–	610	215
Sale of spare parts to a subsidiary	–	–	109	486
Sales to director - related Company	78	–	–	–
Purchase of spare parts from subsidiaries	–	–	1,067	317
Capital injection to a subsidiary via injection of property, plant and equipment	–	–	1,066	–

26. Related party disclosure (cont'd)

(b) ***Compensation of key management personnel***

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Salaries and bonus	938	1,664	899	1,187
Central Provident Fund contributions and other pension contributions	42	72	42	34
Other personnel expenses	153	163	153	146
Total compensation paid to key management personnel	1,133	1,899	1,094	1,367
Comprise amounts paid to:				
Directors of the Company	738	1,213	699	1,048
Other key management personnel	395	686	395	319
	1,133	1,899	1,094	1,367

27. Commitments and contingencies

(a) ***Operating lease commitments***

The Group and the Company have various operating lease commitments in respect of rental of office premises and factory space. These non-cancellable leases have remaining non-cancellable lease terms of between 1 to 5 years with an option to renew the lease at market rate. There are no restrictions placed upon the Group or the Company by entering into these leases. Operating lease payments recognised in the consolidated statement of comprehensive income during the year amount to $539,000 (2008: $637,000).

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

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Future minimum lease payments				
- within 1 year	636	736	14	252
- after 1 year but not more than 5 years	2,509	2,949	22	–
More than 5 years	5,983	5,810	–	–
	9,128	9,495	36	252

(b) ***Capital commitments***

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

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	394	2,895	–	–

27. Commitments and contingencies (cont'd)

(c) ***Legal case with Getech Industries Pte Ltd ("Getech Industries")***

During the financial year, the Company commenced proceedings in the High court of Singapore against the ex-shareholders of Getech Industries, namely Koh Pang An, Loh Yook Lin and Toh Choon Kim ("the defendants") for a sum of $4.2 million and interest as well as an alternative claims in damages to be assessed. Getech Industries is a wholly-owned subsidiary of the Company. The claim is in relation to the non-disclosure of certain material facts and matters by the defendants which resulted in breaches of warranties contained in the agreement and subsequent supplementary agreement entered into between the Company and the defendants in 2007, for the acquisition by the Company of Getech Industries and its subsidiaries in China.

Pursuant to advice from its lawyers, the company entered into settlement agreements with the defendants in November and December 2009. Accordingly, the company filed the requisite notices of discontinuances of its claims against the defendants. On 9 March 2010, the Company announced that it received payment of settlement monies from 2 of the defendants as part of the settlement agreement.

(d) ***Guarantees***

The Company has provided a corporate guarantee to a bank that amounted to $3,000,000 for a loan taken by a subsidiary.

28. 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. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group and the Company does not apply hedge accounting.

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

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 their loans and borrowings.

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

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

31 December 2009 Group	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fixed rate							
Obligations under finance leases	(5,658)	(1,080)	(70)	(56)	(36)	–	(6,900)
Loans and borrowings	(14,952)	(2,489)	(702)	(721)	(634)	(2,081)	(21,579)
Fixed deposits	500	–	–	–	–	–	500
Floating rate							
Cash assets	3,338	–	–	–	–	–	3,338
Bank overdrafts	(207)	–	–	–	–	–	(207)

31 December 2009 Company	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fixed rate							
Obligations under finance leases	(544)	(246)	–	–	–	–	(790)
Loan and borrowings	(8,700)	(1,258)	–	–	–	–	(9,958)
Fixed deposits	500	–	–	–	–	–	500
Floating rate							
Cash assets	382	–	–	–	–	–	382

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

31 December 2008 Group	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fixed rate							
Obligations under finance leases	(10,447)	(2,100)	–	–	–	–	(12,547)
Loans and borrowings	(21,660)	(4,047)	–	–	–	–	(25,707)
Fixed deposits	2,000	–	–	–	–	–	2,000
Floating rate							
Cash assets	5,361	–	–	–	–	–	5,361
Bank overdrafts	(590)	–	–	–	–	–	(590)

31 December 2008 Company	Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fixed rate							
Obligations under finance leases	(1,512)	(412)	–	–	–	–	(1,924)
Loan and borrowings	(11,649)	(1,171)	–	–	–	–	(12,820)
Fixed deposits	2,000	–	–	–	–	–	2,000
Floating rate							
Cash assets	2,185	–	–	–	–	–	2,185
Bank overdrafts	(30)	–	–	–	–	–	(30)

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

Interest rate risk

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

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD interest rates had been 20 (2008: 20) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $54,000 (2008: $74,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, lower/higher interest income from bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

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.

The Group's and the Company's liquidity risk management policy is that not more than 55% (2008: 55%) of loans and borrowings (including overdrafts and convertible term loan) should mature in the next one year period, and that to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the balance sheet date, approximately 72.5% (2008: 47%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements, based on the contractual maturity profile. However, as disclosed in Note 32 to the financial statements, the Company intends to undertake a renounceable non-underwritten rights issue to raise gross proceeds of S$11.7 million to repay part of the outstanding loans in order to manage the liquidity risk.

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

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

	2009				2008			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	6,178	–	–	6,178	8,812	–	–	8,812
Finance lease obligations, loans and borrowings	20,958	6,050	2,081	29,089	32,922	6,287	–	39,209
	27,136	6,050	2,081	35,267	41,734	6,287	–	48,021
Company								
Trade and other payables	2,228	–	–	2,228	3,522	–	–	3,522
Due to subsidiaries	1,051	–	–	1,051	712	–	–	712
Finance lease obligations, loans and borrowings	9,284	1,704	–	10,988	13,330	1,617	–	14,947
	12,563	1,704	–	14,267	17,564	1,617	–	19,181

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2009				2008			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Guarantees	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
Company								
Financial Guarantees	3,000	–	–	3,000	–	–	–	–
	3,000	–	–	3,000	–	–	–	–

All the financial assets of the Group and the Company mature within one year from balance sheet date.

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

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD. These transactions which are mainly denominated in foreign currencies amounted to $35,484,000 (2008: $23,494,000). Approximately 62% (2008: 73%) of the Group's sales whilst almost 50% (2008: 35%) of the Group's costs are denominated in foreign currencies other than the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures to foreign currency risk as disclosed in Notes 16 and 21.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) amount to $0.4 million.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all other variables held constant, of the Group's profit net of tax.

		Group	
		2009	**2008**
		$'000	$'000
USD	- strengthened 5% (2008: 5%)	(167)	(153)
	- weakened 5% (2008: 5%)	167	153

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's 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 that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets as well as a nominal amount of $ 3,000,000 (2008: $Nil) relating to corporate guarantee provided by the Company to a bank on loans extended to a subsidiary.

There are no credit enhancements for trade and other receivables.

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

Credit risk

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2009		2008	
	$'000	% of total	$'000	% of total
By country:				
Singapore	5,081	92%	4,613	78%
People's Republic of China	180	3%	930	16%
Thailand	257	5%	339	6%
	5,518	100%	5,882	100%
By industry sectors:				
Electronics	1,634	29%	1,230	21%
Aerospace	1,692	31%	1,469	25%
Oil and gas	1,592	29%	1,335	23%
Others	600	11%	1,848	31%
	5,518	100%	5,882	100%

At the balance sheet date, approximately 60% (2008: 48%) of the Group's trade receivables were due from Aerospace and Oil and Gas industries.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies 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 16 (Trade receivables).

29. Capital management

The primary objectives of the Group's capital management are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure 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 or convertible loan / notes. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The PRC subsidiary of the Group is 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. For the financial year ended 31 December 2009, the subsidiary incurred losses and is thus not required to make the appropriations.

29. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 30% and 55%. The Group includes within net debt, loans and borrowings and finance lease obligations, less cash and cash equivalents. Capital includes convertible term loan of the Company of $6,000,000 convertible into equity.

	Group	
	2009	**2008**
	$'000	$'000
Loans and borrowings (Note 24)	21,579	25,707
Finance lease obligations (Note 23)	6,900	12,547
Less: - Cash and cash equivalents	(3,614)	(6,754)
- Convertible term loan	(6,000)	(5,649)
Net debt	18,865	25,851
Equity attributable to the equity holders of the Company	25,515	31,009
Add: Convertible term loan	6,000	5,649
Total capital	31,515	36,658
Capital and net debt	50,380	62,509
Gearing ratio	37%	41%

30. Fair value of financial instruments

Fair values

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

Financial instruments carried at fair value

As at 31 December 2009, the Group has no financial instruments that are classified as held for trading, available-for-sale financial assets, or derivative financial instrument, which would have been carried at their respective fair values as required by FRS 39.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, bank overdrafts, current trade and other payables, current bank loans based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently. The carrying amounts of finance lease obligations approximate fair values as the average implicit discount rate approximates market interest rate. The carrying amounts of non-current bank loans approximate fair values as they are repriced frequently.

Methods and assumptions used to determine fair values

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of leasing arrangements.

31. Segment information

For management purposes, the Group is organized into business units based on their products and services, and has 5 reportable operating segments as follows:

1. The aerospace segment is a provider of the manufacturing service for engine castings.

2. The oil and gas segment is a provider of manufacturing services to oil drilling equipment, in particular, body connectors for clip risers and related rigs.

3. The electronic segment is provider of manufacturing and assembly services for parts used by the semiconductor, telecommunication and medical industries.

4. The precision engineering segment is a provider of precision machining services for automotive parts.

5. The trading and other segment is provider of machine sales and customized cutting tools for our customers.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating 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 statement of comprehensive income. Group financing (including finance cost) and income taxes are managed on a group basis and are notes allocated to operating segments.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating income and expenses, financial income and expenses and income tax expense.

The allocation of the group assets and liabilities attributable to individual segments is not presented as the information is not provided to the chief operating decision maker.

Transfer prices between operating segments are at terms agreed between the parties.

31. Segment information (cont'd)

	Aerospace		Oil and Gas		Electronic		Precision Machining		Trading and Others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:															
External customers	10,150	10,854	5,724	5,063	4,182	11,558	1,119	2,702	4,703	7,567	–	–		25,878	37,744
Inter-segment	–	–	–	–	1,185	1,113	–	–	–	–	(1,185)	(1,113)		–	–
Total revenue	10,150	10,854	5,724	5,063	5,367	12,671	1,119	2,702	4,703	7,567	(1,185)	(1,113)		25,878	37,744
Results:															
Segment result	(712)	1,034	(1,397)	(470)	(5,182)	(7,054)	(1,696)	(400)	82	(1,679)	(1,227)	(2,804)		(10,131)	(11,374)
Unallocated Expenses:															
Unallocated corporate expenses														(59)	(16)
Profit from operations														(10,190)	(11,390)
Finance income														3	45
Finance expense														(1,836)	(2,092)
Other financial changes														(138)	(121)
Impairment loss on goodwill on consolidation														–	(425)
Other Income														–	147
Loss before tax														(12,161)	(13,836)
Tax credit/(expenses)														227	(80)
Loss after tax														(11,934)	(13,916)

31. Segment information (cont'd)

Geographical Information

Revenue is based on the location of customers regardless of where the goods are produced. Assets and capital expenditure are based on the location of those assets.

	Revenue		Assets	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Singapore	22,478	22,318	55,628	68,795
PRC	651	5,589	7,733	12,621
USA	287	2,463	–	–
Others	2,462	7,374	2,981	3,770
	25,878	37,744	66,342	85,186

* Others include countries in Southeast Asia.

Information about major customers

Revenue from two major customers amounted to $10,189,000 and $3,454,000 (2008: $10,677,000 and $5,000,000), arising from sales by the aerospace and oil and gas segments respectively.

32. Events occurring after the balance sheet date

Rights issue

The Company has announced on 23 February 2010 that it intend to carry out Rights Issue through the issuing of 390,631,828 shares at S$0.03 for each Rights Share, on the basis of three (3) Rights Share for every four (4) existing ordinary shares in the capital of the Company. The Rights Issue is expected to be completed by end of April 2010.

33. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 8 April 2010.

DISTRIBUTION OF SHAREHOLDINGS

as at 11 March 2010

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	6	0.22	1,749	0.00
1,000 - 10,000	598	22.12	4,585,760	0.88
10,000 - 1,000,000	2,070	76.55	174,727,665	33.55
1,000,001 AND ABOVE	30	1.11	341,527,264	65.57
TOTAL	2,704	100.00	520,842,438	100.00

SHARE CAPITAL

Issued and fully paid-up capital	:	$52,642,850
Class of equity security	:	Ordinary Shares
Voting rights of ordinary shareholdings	:	On a show of hands : One vote for each member
On a poll	:	One vote for each ordinary share

There are no treasury shares held in the capital of the company.

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	%	Deemed Interest	%
Adam Lau Fook Hoong @ Joe Lau	73,837,686	14.18	-	-
Ellipsiz Ltd	71,667,000	13.76	-	-
CITIBank Nominees Singapore Pte Ltd	62,982,558	12.09	-	-

TWENTY LARGEST SHAREHOLDERS

No.	NAME	NO. OF SHARES	%
1.	Adam Lau Fook Hoong @ Joe Lau	73,837,686	14.18
2.	Ellipsiz Ltd	71,667,000	13.76
3.	CITIBank Nominees Singapore Pte Ltd	62,982,558	12.09
4.	Koh Pang An	23,800,000	4.57
5.	OCBC Securities Private Ltd	20,906,000	4.01
6.	Lim Boon Hock Bernard	15,666,000	3.01
7.	HSBC (SINGAPORE) Nominees Pte Ltd	8,000,000	1.54
8.	Philip Securities Pte Ltd	6,721,000	1.29
9.	Lee Mui Gek Pauline	6,000,000	1.15
10.	LIM & TAN Securities Pte Ltd	5,110,000	0.98
11.	CIMB-GK Securities Pte Ltd	5,057,000	0.97
12.	Goh Lik Tuan	4,000,000	0.77
13.	United Overseas Bank Nominees Pte Ltd	3,624,000	0.70
14.	Yap Tiong Wah	3,515,420	0.67
15.	Yeo Seng Buck	3,075,000	0.59
16.	DBS Nominees Pte Ltd	3,073,000	0.59
17.	Tan Sze Seng	2,531,000	0.49
18.	Kim Eng Securities Pte Ltd	2,466,000	0.47
19.	Low Koon Poo Edmund	2,353,000	0.45
20.	Ling Kim Chye	2,121,000	0.41
		326,505,664	62.69

PRECENTAGE OF SHAREHOLDING IN PUBLIC HANDS

59.97% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Alantac Technology Ltd. ("the Company") will be held at 44 Changi South Street 1, Singapore 486762 on Friday, 30 April 2010 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2009 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 91 and 97 of the Articles of Association of the Company:

Mr Wong Gang	(Retiring under Article 91)	**(Resolution 2)**
Mr Koh How Thim	(Retiring under Article 97)	**(Resolution 3)**
Mr Quek Hiong How	(Retiring under Article 97)	**(Resolution 4)**

Mr Wong Gang will, upon re-election as Director, remain as a Lead Independent Director, Chairman of the Nominating Committee / Remuneration Committee and a member of the Audit Committee and will be considered independent.

Mr Quek Hiong How will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and members of the Nominating Committee / Remuneration Committee and will be considered independent.

To record the retirement of Mr Andy Luong, a Director retiring pursuant to Article 97 of the Company's Articles of Association and who has decided not to seek for re-election.

3. To approve the payment of Directors' fees of S$110,000 for the year ended 31 December 2009 (previous year: S$100,000). **(Resolution 5)**

4. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"): Rules of Catalist, (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

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

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

1. the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

2. (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue , consolidation or subdivision of shares;

3. in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association of the Company; and

4. unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company or (ii) the date by which the next AGM of the Company is required by law to be held, whichever is earlier.
   [See Explanatory Note (i)] **(Resolution 7)**

By Order of the Board

Chan Shok Hing
Secretary

Singapore, 8 April 2009

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue , consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

Notes

1. A Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 44 Changi South Street 1, Singapore 486762 not less than forty-eight (48) hours before the time appointed for holding the AGM.

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd (the "**Sponsor**"), for compliance with the relevant rules of the SGX-ST. The Sponsor (whose effective date of appointment is 13 April 2009) has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Ng Joo Khin.
Telephone number: 6389 3000 Email: jookhin.ng@stamfordlaw.com.sg

ALANTAC TECHNOLOGY LTD.

[Company Registration No. 199401749E]
(Incorporated In The Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy Alantac Technology Ltd's shares, this Report is forwarded to them at the request of the 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 Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of Alantac Technology Ltd (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 30 April 2010 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Accounts for the year ended 31 December 2009		
2	Re-election of Mr Wong Gang as a Director		
3	Re-election of Koh How Thim as a Director		
4	Re-election of Quek Hiong How as a Director		
5	Approval of Directors' fees amounting to S$110,000		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Authority to allot and issue new shares		

Dated this ________________________ day of ____________ 2010

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

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, Chapter 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 entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 44 Changi South Street 1, Singapore 486762 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

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

General:

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

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ALANTAC
TECHNOLOGY LTD

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Xpress®