Matex®

Living the Culture of Colour

ECO-FRIENDLY • NATURAL • BIODEGRADABLE

Matex International Limited

万得国际有限公司

Annual Report 2011

contents

Corporate **INFORMATION**

Board of Directors

Dr John Chen Seow Phun
Non-Executive Chairman
and Independent Director

Dr Tan Pang Kee
CEO / Managing Director

Dr Wang Kai Yuen
Independent Director

Mr Robson Lee Teck Leng
Independent Director

Dr Chua Geok Koon
Executive Director

Mr Dro Tan Guan Liang
(Chen Guanliang)
Executive Director

Company Secretaries

Mr Wong Tat Yang
FCPA, MSID

Mr Teo Chin Kee
ACIS

Share Registrar

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

Registered and Business Office

15 Tuas View Square
Singapore 637556
Tel: (65) 6861 0028
Fax: (65) 6861 0128
Website: www.matex.com.sg

Auditors

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower level 18
Singapore 048583

Partner-in-charge:
Mr Lim Tze Yuen
(Appointed since FY 2010)

Principal Bankers

Bank of China
No. 4958 Chuansha Road
Pudong District
Shanghai, PRC

DBS Bank Ltd
6 Shenton Way DBS Building
Singapore 068809

Oversea-Chinese Banking
Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 049513

Malayan Banking Berhad
Maybank Tower
2 Battery Road
Singapore 049907

RHB Bank Berhad
90 Cecil Street
Singapore 069531

Corporate
PROFILE

Established since September 1989 and listed in the Mainboard of Singapore Exchange in February 2004, Matex International limited is a leading manufacturer, supplier and agent of quality dyestuffs and auxiliary chemicals, colour measurement and computer aided systems to the global textile industry. We also tailor-made dyestuffs and specialty chemicals to meet our customers' unique requirements for the various industries such as textile, papers, leather and polymers.

Dedicated to serve, Matex has established a network of well-trained sales and marketing team with a strong presence in china and the global markets. We are widely recognized for our strength in providing excellent technical support services in order to satisfy our customers' needs. We won numerous awards and accolades and Matex is ranked in China's top 500 chemical companies from 2003 to 2009.

Committed to continuous research and development, Matex is constantly producing innovative range of products. We collaborate closely with renown strategic alliance and partners to augment our in-house technical expertise. Our world famous Megafix reactive dye series is a testimonial of our ability to develop unique products by combining the latest technologies with our intimate knowledge and business experience. We continually add value to our customers' products, ensuring higher quality, better performance, price competitiveness and eco-friendliness to achieve a long term "win-win partnership".

Headquartered in Singapore, Matex has subsidiaries and affiliates in China, Malaysia, Vietnam, Myanmar, Thailand, Taiwan, Hong Kong, Sri Lanka, Pakistan, Bangladesh, India, Indonesia, Europe, South America and Africa to support its wide base of global customers.

Matex **VISION**

Create a World-leader in Clean Colour Science Technologies Centre of Excellence in Singapore for new innovations, new products, new services, new technologies and deliver to the Global Markets.

Matex **MISSION**

To excel as an international Competent Solutions provider with pools of innovative talents to explore new business opportunities in the complex and dynamic industry.

Matex **VALUE**

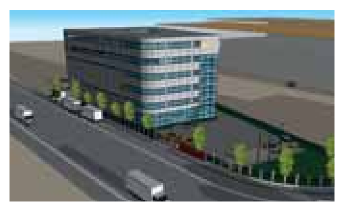
We are customer-focused for full satisfaction and we aim to be on-target to the right needs, provide on time delivery on-demand for the highest and consistent quality and affordable price.

Group
STRUCTURE


Unimatex


Amly Chemicals


Matex International Limited


Shanghai Matex


Matex Taixing 2nd phase


Matex Taixing 1st phase

Message to SHAREHOLDERS

Dear Shareholders,

The year 2011 was one of exploring opportunities and surprises.

Economic growth in 2011 remained uneven with the developed economies continued to be plagued by "localised" challenges while the emerging economies led by the "BRIC", ie Brazil, Russia, India and China experienced good growth. The unprecedented monetary and fiscal stimulus by most economies not seen in the last few decades to boost the global economy that commenced in 2010 continued to be fed by the US and European central bankers into 2011, spurring the global economic growth from a 0.8 percent contraction in 2009 to grow at 4.8% in 2010 and decelerated to 3.8% in 2011.

The world-wide economic slow down continued to undermine the world major economies curtailing consumption and demand for goods and services, thus the demand for dyestuff and auxiliary chemicals. Sales in 2011 continued to be plagued by synchronised slow down of the major economies as economic and financial woes faced by the United States of America and the major grouping of European Union economies remain unabated. This was further aggravated by the 11 March 2011 tsunami in the Eastern region of Japan that dented the recovery in the Japan economy. Nevertheless, the Group's efforts put in place to boost its sales in the international markets helped to grow its outside PRC market share by 11.1% to $10m from $9m whereas sales in our PRC segment declined by $6.9m or 22.7% from $30.2m to $23.3m. The lower sales and decline in gross profit margin caused the Group to book in a net loss attributable to shareholders of $6.65m for the financial period under review as compared to a net loss of $5.69m for the previous financial year. We are pleased to share with stakeholders that the Group is supported by its strong cash resources at the close of 2011.

A series of protests and demonstrations across the Middle East and North Africa ("Mena"), which has become known as the "Arab Spring", has put pressure in the oil supply. Consequently, commodity prices, including petroleum and raw cotton increased more-than-expected reflecting a combination of huge cash injection into the financial systems by the central bankers of the advanced economies and supply shocks. Our PRC customers were particularly impacted by the volatile raw cotton prices in the first half of 2011, thus the knocked-on effect on the demand for our dyestuff.

At the same time the PRC authorities' efforts to relieving food and other price pressure by raising the general minimum wage level upwards negated part of our efforts to control the manufacturing costs.

It is always at a time like this that enterprises who can reinvent or strengthen themselves could emerge stronger from the crisis. Quality is the keyword when it comes to customer satisfaction. Matex is well-positioned to meet the highest requirements of our customers with its control environment and testing standards that emphasizes quality and consistency.

Back in 2003, we envisaged that our manufacturing facility in Shanghai Matex Chemicals Co., Ltd ("SMC") in Pudong, Shanghai, PRC would be affected by a plan to change the overall land use of the area into a commercial cum residential development. Thus, we embarked upon the search for an alternative piece of land that led to the construction of our manufacturing facility in Taixing, JiangSu, PRC. By end 2009, we not only replaced, but expanded our dyestuff manufacturing capacity from 3,000 to 4,000 metric tons in Shanghai facility to between 22,000 and 25,000 metric tons per annum in Taixing. In the second half of 2010, we "mastered" the batch-to-batch production efficiency to attain consistent and high yield. Its capacity has the potential to be further boosted as and when necessary.

The enhanced capacity is expected to further improve our competitive edge. Our strategy is to increase market share by producing consistent quality products at competitive prices for our customers to achieve a 'win-win' strategic partnership by helping them to optimize their productivity and profitability. Together with our sales and marketing niche, we are thus in a stronger position to compete and leverage on challenges in the future.

It was reported that in order to complement our planned expansions in the PRC, SMC purchased a piece of land in Hong Si Cun, Pudong, Shanghai, PRC to establish our PRC regional headquarters with emphasis in Research and Development, Technical Services, Information Technology, Finance and Administration. However, rolling out the construction of the state-of-art facility was put on hold to preserve our cash position in anticipation of the volatile 2009 and 2010 environment. Currently, we are reviewing its layout plan and exploring to increase its functionality.

On the whole, by building on our strengths to grow the Group's business, our robust business model with its extensive sales network backed by an excellent track record, established brand name, strong R&D capabilities, large customer base and our dedicated team continue to ensure we stay competitive and committed to bring value back to our shareholders.

Review of Operational Results

Revenue

The Group achieved a total revenue of $33.3m for the financial year ended 31 December 2011 ("FY2011"). This was a decrease of $5.9m or 15.0% from the total revenue of $39.3m for the previous financial year ended 31 December 2010 ("FY2010").

Group's sales volume and average selling price dropped by about 8% to 10% and 5% to 7% respectively in FY2011. Sales revenue from international markets grew by 11.1% to $10m from $9m while our PRC segment declined by 22.8% sales from $30.2m to $23.3m. Our customers in the PRC market were adversely affected by government's credit tightening in an effort to control inflationary pressure and the world-wide volatility in the prices of raw cotton (where our dye and auxiliary chemicals were applied on cotton-based fabric).

The PRC authorities were wrestling with stubbornly high consumer inflation with measures like increasing bank's required reserves ratio, raising bank lending rates and minimum wages level to combat inflation. These measures have adversely impacted our customers' operations and operating costs.

Raw cotton price was straddling between US$1.00 per pound to US$2.00 per pound compared to the 10-year average of US$0.65 per pound to US$0.75 per pound, reflecting a combination of strong competing demand growth and supply shocks.

Gross Profit

The Group FY2011 gross profit declined by $5.9m (or 60.7%) to $3.8m from $9.7m for FY2010 in tandem with the decline in sales. Gross profit margin declined to 11.48% from 24.78% for FY2010. The gross profit margin declined in the PRC segment mainly due to higher cost of sales (primarily due to higher labour cost arising from higher minimum wages and raw material prices which increased our production cost).

Net Operating Expenses

Net operating expenses of $12.4m for FY2011 was $2.9m or 18.9% lower than the $15.3m for FY2010. The main reasons for the changes were as follows:

The main variances were as follows:

1.) Selling and distribution expenses for FY2011 decreased by $1,425k or 22.6% when compared to that for FY2010. The decrease was due to active steps taken by the Group to rein in selling and distribution expenses in FY2011. The impairment for trade receivables was reduced to $215k compared to $1.8m for FY2010 where more customers were adversely impacted by the economic downturn.

2.) General and administrative expenses of $7,842k for FY2011 were $1,142k or 12.7% lower than FY2010 mainly as a result of:

a) lower staff related costs ($688k) with cost control measures in place;

b) foreign exchange loss due to volatility of the US dollar in FY2011 was lower by $82k compared to FY2010, decreased from $305k to $223k and

c) absence of the one-off professional fee in FY2010 of $97k relating to working capital management and $49k relating to property valuation in PRC.

Net Other Operating Income

3.) Other operating income in FY2011 increased by $271k and other operating expenses declined by $27k when compared to that in FY2010. The increase in other operating income was mainly due to a gain of $325k in the sales of investment property by the Company in Singapore in FY2011. The decline in other operating expenses was due to the absence of one-off payment to SMC's customers for stock quality issue ($15k) and a fine ($29k) relating to VAT of our subsidiary, Amly Chemicals (Taixing) Co., Ltd (ACL) in FY2010.

Net Financial Expenses

The Group recorded a net financial expense of $107k in FY2011 versus a net financial expense of $277k in FY2010. While interest income increased to $452k from $264k, interest expenses increased to $559k from $541k. The higher interest income for FY2011 on its improved cash position and better deposits rates when compared to that for FY2010 more than offset the increase in interest expense for short term loan and trade financing. Fixed deposit interest rates in FY2011 was 0.21%-0.83% for Singapore and 4.0%-4.5% for the PRC which is higher than interest rates in FY2010 i.e 0.24%-0.47% for Singapore and 3% for the PRC.

Tax

Tax expense for FY2011 and FY2010 was $30k and $1,110k respectively. The tax expense for FY2011 relates mainly to the profits recorded by ACL. The losses suffered by other entities in the Group for the period under review cannot be used to offset against the profit.

Net Results

The lower sales and decline in gross profit margin caused the Group to book in a net loss attributable to shareholders of $6.65m for the financial period under review as compared to a net loss of $5.69m for the previous financial year.

Financial Position

As at 31 December 2011, the Group's fixed assets stood at $26.3m, a decrease of $1.2m compared to that of $27.5m as at 31 December 2010 mainly due to depreciation of fixed assets.

Term loan reduced to $13.8m from $15.0m as at 31 December 2010 primarily because of lower utilisation in our PRC subsidiaries bank facilities. Term loan comprised draw down of short term credit facility for settlement of purchases and to augment our working capital.

Fixed deposits, cash and bank balances as at 31 December 2011 stood at $15.3m compared to $22.8m as at 31 December 2010 mainly as a result of disbursements for accrued expenses ($296k), repayment of loan ($1.2m) and higher accounts receivables ($1.9m) in FY2011. Trade and notes receivables of $17.9m was $1.9m (or 11.9%) higher than

$16.0m for FY2010 mainly because of improving sales towards the last two months of the year from new customers. The closing inventory decreased by $1.6m (or 6.6%) to $22.6m from $24.2m as a result of better production scheduling in FY 2011. The trade and bill payables increased by 3% to $11.8m from $11.5m as our subsidiaries in the PRC extracted better terms from suppliers.

The trade and notes receivables turnover for FY2011 increased to 196 days from 149 days for FY2010, inventory turnover improved to 280 days from 299 days for the corresponding financial years and trade and bill payables turnover was 146 days, higher than the 143 days for the previous period for reasons stated in the above-mentioned paragraph.

The net asset value per ordinary share based on issued share capital of the Group as at 31 December 2011 decreased to 20.29 cents as compared to the 23.4 cents as at 31 December 2010.

During the financial year ended 31 December 2011, 1,150,000 warrants were exercised to subscribe for new ordinary shares at an exercise price of $0.16 for each new ordinary share. Therefore, Company's issued shares increased from 178,043,600 to 179,193,600 ordinary shares during the period under review.

Warrants Issue

The Company listed and quoted 71,200,000 Warrants on the Official List of the Singapore Exchange Securities Trading Limited in connection with the renounceable rights issue of 71,200,000 Warrants at the issue price of $0.02 for each Warrant on 11 January 2006. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of $0.16 for the period expiring 5 January 2011.

From the net proceeds of slightly more than $1m raised from the Warrants Issue, $267k was deployed to fund the acquisition of technical know-how with a view to enhancing the Group's product range in pre-treatment and finishing stages of the textile dyeing process. Another $480k was used to facilitate the development of businesses of our Dedot group of companies in the PRC. The balance has been utilised for continuous research efforts in the development of technology, process and application of specialty chemicals in the textile industry and working capital needs of the Company.

Subsequently, on 29 May 2007, 38,800 warrants were exercised to subscribe for 38,800 new ordinary shares and another 4,800 warrants were exercised in 2010.

During the financial year 1,150,000 warrants were exercised on 5 January 2011 to subscribe for new ordinary shares at an exercise price of $0.16 for each new ordinary share during the financial period ended 31 December 2011. The balance 70,006,400 warrants (31 December 2010: 71,156,400 warrants) expired on 5 January 2011.

Future Outlook

Economic analysts predicted the global economy would grow by 3.3% for the year 2012 compared to 3.8% for 2011 before recovering to 3.9% for 2013. While the Euro Zone is expected to enter into a mild recession in the first half of 2012, the world largest economy of the United States of America is estimated to grow at between 2.2% to 2.7% while the Asia regions continue to grow at about 6.7% with the Chinese Government projected its growth at about 7.5%.

Recovery growth in the advanced economies would be underpinned by the inventory cycle and fiscal stimulus measures on top of the loose monetary policies by both the US and European Central Banks. Any uptick in private consumption and thus demand for goods and services in most advanced economies is dependent on improvement in employment and economic growth. Large emerging economies continue to sustain economic growth through boosting their internal demands. China is expected to focus internally for real growth by cutting its 2012 growth target to 7.5%, its lowest in eight years. Analysts interpreted that it was not only a response to slower global growth, but it also showed that the Chinese is looking at stimulating their internal demand by improving policies that encourage consumption as stated by the Chinese premier Wen Jiabao during his National Peoples Congress meeting in early March 2012

Overall, the Group is adopting a two-pronged approach to improve our position. One, the Group is placing more emphasis into other complementary areas of the textile colour business. Two, the Group's marketing initiatives in the international arena with a view to establishing a stronger presence in the Indian Sub-continent, Asean countries and the Middle-east region together with the expanded manufacturing capabilities in Taixing, JiangSu, PRC, have enhanced its competitive edge. The Group will strive to take advantage of the opening of new markets and of any upturn of the existing markets in FY2012.

Sincere Appreciation

On behalf of the Board, we wish to extend our sincere appreciation to each and every one of you, our business partners, suppliers and our shareholders, for your immense understanding, dedicated support and confidence.

People are the greatest assets of the Group. To our staff, we say a very big thank you for your commitment and contributions throughout the year.

The Group is exploring new opportunities to embark on a new road map that will bring value to our stakeholders. Together, hand-in-hand we are confident that Matex shall emerge stronger from the shadow of the past and press forward into the next level towards a brighter future.

Dr John Chen Seow Phun
Non-Executive Chairman

Dr Alex Tan Pang Kee
CEO/Managing Director

Board of DIRECTORS

Dr JOHN CHEN SEOW PHUN
Non-Executive Chairman & Independent Director

Dr Chen has been our Chairman and Independent Director since 11 July 2003. He has been a Member of Parliament ("MP") since September 1988. He was the Minister of State for Communications from March 1997 to June 1999. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Dr Chen holds a Doctor of Philosophy ("Ph.D") degree in Electrical Engineering from the University of Waterloo, Canada. He taught at the National University of Singapore from 1983 to 1991. In 1991, he became the Assistant Secretary General of the National Trades Union Congress (NTUC) until 1997. Dr Chen also served as the Deputy Chairman and Managing Director of the NTUC Healthcare Cooperative Ltd from 1992 to 1997. Dr Chen has been a board member of the Economic Development Board (EDB), the Housing & Development Board (HDB), the then Port of Singapore Authority (PSA) and Singapore Power Ltd. He is presently the Managing Director of JCL Business Development Pte Ltd, a business consultant and investment company. He also sits on the board of several public listed companies as an independent director.

Dr WANG KAI YUEN
Independent Director

Dr Wang was appointed as our Independent Director on 11 July 2003. He Has been the Managing Director of Fuji Xerox Asia Pacific Pte Ltd and managing Xerox Singapore Software Centre as an independent business unit. He served as a Member of Parliament from 1984 to 2006. Dr Wang holds a Bachelor of Engineering with First Class Honours in Electrical and Electronics from the University of Singapore, a Master of Science in Industrial Engineering, a Master of Science in Electrical Engineering, and a Ph.D in Engineering (Systems) from Stanford University, USA. He was awarded a Merit Scholarship in 1968 and a Ford Foundation Scholarship for postgraduate studies in the United States in 1973. He also received a Friends of Labour Award in 1988 for his contributions to the Singapore labour movement.

Mr ROBSON LEE TECK LENG
Independent Director

Mr Robson Lee is a partner in Shook Lin & Bok's Corporate Finance & International Finance Practice and has been with the firm since 1994. He obtained an LLB (2nd Class Upper Hons) from the National University of Singapore. He has structured a number of corporate finance transactions and advises public listed companies on securities and capital markets transactions, cross-border mergers and acquisitions and foreign joint ventures. He is also a partner in the firm's China practice and focuses on cross-border corporate transactions in the People's Republic of China. Mr Lee holds independent and non-executive directorships in a number of public listed companies in Singapore, and is an active community service leader in Singapore.

Dr TAN PANG KEE

CEO / Managing Director

Dr Tan founded our Company in September 1989 and was appointed as our Managing Director since early 1990. Dr Tan has more than 30 years of related experience and is instrumental in the development of our Company since its inception. He is in charge of formulating corporate strategies and management of our growth and development. He is also involved in developing new products and identifying new markets for our Group. Dr Tan holds a Bachelor of Science degree in Chemistry from the University of London and obtained an honorary Ph.D in business administration from the Honolulu University, Hawaii, USA, in 2003. Between 1967 and 1989, Dr Tan was the Regional Technical Manager of the Sandoz Division of F.E. Zuellig (Trading) Pte Ltd (1976 to 1988), Technical Supervisor of Guthrie (M.S.) Pte L td (1973 to 1975) and a Chemical Analyst in the Malaysia Chemistry Department (1967 to 1972).

Dr CHUA GEOK KOON

Executive Director

Dr Chua was appointed to the Board since 1989. He obtained a Ph.D in Chemistry from the University of Manitoba, Canada. He is involved in market research, process improvement and product development activities of our Group. Dr Chua has more than 25 years of experience in research studies and scientific project consultancy. He was Managing Director of Penta Scientific (S) Pte Ltd between 1976 and 2003 and has been involved in a variety of projects over the years, including water and wastewater treatment consultancy, studies on chloroalkali industry, studies on mercury and mercury compounds, mineral industries and slack wax.

Mr DRO TAN GUAN LIANG (Chen Guanliang)

Executive Director

Mr Dro Tan was appointed as our Executive Director since 2010. He was our Business Development Manager since 2006. He is responsible for the Group's business development, working on projects that cater to branding of the company's visual image and promotional products. He also helps out with the design and overseeing of the group's buildings and infrastructures. He is actively involved in the group's diversification projects that aim to complement the group's existing core businesses. Having graduated with a Master in Architecture from the National University of Singapore, his research thesis focused on the global study and development of sustainable suburban communities, he has also worked with architectural firms in Seoul, Korea and Singapore, prior to joining us.

Key
MANAGEMENT

Mr WONG TAT YANG
Chief Financial Officer & Company Secretary

Mr Wong is our Chief Financial Officer since 2002 and was appointed as our Company Secretary in September 2003. He is in charge of finance, accounting, treasury and secretariat functions of our Group. Prior to joining us, Mr Wong was the Group Finance Manager and Company Secretary of a public listed company between 1997 and 2002. He was an Accountant in Singapore Totalisator Board and Singapore Turf Club between 1988 and 1997. Mr Wong graduated with a Bachelor in Accountancy degree from the National University of Singapore and is a Fellow Certified Public Accountant with the Institute of Certified Public Accountants of Singapore.

Mr YANG JIANGUO
General Manager

Mr Yang is in charge of the overall operations of Shanghai Matex Chemicals Co., L td ("SMC"), Matex Taixing Cheimcals Co., Ltd and Amly Chemicals Co., Ltd since 1 January 2009. He joined Matex International Limited in 2001 and was subsequently seconded to SMC in the same year to act as its Regional Sales Manager. He was responsible for the promotion of our products and the management and co-ordination of our regional sales operations. Mr Yang graduated from Guangdong Huanan Technological University with a Bachelor's degree in Chemical Engineering. Prior to joining us, he was a chemist in Jurong Cement Pte Ltd between 1997 and 2001.

Mr TAN PANG SIM
Director / General Manager

Mr Tan has been the General Manager of Unimatex Sdn Bhd ("USB") since 2000. He is in charge of the management and development of corporate policies and procedures for USB. Mr Tan holds a diploma in commercial accounting from the Singapore Commercial Accounting Institute and is an Associate Financial Planner with the Financial Planner Association of Malaysia. Having started his career as an Accountant and Office Administrator in Pacific Food Product Sdn Bhd in 1971, Mr Tan has more than 30 years of experience in company administration and management as well as financial planning. Prior to joining us, he was the Financial Controller/Director of Macinda Sdn Bhd between 1989 and 2000.

Dr PRABHAKAR REDDY NITHILA
Chief Technical Officer

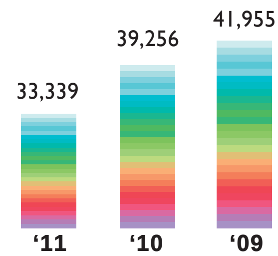
Dr Nithila is our Chief Technical Officer since 2006. She is responsible for the Quality Control and Standards of specialty chemicals and auxiliary chemicals. Prior to joining us in 2000, she was a research scientist with Tablets (India) Ltd between 1994 and 1995. Dr Nithila obtained a Ph.D from Sri Venkateswara University, Tirupati, India, where she was the top student for Master of Science in Chemistry. Between 1988 and 1989, she was selected to attend a contact program at the Indian Institute of Technology sponsored by the government of India to research on the topic of "Estimation of Mercury Using Sodium Hyposulphite". In 1989, she received training though demonstrative experiments at BHABHA Atomic Research Centre, Mumbai.

Financial HIGHLIGHTS

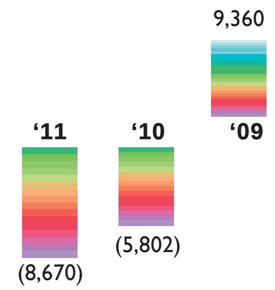
Group Consolidated Statements

	FY2011	FY2010	FY2009
Statement of Comprehensive Income ($'000)			
Revenue	33,339	39,256	41,955
Gross profit	3,827	9,729	6,376
Net operating (Expenses) / income	(12,497)	(15,531)	2,984
(Loss) / profit before tax	(8,670)	(5,802)	9,360
Income tax	(30)	(1,110)	(2,591)
(Loss) / profit after tax	(8,700)	(6,912)	6,769
Attributable to:			
Owners of the parent	(6,648)	(5,694)	2,437
Non-controlling interests	(2,052)	(1,218)	4,332
	(8,700)	(6,912)	6,769
(Loss) / earnings per share (cents) *	(3.71)	(3.20)	1.37
Balance Sheet ($'000)			
Property, plant and equipment	26,267	27,461	29,848
Other non-current assets	1,677	1,990	2,895
Current assets	57,482	63,897	73,749
Less current liabilities	(27,837)	(28,981)	(31,159)
Net current assets	29,645	34,916	42,590
Non current liabilities	(117)	(176)	(250)
	57,472	64,191	75,083
Owners of the parent	36,355	41,709	49,126
Non-controlling interests	21,117	22,482	25,957
	57,472	64,191	75,083
Net asset value per share (cents) **	20.29	23.43	27.59

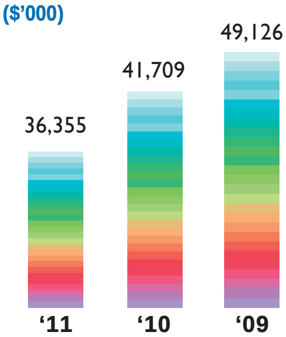
REVENUE ($'000)



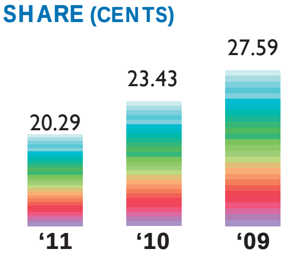
(LOSS)/PROFIT BEFORE TAX ($'000)



SHAREHOLDERS' EQUITY ($'000)



NET ASSET VALUE PER SHARE (CENTS)



* Earnings per share is calculated by dividing the net (loss) / profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year of 179,193,600 (2010/2009: 178,038,826 / 178,038,800) shares.

** The net asset value per share as of 31 December 2011 are computed based on 179,193,600 (2010/2009: 178,043,600 / 178,038,800) ordinary shares.

Financial Contents

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2011.

Directors

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

Dr John Chen Seow Phun
Dr Tan Pang Kee
Dr Chua Geok Koon
Dr Wang Kai Yuen
Mr Robson Lee Teck Leng
Mr Dro Tan Guan Liang (Chen Guanliang)

Arrangements to enable directors to acquire shares and debentures

Except as described in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose 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 of the Company as stated below:

	Direct interest			Deemed interest		
	At 1.1.2011	At 31.12.2011	At 21.1.2012	At 1.1.2011	At 31.12.2011	At 21.1.2012
The Company						
(Ordinary shares)						
Dr John Chen Seow Phun	100,000	100,000	100,000	–	–	–
Dr Tan Pang Kee	58,232,000	58,232,000	58,232,000	–	–	–
Dr Chua Geok Koon	9,170,000	9,170,000	9,170,000	–	–	–
Dr Wang Kai Yuen	100,000	100,000	100,000	–	–	–

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

	Exercise price	Exercise period	At 1.1.2011	At 31.12.2011	At 21.1.2012
The Company					
(Warrants to subscribe for ordinary shares)					
Dr John Chen Seow Phun	$0.16	11 Jan 2006 to 5 Jan 2011	40,000	–	–
Dr Tan Pang Kee	$0.16	11 Jan 2006 to 5 Jan 2011	43,492,396	–	–

By virtue of Section 7 of the Companies Act, Dr Tan Pang Kee is deemed to be interested in the shares held by the Company in its subsidiary companies.

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

Directors' 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 (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from a related corporation) 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.

Warrants

On 11 January 2006, the Company issued and listed 71,200,000 warrants via a renounceable rights issue at an issue price of $0.02 for each warrant on the basis of two warrants for every five existing ordinary shares held by the entitled shareholders. Each warrant carrying the right to subscribe for one new ordinary share at an exercise price of $0.16 for each new ordinary share and may be exercised at any time from the date of issue of the warrants up to 5 January 2011.

Full terms and conditions pertaining to the warrants are set out in details in the Offer Information Statement dated 9 December 2005.

On 29 May 2007, 38,800 warrants were exercised to subscribe for 38,800 new ordinary shares at an exercise price of $0.16 each new ordinary share. On 30 December 2010, 4,800 warrants were exercised to subscribe for 4,800 new ordinary shares at an exercise price of $0.16 each new ordinary share.

During the financial year ended 31 December 2011, 1,150,000 warrants were exercised on 5 January 2011 to subscribe for new ordinary shares at an exercise price of $0.16 for each new ordinary share. 70,006,400 warrants lapsed on 5 January 2011.

Directors' Report

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance.

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

Auditors

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

On behalf of the board of directors:

Dr Tan Pang Kee
Managing Director

Dr Chua Geok Koon
Executive Director

Singapore
15 March 2012

Statement by Directors

We, Dr Tan Pang Kee and Dr Chua Geok Koon, being two of the directors of Matex International Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement 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 2011 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended 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:

Dr Tan Pang Kee
Managing Director

Dr Chua Geok Koon
Executive Director

Singapore
15 March 2012

Independent Auditor's Report

For the financial year ended 31 December 2011

To the Members of Matex International Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Matex International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and of the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (cont'd)

For the financial year ended 31 December 2011

To the Members of Matex International Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

15 March 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Revenue	3	33,339	39,256
Cost of sales		(29,512)	(29,527)
Gross profit		3,827	9,729
Other income		405	134
Selling and distribution expenses		(4,871)	(6,295)
Administrative expenses		(7,842)	(8,984)
Other operating expenses		(82)	(109)
Financial income	4	452	264
Financial expenses	4	(559)	(541)
Loss before tax	5	(8,670)	(5,802)
Income tax expense	7	(30)	(1,110)
Loss after tax		(8,700)	(6,912)
Other comprehensive income:			
Currency translation difference		1,941	(2,992)
Other comprehensive income for the year, net of tax		1,941	(2,992)
Total comprehensive income for the year		(6,759)	(9,904)
Loss attributable to:			
Owners of the parent		(6,648)	(5,694)
Non-controlling interests		(2,052)	(1,218)
		(8,700)	(6,912)
Total comprehensive income attributable to:			
Owners of the parent		(5,538)	(7,418)
Non-controlling interests		(1,221)	(2,486)
		(6,759)	(9,904)
Loss per share			
- basic and diluted (cents)	30	(3.71)	(3.20)

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

Balance Sheets
as at 31 December 2011

	Note	Group		Company	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	8	26,267	27,461	3,700	4,064
Land use rights	9	1,364	1,412	–	–
Intangible assets	10	254	297	120	145
Investment properties	11	46	267	–	220
Investment in subsidiaries	12	–	–	12,055	12,055
Long-term staff loans	13	13	14	–	–
Current assets					
Inventories	14	22,632	24,227	2,290	2,510
Trade and notes receivables	15	17,897	15,992	4,538	3,819
Other receivables	16	1,312	599	1,944	1,987
Advances to suppliers		133	100	–	–
Prepayments		164	162	42	46
Quoted investments	17	16	15	–	–
Fixed deposits	18	9,160	14,862	3,268	1,874
Cash and bank balances	18	6,168	7,940	4,346	3,946
		57,482	63,897	16,428	14,182
Current liabilities					
Trade payables	19	5,236	5,182	1,880	1,253
Bills payable to banks	20	6,607	6,358	1,769	1,124
Other payables and accruals	21	1,888	2,184	852	514
Advances from customers		195	143	–	–
Finance lease liabilities	22	60	74	52	67
Term loans	23	13,799	15,031	7,577	4,128
Tax payable		12	9	–	–
Derivatives	24	40	–	40	–
		27,837	28,981	12,170	7,086
Net current assets		29,645	34,916	4,258	7,096

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

Balance Sheets (cont'd)
as at 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current liabilities					
Finance lease liabilities	22	117	176	111	163
Net assets		57,472	64,191	20,022	23,417
Equity					
Share capital	25	17,692	17,508	17,692	17,508
Warrants	26	–	1,067	–	1,067
Capital reserve	27	294	294	–	–
Enterprise expansion reserve	28	4,337	4,337	–	–
General reserve	28	4,337	4,337	–	–
Translation reserve	29	242	(868)	–	–
Retained earnings		9,453	15,034	2,330	4,842
		36,355	41,709	20,022	23,417
Non-controlling interests		21,117	22,482	–	–
Total equity		57,472	64,191	20,022	23,417

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

Statement of Changes in Equity

as at 31 December 2011

	Attributable to equity holders of the Company									
Group	Share Capital $'000	Warrants $'000	Capital reserve $'000	Enterprise expansion reserve $'000	General reserve $'000	Translation reserve $'000	Retained Earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Opening balance as at 1 January 2010	17,507	1,067	294	4,337	4,337	856	20,728	49,126	25,957	75,083
Loss for the year	–	–	–	–	–	–	(5,694)	(5,694)	(1,218)	(6,912)
Other comprehensive income for the year	–	–	–	–	–	(1,724)	–	(1,724)	(1,268)	(2,992)
Total comprehensive income for the year	–	–	–	–	–	(1,724)	(5,694)	(7,418)	(2,486)	(9,904)
Issue of new ordinary shares upon exercise of warrants	1	–	–	–	–	–	–	1	–	1
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(989)	(989)
Closing balance as at 31 December 2010	17,508	1,067	294	4,337	4,337	(868)	15,034	41,709	22,482	64,191

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

Statement of Changes in Equity (cont'd)

as at 31 December 2011

Group	Share Capital $'000	Warrants $'000	Capital reserve $'000	Enterprise expansion reserve $'000	General reserve $'000	Translation reserve $'000	Retained Earnings $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to equity holders of the Company									
Opening balance as at 1 January 2011	17,508	1,067	294	4,337	4,337	(868)	15,034	41,709	22,482	64,191
Loss for the year	–	–	–	–	–	–	(6,648)	(6,648)	(2,052)	(8,700)
Other comprehensive income for the year	–	–	–	–	–	1,110	–	1,110	831	1,941
Total comprehensive income for the year	–	–	–	–	–	1,110	(6,648)	(5,538)	(1,221)	(6,759)
Expiry and exercise of warrants	–	(1,067)	–	–	–	–	1,067	–	–	–
Issue of new ordinary shares upon exercise of warrants	184	–	–	–	–	–	–	184	–	184
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(144)	(144)
Closing balance as at 31 December 2011	17,692	–	294	4,337	4,337	242	9,453	36,355	21,117	57,472

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

Statement of Changes in Equity (cont'd)

as at 31 December 2011

Company	Share capital $'000	Warrants $'000	Retained earnings $'000	Total $'000
Opening balance as at 1 January 2010	17,507	1,067	7,486	26,060
Loss for the year	–	–	(2,644)	(2,644)
Issue of new ordinary shares upon exercise of warrants	1	–	–	1
Closing balance as at 31 December 2010	17,508	1,067	4,842	23,417
Opening balance as at 1 January 2011	17,508	1,067	4,842	23,417
Loss for the year	–	–	(3,579)	(3,579)
Expiry and exercise of warrants	–	(1,067)	1,067	–
Issue of new ordinary shares upon exercise of warrants	184	–	–	184
Closing balance as at 31 December 2011	17,692	–	2,330	20,022

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

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Note	2011	2010
		$'000	$'000
Cash flows from operating activities			
Loss before tax		(8,670)	(5,802)
Adjustments:			
Amortisation of intangible asset	10	47	48
Amortisation of land use rights	9	102	106
Depreciation of property, plant and equipment	8	2,390	2,411
Depreciation of investment properties	11	12	20
Property, plant and equipment written off		1	1
Loss on disposal of property, plant and equipment		6	2
Gain on disposal of investment properties		(332)	–
Impairment of trade receivables	15	215	1,770
Impairment loss on quoted investments		–	7
Inventories written down	14	65	138
Write back of impairment of doubtful trade receivables	15	(10)	(158)
Interest expense		559	541
Interest income		(452)	(264)
Fair value loss on derivatives		40	–
Translation adjustments		346	(704)
Operating loss before working capital changes		(5,681)	(1,884)
Decrease in long-term staff loans		1	2
Decrease / (increase) in inventories		1,523	(6,624)
(Increase) / decrease in trade, notes receivables and other receivables		(2,729)	1,402
Increase in prepayments		(2)	(60)
(Increase) / decrease in advances to suppliers		(33)	343
Decrease in trade and other payables		(242)	(1,608)
Increase / (decrease) in advances from customers		52	(10)
Increase in bills payable to banks		249	630
Cash used in operations		(6,862)	(7,809)
Interest paid		(559)	(541)
Interest received		452	264
Income taxes paid		(26)	(3,049)
Net cash used in operating activities		(6,995)	(11,135)

Consolidated Cash Flow Statement (cont'd)

for the year ended 31 December 2011

	Note	2011	2010
		$'000	$'000
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(345)	(1,288)
Proceeds from disposal of property, plant and equipment		3	37
Proceeds from disposal of investment properties		540	–
Net cash generated from/(used in) investing activities		198	(1,251)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of warrants		184	1
Decrease/(increase) in restricted cash	18	1,380	(1,405)
Proceeds from loans and borrowings		7,469	6,178
Repayment of finance lease liabilities		(73)	(87)
Repayment of loans and borrowings		(8,802)	(4,125)
Payment of dividends to minority interests		(144)	(989)
Net cash generated from/(used in) financing activities		14	(427)
Net decrease in cash and cash equivalents		(6,783)	(12,813)
Effect of exchange rate changes on cash and cash equivalents		689	(1,528)
Cash and cash equivalents at beginning of financial year		20,696	35,037
Cash and cash equivalents at end of financial year	18	14,602	20,696

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

1. Corporate information

Matex International Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and publicly traded on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 15 Tuas View Square, Singapore 637556.

The principal activities of the Company are the formulation, manufacturing and sale of specialty chemicals focusing on dyestuff and auxiliaries for the textile industry.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet 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 $) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS "INT FRS" that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company. 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:

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities.

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

2.3 *Future changes in accounting policies*

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 107 Disclosures – Transfer of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interest in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013

Except for the Amendments to FRS 12, Amendments to FRS 1, FRS 111 and revised FRS 28 and FRS 112, 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 Amendments to FRS 12, Amendments to FRS 1, FRS 111 and revised FRS 28 and FRS 112 are described below.

Amends to FRS 12 Deferred Tax: Recovery of Underlying Assets

The Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets are effective for annual periods beginning on or after 1 January 2012.

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 Investment Property, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group provides for deferred tax liabilities for its investment properties on the basis that the carrying amount of the investment properties will be recovered through use. Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties in Singapore as there is no capital gains tax in Singapore. The Group expects the adoption of Amendments to FRS 12 to result in a decrease in deferred tax liabilities of the Group and a corresponding increase in retained earnings upon initial application of the amendments.

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

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

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

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

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

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2013.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will affect the Group's financial statements presentation.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

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

2.4 *Significant accounting estimates and judgements*

The preparation of the Group's consolidated financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at 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 periods.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation or 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.

- ***Impairment of property, plant and equipment***

  The Group follows the guidance of FRS36 in assessing 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.

  In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

  The carrying amount of the Group's property, plant and equipment as at 31 December 2011 was $26,267,000 (2010: $27,461,000). More details are given in Note 8.

- ***Depreciation of plant and equipment***

  The cost of plant and equipment for the manufacture of dyestuffs is depreciated on a straight-line basis over its useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. These are common life expectancies applied in the dyestuff industry. The carrying amount of the Group's plant and equipment at 31 December 2011 was $8,995,000 (2010: $9,569,000). 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.

- ***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 payables at 31 December 2011 was $12,000 (2010: $9,000).

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

2.4 *Significant accounting estimates and judgements (cont'd)*

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

- ***Impairment of receivables***

  The Group makes an impairment of receivables based on an assessment of the recoverability of trade and other receivables. Impairment is adopted to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, it requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and expensed off as impairment of receivables in the period in which such estimate has been changed. As at 31 December 2011, the total impairment of receivables is $4,318,000 (2010: $4,020,000).

- ***Impairment of inventory***

  An impairment review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The total allowance for inventory as at 31 December 2011 is $310,000 (2010: $237,000).

(b) *Critical 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 have significant effect on the amounts recognised in the consolidated financial statements.

- ***Impairment of investments and financial assets***

  The Group follows the guidance of FRS 39 and FRS 36 in determining when an investment and financial asset are other than temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its carrying value; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performances, changes in technology and operational and financial cash flow.

- ***Recognition of deferred tax assets***

  Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of unrecognised tax losses of the Group approximately $22,907,000 (2010: $12,264,000) and unabsorbed capital allowance approximately $1,280,000 (2010: $1,194,000).

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

2.5 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 *Subsidiaries and principles 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.

The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

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

2.6 *Subsidiaries and principles of consolidation (cont'd)*

(b) Principal 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.

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

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

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

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

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

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

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

2.7 *Transactions with non-controlling interests*

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

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

2.8 *Revenue recognition*

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

(a) Sale of goods

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

(b) Interest income

Interest income is recognised as interest accrues using the effective interest method.

(c) Dividend income

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

(d) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease.

2.9 *Borrowing costs*

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

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

2.10 *Leases*

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

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

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

2.11 *Taxes*

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

2.11 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

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

2.12 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.9. 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 accumulated impairment losses.

Property, plant and equipment are depreciated using the straight-line method to write off the cost (in the case of PRC subsidiary companies, less estimated residual value of the fixed asset at 10% of cost), over their estimated useful lives. The estimated useful lives have been taken as follows:

Plant and equipment	3 to 10 years
Renovation, electrical and fittings	5 to 10 years
Motor vehicles	5 to 10 years
Leasehold properties	20 to 94 years

Construction in progress assets are stated at cost and are not depreciated as these assets are not yet available for use.

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

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

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

2.13 *Land use rights*

Land use rights relate to properties in the People's Republic of China.

Land use rights are stated in the financial statements of the Group are measured at cost less accumulated amortisation and any impairment in value. Land use rights are amortised on a straight-line basis over a period of 20 years.

An assessment of the carrying value of land use rights is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exists.

Gains or losses arising from the retirement or disposal of land use rights are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the profit or loss.

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

2.14 ***Intangible assets***

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic 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 for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of intangible asset.

Intangible assets relate to technology know-how purchased. Technology know-how are stated in the financial statements of the Group and of the Company at cost less accumulated amortisation and any impairment in value. Technology know-how are amortised over a period of 10 years.

2.15 ***Investment properties***

Investment properties relate to an office premise that is leased out and investment in land that is not occupied substantially for use in the operations of the Group. They are treated as long term investments.

The office premise is stated at cost less accumulated depreciation and any impairment in value. The office premise is depreciated over estimated useful live of 20 years. The leasehold land is stated at cost less any impairment in value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.16 ***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 group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

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

2.17 *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

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

2.17 *Financial assets (cont'd)*

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

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

The Group classifies the following financial assets as loans and receivables:

- cash and fixed deposits
- trade and other receivables, including notes receivable, amounts due from subsidiaries and related companies.

Derecognition

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

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

2.18 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank, and fixed deposits. Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

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

2.19 *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.

(a) Financial assets carried at amortised cost

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

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

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

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

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

(b) Financial assets carried at cost

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

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

2.20 ***Inventories***

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to its present location and conditions are accounted for as follows:

(a) Raw materials purchase costs on a weighted average basis;

(b) Finished goods and work-in-progress cost of direct materials 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.

2.21 ***Quoted investments***

Quoted investments carried in the balance sheets are accounted for as financial assets at fair value through profit or loss under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.18.

2.22 ***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 debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement 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 profit and loss.

2.23 ***Financial liabilities***

Initial recognition and measurement

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

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

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

2.23 *Financial liabilities (cont'd)*

Subsequent measurement

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

(a) **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

(b) **Other financial liabilities**

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Financial liabilities include trade payables, which are normally settled on 30-90 days' terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings.

Derecognition

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

2.24 *Provisions*

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

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

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

2.25 *Employee benefits*

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. The subsidiary company in Malaysia makes contribution to the Employee Provident Fund ("EPF"). The subsidiary companies incorporated and operating in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary companies' PRC employees.

Contributions to national pension schemes are recognised 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.

2.26 *Segment reporting*

Management has identified the Group operating entities by geographical segment. The Group is engaged in providing products within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.27 *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.

2.28 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

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

2.28 *Related parties (cont'd)*

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
(vi) The entity is controlled or jointly controlled by a person identified in (a);
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Revenue

Revenue represents invoiced trading sales to customers, less discounts given and excludes sales tax.

4. Financial income/(expenses)

	Group	
	2011	**2010**
	$'000	$'000
Interest income		
- fixed deposits and bank balances	452	264
Interest expenses		
- term loans	(529)	(514)
- letters of credit and trust receipts	(20)	(14)
- finance leases	(10)	(13)
	(559)	(541)

5. Loss before tax

This is determined after crediting/(charging) the following:

	Group 2011 $'000	Group 2010 $'000
Amortisation of intangible assets	(47)	(48)
Amortisation of land use rights	(102)	(106)
Depreciation of property, plant and equipment	(2,390)	(2,411)
Depreciation of investment properties	(12)	(20)
Inventories recognised as an expense in cost of sales	(23,835)	(21,352)
Audit fees paid to:		
- Auditors of the Company	(67)	(66)
- Other auditors	(98)	(90)
Non-audit fees paid to:		
- Auditors of the Company	(11)	(9)
- Other auditors	(47)	–
Impairment of trade receivables	(215)	(1,770)
Inventories written down	(65)	(138)
Write back of impairment of trade receivables	10	158
Foreign exchange loss, net	(223)	(305)
Loss on disposal of property, plant and equipment	(6)	(2)
Gain on disposal of investment properties	332	–
Operating lease expense	(131)	(115)
Rental income from investment property	14	18
Grant income from job credit scheme	–	17
Impairment loss on quoted investment	–	(7)
Fair value loss on derivatives	(40)	–

6. Personnel expenses (including directors' remuneration)

	Group 2011 $'000	Group 2010 $'000
Salaries and bonus	4,804	5,755
Pension contributions	191	420
Other personnel expenses	246	468
	5,241	6,643

7. Income tax expense

The major components of income tax expense for the year ended 31 December are:

	Group	
	2011	**2010**
	$'000	$'000
Statement of comprehensive income:		
Current income tax		
- Current income taxation	30	482
	30	482
Deferred income tax		
- Overprovision for deferred tax assets in respect of prior years	–	628
	–	628
Income tax expense recognised in profit or loss	30	1,110

Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December is as follows:

	Group	
	2011	**2010**
	$'000	$'000
Loss before tax	(8,670)	(5,802)
Tax at statutory tax rates of 17% (2010: 17%)	(1,474)	(986)
Tax effect of:		
Non-deductible expenses	101	272
Income not subject to taxation	(10)	(13)
Income of subsidiary company exempted from tax	(23)	(457)
Difference in tax rates applicable to overseas operations	(5)	42
Overprovision for deferred tax assets in respect of prior years	–	628
Utilisation of previously unrecognised tax losses	(40)	(54)
Utilisation of previously unrecognised unabsorbed capital allowances	(9)	(5)
Deferred tax assets not recognised	1,644	1,498
Others	(154)	185
Income tax expense recognised in profit or loss	30	1,110

The subsidiaries in the Group operating in the People's Republic of China are subject to tax rates of between 12.5% and 25% (2010: 12.5% and 25%).

7. Income tax expense (cont'd)

The Group's subsidiaries, operating in Malaysia, are subject to statutory tax of 20% on the first Malaysian Ringgit RM500,000 (2010: RM500,000) of assessable profit for the year and 25% (2010: 25%) on all assessable profit in excess of RM500,000 (2010: RM500,000).

The corporate income tax rate applicable to the Singapore company in the Group is 17% (2010: 17%).

Deferred tax assets and liabilities comprise:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Deferred tax assets				
Impairment of trade receivables	1,348	1,279	–	–
Impairment of legal claim recoverable	126	116	–	–
Impairment for inventory obsolescence	71	41	–	–
Capital allowances carried forward	218	203	218	203
Tax losses carried forward	4,809	3,102	2,621	2,039
Impairment for short-term investment	2	2	–	–
Payroll payable	–	5	–	–
Excess of tax written down value over net book value of property, plant and equipment	1	–	12	–
Unrealised exchange loss	40	–	–	–
	6,615	4,748	2,851	2,242
Deferred tax liabilities				
Excess of net book value over the tax written down value of property, plant and equipment	–	(44)	–	(26)
Unrealised exchange gain	–	(124)	–	–
Other timing differences	–	11	–	11
	–	(157)	–	(15)
Deferred tax assets not recognised	6,615	4,591	2,851	2,227

As at 31 December 2011, the Group and Company has unutilised tax losses of approximately $22,907,000 (2010: $12,264,000) and $15,038,000 (2010: $11,952,000), unabsorbed capital allowances of approximately $1,280,000 (2010: $1,194,000) and $1,280,000 (2010: $1,194,000) and unabsorbed approved donations of approximately $40,000 (2010: $40,000) and $40,000 (2010: $40,000) available for set off against future taxable income, subject to the agreement by the tax authorities of the countries in which the Group operates. Deferred tax asset of $6,615,000 (2010: $4,591,000) and $2,851,000 (2010: $2,227,000) for the Group and Company is not recognised for tax losses and capital allowances due to the uncertainty of its recoverability.

8. Property, plant and equipment, net/assets under construction

Group	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Cost						
As at 1 January 2010	21,109	14,104	1,261	2,012	65	38,551
Additions	220	70	22	385	591	1,288
Disposals	–	–	–	(443)	–	(443)
Written off	–	(29)	–	–	–	(29)
Reclassification	52	578	7	–	(637)	–
Exchange differences	(792)	(621)	(24)	(58)	(2)	(1,497)
As at 31 December 2010 and 1 January 2010	20,589	14,102	1,266	1,896	17	37,870
Additions	32	256	5	15	37	345
Disposals	–	(39)	(62)	–	–	(101)
Written off	–	(1)	–	–	–	(1)
Exchange differences	626	506	20	44	2	1,198
As at 31 December 2011	21,247	14,824	1,229	1,955	56	39,311

8. Property, plant and equipment, net/assets under construction (cont'd)

Group	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Accumulated depreciation and impairment loss						
As at 1 January 2010	3,024	3,527	783	1,369	–	8,703
Charge for the year	911	1,152	136	212	–	2,411
Disposals	–	–	–	(404)	–	(404)
Written off	–	(28)	–	–	–	(28)
Exchange differences	(103)	(118)	(13)	(39)	–	(273)
As at 31 December 2010 and 1 January 2011	3,832	4,533	906	1,138	–	10,409
Charge for the year	888	1,170	131	201	–	2,390
Disposals	–	(35)	(57)	–	–	(92)
Written off	–	–	–	–	–	–
Exchange differences	129	161	16	31	–	337
As at 31 December 2011	4,849	5,829	996	1,370	–	13,044
Net carrying amount						
As at 31 December 2011	16,398	8,995	233	585	56	26,267
As at 31 December 2010	16,757	9,569	360	758	17	27,461

8. Property, plant and equipment, net/assets under construction (cont'd)

Company	**Leasehold properties** $'000	**Plant and equipment** $'000	**Renovation, electrical and fittings** $'000	**Motor vehicles** $'000	**Total** $'000
Cost					
As at 1 January 2010	4,962	1,503	787	584	7,836
Additions	–	28	–	74	102
Disposals	–	–	–	(57)	(57)
Written off	–	(30)	–	–	(30)
As at 31 December 2010 and 1 January 2011	4,962	1,501	787	601	7,851
Additions	–	39	–	–	39
Disposals	–	(38)	(62)	–	(100)
As at 31 December 2011	4,962	1,502	725	601	7,790

Company	**Leasehold properties** $'000	**Plant and equipment** $'000	**Renovation, electrical and fittings** $'000	**Motor vehicles** $'000	**Total** $'000
Accumulated depreciation and impairment loss					
As at 1 January 2010	1,310	1,321	555	275	3,461
Charge for the year	200	61	62	89	412
Disposals	–	–	–	(57)	(57)
Written off	–	(29)	–	–	(29)
As at 31 December 2010 and 1 January 2011	1,510	1,353	617	307	3,787
Charge for the year	200	56	59	80	395
Disposals	–	(35)	(57)	–	(92)
As at 31 December 2011	1,710	1,374	619	387	4,090
Net carrying amount					
As at 31 December 2011	3,252	128	106	214	3,700
As at 31 December 2010	3,452	148	170	294	4,064

8. Property, plant and equipment, net/assets under construction (cont'd)

(a) The net book values of equipment and motor vehicles purchased under finance lease as at 31 December were as follows:

	Group and Company	
	2011	**2010**
	$'000	$'000
Motor vehicles	169	241
Warehouse equipment	22	30
Lab equipment	23	32
	214	303

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of approximately $354,000 (2010: $1,288,000) by cash payments.

(b) Construction-in-progress as at 31 December 2011 relates to the construction of the factory building and facilities of subsidiaries in Taixing, Jiangsu Province, People's Republic of China.

(c) Impairment assessment of property, plant and equipment.

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment on Company "MIL" and its subsidiaries, Shanghai Matex Chemicals CO., Ltd ("SMC") and Matex Chemicals (Taixing) Co., Ltd ("MCT"). In impairment testing, the Group has considered the Company and its subsidiaries, SMC and MCT as three separate cash-generated units ("CGU").

There was an impairment loss of $Nil (2010: $Nil) as at 31 December 2011 as recoverable amount for the Company and each subsidiary as at is higher than the carrying amount of each CGU.

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Company	**SMC**	**MCT**
Growth rates	2.5%	2.5%	2.5%
Pre-tax discount rates	4.0%	7.0%	7.0%

The calculations of value in use for the CGUs are based on the following assumptions:

Growth rates – The forecasted growth rates are based on inflation rate in respect of each country's inflation and do not exceed the inflation rate in respect of each country's inflation.

8. Property, plant and equipment, net/assets under construction (cont'd)

(c) Impairment assessment of property, plant and equipment (cont'd)

Pre-tax discount rates – Discount rates represent the current market assessment of the risk specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discounted rate applied to the cash flow projections are 4% for Singapore which is based on the borrowing cost and expected return in Singapore and 7% for PRC which is based on borrowing cost in PRC.

Market share assumptions – These assumptions are important because, as well as using the growth rates and pre-tax discount rates (as noted above), management assess how the CGU's position, relative to its competitors, might change over the budget period. Management considered the possibility of substantial increase in sales for the Company arising from new product lines introduced in year 2012 and within a range of 15% to 25% for the Group and the Company for the next four-year period commencing 2012. Management has budgeted increase in operating expenses although management has taken steps to rein in with the operating expenses.

9. Land use rights

The land use rights held by the Group relate to properties at No. 8 Zhanan South Road & No. 1 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province, People's Republic of China and Plot 43/1 Hong Si Cun, Tang-Zhen Pudong, Shanghai, People's Republic of China. The land use rights have a 50-year tenure commencing at various dates from 1998 to 2006. The remaining amortisation period of the land use rights in Jiangsu Province and Tang-Zhen Pudong are 12 years (2010: 13 years) and 15 years (2010: 16 years) respectively.

	Group	
	2011	**2010**
	$'000	$'000
Cost		
At beginning of year	2,057	2,165
Exchange differences	85	(108)
At end of year	2,142	2,057
Accumulated amortisation		
At beginning of year	645	570
Amortisation	102	106
Exchange differences	31	(31)
At end of year	778	645
Net carrying amount	1,364	1,412

Notes to the Financial Statements

31 December 2011

10. Intangible assets

	Group			Company
	Technical Know-how	**Software**	**Total**	**Technical Know-how**
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2010	267	222	489	267
Exchange differences	–	(11)	(11)	–
At 31 December 2010 and 1 January 2011	267	211	478	267
Exchange differences	–	9	9	–
At 31 December 2011	267	220	487	267
Accumulated amortisation and impairment				
At 1 January 2010	95	40	135	95
Amortisation	27	21	48	27
Exchange differences	–	(2)	(2)	–
At 31 December 2010 and 1 January 2011	122	59	181	122
Amortisation	25	22	47	25
Exchange differences	–	3	3	–
At 31 December 2011	147	84	231	147
Net carrying amount				
At 31 December 2011	120	134	254	120
At 31 December 2010	145	152	297	145

Technical know-how and software

Technical know-how allows the Company to enhance the Group's product range in the pre-treatment and finishing stages of the textile dyeing process and has remaining amortisation period of 4 years (2010: 5 years).

Software, Enterprise Resource Planning (ERP) relates to the enterprise-wide information system designed to coordinate all the resources, information, and activities needed to complete business processes and has remaining amortisation period of 6 years (2010: 7 years).

Notes to the Financial Statements

31 December 2011

11. Investment properties

Group	Leasehold land $'000	Leasehold property $'000	Total $'000
Cost			
As at 1 January 2010	47	413	460
Disposals	–	(413)	(413)
Exchange differences	(1)	–	(1)
As at 31 December 2010 and 31 December 2011	46	–	46
Accumulated depreciation and impairment loss			
As at 1 January 2010	–	173	173
Charge for the year	–	20	20
As at 31 December 2010 and 1 January 2011	–	193	193
Charge for the year	–	12	12
Disposals	–	(205)	(205)
As at 31 December 2011	–	–	–
Net carrying amount			
As at 31 December 2011	46	–	46
As at 31 December 2010	47	220	267
Fair value			
As at 31 December 2011	46	–	46
As at 31 December 2010	48	350	398

11. Investment properties (cont'd)

Company	Leasehold property $'000
Cost	
As at 1 January 2011 and 31 December 2011	413
Disposals	(413)
As at 31 December 2011	–
Accumulated depreciation and impairment loss	
As at 1 January 2010	173
Charge for the year	20
Disposals	–
As at 31 December 2010 and 1 January 2011	193
Charge for the year	12
Disposals	(205)
As at 31 December 2011	–
Net carrying amount	
As at 31 December 2011	–
As at 31 December 2010	220
Fair value	
As at 31 December 2011	–
As at 31 December 2010	350

The investment properties held by the Group relate to long term leasehold land at Lot 198775 & 198776, R.P.T. Ulu Buntong, Mukim Hulu Kinta, Kinta, Perak, Malaysia and an office located at 50 Bukit Batok Street 23, Midview Building, Singapore. The investment properties have a 99-year tenure ending in 2090 and a 60-year tenure ending in 2057 respectively.

The investment property of the Company in Singapore was sold during the financial year.

12. Investment in subsidiaries

	Company 2011 $'000	Company 2010 $'000
Unquoted equity shares, at cost	12,090	12,090
Less: Impairment loss	(35)	(35)
	12,055	12,055

Details of the subsidiaries held by the Company as at 31 December 2011 were as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group 2011 %	Effective equity interest held by the Group 2010 %	Cost of investment 2011 $'000	Cost of investment 2010 $'000
Held by the Company						
Shanghai Matex Chemicals Co., Ltd ("SMC") (1)	Manufacturing and sale of dyestuffs	People's Republic of China	60	60	2,454	2,454
Unimatex Sdn Bhd ("USB") (1)	Formulating, manufacturing and sale of dyestuffs, auxiliaries and optical brighteners	Malaysia	100	100	113	113
Amly Chemicals Co., Ltd ("Amly") (2)	Manufacturing and sale of dyestuffs, auxiliaries and textile chemicals	People's Republic of China	100	100	4,965	4,965
Matex Chemicals (Taixing) Co., Ltd ("MCT") (2)	Manufacturing and sale of dyestuffs	People's Republic of China	60	60	4,043	4,043
Dedot Sdn Bhd ("DSB") (3)	Manufacturing and wholesale of all kinds of garments, textile products and chemical products (currently dormant)	Malaysia	100	100	35	35
Dedot Pte Ltd ("DPL") (4)	General wholesale trading (currently dormant)	Singapore	100	100	480	480
					12,090	12,090

12. Investment in subsidiaries (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group 2011 %	2010 %	Cost of investment 2011 $'000	2010 $'000
Held through a subsidiary						
Dedot Trading (Shanghai) Co., Ltd ("DTS") (2)	Import, export and wholesale of all kinds of garments, textile products and chemical products	People's Republic of China	100	100	–	–

(1) Audited by member firms of Ernst & Young Global

(2) Audited by Shanghai ZhongHui, Certified Public Accountants in the People's Republic of China

(3) Audited by Ling Kam Hoong & Co., Certified Public Accountants in Malaysia

(4) Audited by PlanAssure PAC., Certified Public Accountants in Singapore

Impairment on the investment in subsidiary

Dedot Sdn Bhd ("DSB") is currently dormant and is in a net tangible liabilities position. The Company fully impaired the cost of investment in DSB of $35,000 in prior years.

13. Long-term staff loans

These loans are unsecured, non-interest bearing and have repayment terms ranging from 3 to 5 years. The balances are denominated in Renminbi (RMB).

14. Inventories

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Balance sheet:				
Raw materials	6,168	4,139	–	–
Work in progress	777	1,109	–	–
Finished goods	15,687	18,979	2,290	2,510
Total inventories at lower of cost and net realisable value	22,632	24,227	2,290	2,510
Income statement:				
Inventories recognised as an expense in cost of sales	23,835	21,352	7,788	7,047
Inclusive of the following charge:				
- Inventories written-down	65	138	64	23

15. Trade and notes receivables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Trade receivables				
- Third parties	13,537	11,985	4,268	2,872
- Amount due from related companies	–	–	1,163	1,769
Less: Impairment of trade receivables (third parties)	(4,318)	(4,020)	(893)	(822)
	9,219	7,965	4,538	3,819
Notes receivables	8,678	8,027	–	–
	17,897	15,992	4,538	3,819

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

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
United States Dollar	3,357	1,993	4,596	3,762
Renminbi	5,317	5,216	–	–

Notes receivable from financial institutions in the People's Republic of China are non-interest bearing and have repayment terms ranging from 1 to 12 months (2010: 1 to 12 months). All note receivables are denominated in RMB and the nature of note receivables are trade related.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $3,288,000 (2010: $3,329,000) 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	
	2011	**2010**
	$'000	$'000
Trade receivables past due but not impaired:		
- Lesser than 3 months	1,679	1,614
- 3 months to 6 months	574	817
- 6 months to 12 months	236	432
- More than 12 months	799	466
	3,288	3,329

15. Trade and notes 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 accounts used to record the impairment are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Movement in allowance accounts:				
At beginning of year	4,020	2,513	822	158
Impairment for the year	215	1,770	71	664
Write back of allowance	(10)	(158)	–	–
Exchange differences	93	(105)	–	–
	4,318	4,020	893	822

Concentration of credit risk relating to trade receivables is mitigated due to well managed dispersion of customers. Therefore, the Group believes that no additional credit risk beyond amounts provided for collection loss is inherent in the Group's trade receivables.

16. Other receivables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Other receivables	429	588	21	71
Deposits	883	11	864	3
Amount due from subsidiaries	–	–	1,059	1,913
	1,312	599	1,944	1,987

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Renminbi	376	512	1,040	1,895

The amount due from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand and are to be settled in cash.

Other receivables comprise mainly advances granted to third party and sales offices located at China for operation purpose. The amount is non-interest bearing and repayable on demand.

Deposits comprise mainly commitment fee $860,000 (2010: $Nil) for a research and development project on dye development with a world re-known university upon signing a mutual evaluation agreement. The balance is denominated in Pounds Sterling.

17. Quoted investments

	Group	
	2011	2010
	$'000	$'000
Equity instruments (quoted)	16	15

18. Cash and cash equivalents

Cash and cash equivalents as at 31 December were as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash at banks and on hand	6,168	7,940	4,346	3,946
Fixed deposits	9,160	14,862	3,268	1,874
	15,328	22,802	7,614	5,820
Less: Restricted cash balances	(726)	(2,106)	–	–
	14,602	20,696	7,614	5,820

Cash at bank earns interest at rates based on daily bank deposit rates ranging from 0.09 % to 0.50 % (2010: 0.09% to 0.36%) per annum.

Fixed deposits are placed with financial institutions for varying periods of between seven days and one year depending on the immediate cash requirements of the Group. The fixed deposits earn interest at fixed deposit rates ranging from 0.21 % to 5.00% (2010: 0.24% to 3.00%) per annum.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
United States Dollar	4,916	4,301	4,858	4,301
Renminbi	6,878	15,699	59	1,028

Restricted cash balances relates to funds placed with a bank of subsidiary for the issuance of commercial bills and amounts pending return to the Company.

19. Trade payables

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade payables				
- Third parties	5,236	5,182	495	281
- Amount due to related companies	–	–	1,385	972
	5,236	5,182	1,880	1,253

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

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
United States Dollar	429	263	2,053	1,190
Renminbi	4,741	4,900	–	–

20. Bills payable to banks

	Interest rates (per annum)		Group		Company	
	2011	2010	2011	2010	2011	2010
	%	%	$'000	$'000	$'000	$'000
Interest bearing	1.29-2.25	1.26-2.30	1,769	1,124	1,769	1,124
Non-interest bearing	–	–	4,838	5,234	–	–
			6,607	6,358	1,769	1,124

The bills payable are unsecured and have repayment terms of less than 12 months.

Bills payable denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
United States Dollar	1,769	1,124	1,769	1,124
Renminbi	4,838	5,234	–	–

21. Other payables and accruals

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Other payables	456	819	122	138
Accrued operating expenses	1,328	1,275	730	376
Accrued payroll related expenses	104	90	–	–
	1,888	2,184	852	514

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

Other payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Renminbi	1,025	1,651	–	–

22. Finance lease liabilities

	Group			
	Minimum payments 2011	**Present value of payments 2011**	**Minimum payments 2010**	**Present value of payments 2010**
	$'000	$'000	$'000	$'000
Not later than one year	71	60	86	74
Later than one year but not later than five years	139	117	190	160
Later than five years	–	–	20	16
Total minimum lease payments	210	177	296	250
Less: amounts representing finance charges	(33)	–	(46)	–
Present value of minimum lease payments	177	177	250	250

22. Finance lease liabilities (cont'd)

	Company			
	Minimum payments 2011 $'000	Present value of payments 2011 $'000	Minimum payments 2010 $'000	Present value of payments 2010 $'000
Not later than one year	63	52	78	67
Later than one year but not later than five years	133	111	176	147
Later than five years	–	–	20	16
Total minimum lease payments	196	163	274	230
Less: amounts representing finance charges	(33)	–	(44)	–
Present value of minimum lease payments	163	163	230	230

The Group and the Company has finance leases for certain items of plant and equipment and motor vehicles (Note 8) ranging from 5 to 7 years (2010: 5 to 7 years). Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

Lease obligations bear interest at rates ranging from 2.20% to 3.25% (2010: 2.20% to 3.91%) per annum.

23. Term loans

	Weighted average effective interest rate (per annum)	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
SGD loan	2.20 %	7,577	4,128	7,577	4,128
RMB loan	7.63 %	6,222	10,903	–	–
		13,799	15,031	7,577	4,128

SGD loan: This bank loan is unsecured and is repayable within 1 month to 12 months from date of draw down but can be rolled over at the bank's discretion. Interest is charged at 1.25% (2010: 1.25%) per annum over SIBOR.

RMB loan: This bank loan is drawn down by a subsidiary and is secured by a corporate guarantee from the holding company (Note 36). It is repayable within 6 months from date of draw down but can be rolled over at the bank's discretion. Interest is charged at 7.63% per annum (2010: 4.82% per annum).

24. Derivatives

	Group and Company				
		2011		2010	
	Contract Amount	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000	$'000
Option contracts (i)	200	–	(17)	–	–
Option contracts (ii)	200	–	(23)	–	–
		–	(40)	–	–

During the financial year the Group entered into foreign currency option contracts with its bankers to hedge foreign currency exposures against the account receivables denominated in USD.

An option contract is a contract which gives one party to the contract the right, but no obligation, to buy from, or sell to, the other party to the contract the asset that is subject of the contract for a fixed price at a future date.

There are two outstanding option contracts as at year ended 31 December 2011 which are valued according to marked to market value. The valuations are as of 31 December 2011 and represent as estimated valuation derived from market quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions.

Valuations based upon other models or assumptions or calculated as of another date and time may yield significantly different results. Fair value loss on derivatives of $40,000 (2010: $Nil) has been recognised in profit or loss under the line item "fair value loss on derivatives".

25. Share capital

	Group and Company			
	2011		2010	
	Number of shares		Number of shares	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:				
At beginning of year	178,044	17,508	178,039	17,507
Issue of new ordinary shares upon exercise of warrants	1,150	184	5	1
At end of year	179,194	17,692	178,044	17,508

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. Warrants

	Group and Company			
	2011		2010	
	Number of warrants		Number of warrants	
	'000	$'000	'000	$'000
Warrants issue:				
At beginning of year	71,156	1,067	71,161	1,067
Exercise of warrants	(1,150)	(17)	(5)	^
Expiry of warrants	(70,006)	(1,050)	–	–
At end of year	–	–	71,156	1,067

^ Denotes less than $1,000

On 11 January 2006, the Company issued and listed 71,200,000 warrants via a renounceable rights issue at an issue price of $0.02 for each warrant on the basis of two warrants for every five existing ordinary shares held by the entitled shareholders. Each warrant carrying the right to subscribe for one new ordinary share at an exercise price of $0.16 for each new ordinary share and may be exercised at any time from the date of issue of the warrants up to 5 January 2011.

Full terms and conditions pertaining to the warrants are set out in details in the Offer Information Statement dated 9 December 2005.

On 5 January 2011, 1,150,000 warrants were exercised to subscribe for new ordinary shares at an exercise price of $0.16 for each new ordinary share. 70,006,400 warrants lapsed on the expiry date of 5 January 2011.

27. Capital reserve

This pertains to a non-distributable capital income arising from the restructuring of subsidiary companies in prior years.

28. Enterprise expansion and general reserve

This pertains to a general reserve fund and an enterprise expansion reserve fund set up by the Group's subsidiaries in the PRC, in accordance with local laws and regulations, by way of appropriation from their net profit at a rate determined by the companies. The respective board of directors of the subsidiaries have decided that 20% of the profit after tax be appropriated each year, of which 10% be appropriated to the general reserve fund and 10% be appropriated to the enterprise expansion reserve fund.

The general reserve and the enterprise expansion reserve may be used to offset accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the People's Republic of China authorities. The reserves are not available for dividend distribution to the shareholders.

In prior financial years, the board of directors of a subsidiary has decided to suspend the appropriation to the fund after reviewing the accumulated amount of the fund as at 31 December 2006 which has already exceeded 50% of the subsidiary's paid up share capital.

29. Translation reserve

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

	Group 2011 $'000	Group 2010 $'000
At beginning of year	(868)	856
Translation of financial statements of foreign operations	1,110	(1,724)
At end of year	242	(868)

30. Loss per share

Loss per share is calculated by dividing the net loss attributable to owners of the parent of $6,648,000 (2010: loss of $5,694,000) by the weighted average number of ordinary shares outstanding during the year of 179,193,600 (2010: 178,038,826) shares.

There was no potential dilutive ordinary shares that affects the loss per share, and thus the basic and diluted loss per share are the same.

31. Related party disclosures

(a) Sales and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the group and related parties who are not members of the group took place during the year at terms agreed between the parties:

	Group 2011 $'000	Group 2010 $'000
Professional fee paid to director related company	207	215

31. Related party disclosures (cont'd)

(b) Compensation of key management personnel

	Group	
	2011	**2010**
	$'000	$'000
Short-term employee benefits	1,134	1,166
Defined contribution plans	33	36
Other short-term benefits	26	25
	1,193	1,227

Comprise amounts paid to:		
▪ Directors of the Company	965	997
▪ Other key management personnel	228	230
	1,193	1,227

32. Contingent liabilities and commitments

Operating lease commitments

The Group has various operating lease agreements for office and residential premises. These leases have an average life of between 3 and 5 years with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group or the Company by entering into these leases. Operating lease payments recognised in the consolidated income statement during the year amount to $131,000 (2010: $115,000).

Future minimum lease payments under non-cancellable leases are as follows as of 31 December:

	Group and Company	
	2011	**2010**
	$'000	$'000
Not later than one year	103	110
Later than one year but not later than five years	113	1
	216	111

33. Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's geographical segments only as it is not meaningful to present segmental reporting by business segments since revenue of the Group is primarily derived from the manufacture and sale of dyestuffs and auxiliaries.

Inter-segment pricing is determined on an arm's length basis. The Group's operating businesses are organised and managed separately by geographical segments based on location of assets. Revenue, assets and additions to property, plant and equipment are based on the location of those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

33. **Segment information (cont'd)**

	People's Republic of China		Other Asia Pacific Countries		Elimination		Note	Group	
	2011	2010	2011	2010	2011	2010		2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue									
External customers	23,261	30,209	10,078	9,047	–	–		33,339	39,256
Inter-segment	21,578	39,244	854	1,422	(22,432)	(40,666)	A	–	–
Total revenue	44,839	69,453	10,932	10,469				33,339	39,256
Results									
Interest income	441	257	11	7	–	–		452	264
Dividend income	–	–	–	1,854	–	(1,854)		–	–
Depreciation and amortisation	2,096	2,103	455	483	–	–		2,551	2,586
Interest expense	374	408	185	133	–	–		559	541
Other non-cash (income)/ expenses	144	1,084	(189)	827	–	–	B	(45)	1,911
Segment profit/(loss)	(4,946)	(1,420)	(3,576)	(2,577)	(148)	(1,805)	C	(8,670)	(5,802)
Assets									
Additions to non-current assets	303	1,181	42	107	–	–	D	345	1,288
Segment assets	68,288	78,299	33,138	30,643	(15,999)	(15,593)	E	85,427	93,349
Segment liabilities	24,237	32,803	12,325	7,285	(8,609)	(10,931)	F	27,953	29,157

33. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash (income)/expenses consist of gain on disposal of fixed assets, impairment of trade receivables, impairment of legal claim recoverable, inventories written down and gain/loss on disposal of quoted investments as presented in the respective notes to the financial statements.

C The following items are added to/(deducted from) segment profit to arrive at "(Loss)/Profit before tax" presented in the consolidated statement of comprehensive income:

	2011 $'000	**2010** $'000
Loss/(Profit) from inter-segment sales	(228)	155
General and administrative expenses	81	(106)
Dividend income	–	(1,854)
Other operating income	(1)	–
	(148)	(1,805)

D Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2011 $'000	**2010** $'000
Inter-segment assets	(31,315)	(31,386)
Interco dividend	–	864
Interco balance	15,316	14,929
	(15,999)	(15,593)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2011 $'000	**2010** $'000
Inter-segment liabilities	(24,156)	(24,268)
Interco balance	15,547	12,553
Interco dividend	–	784
	(8,609)	(10,931)

34 Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, hire purchase contracts, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The carrying amount of cash and cash equivalents, trade and other receivables (including subsidiaries balances) represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. It is the Group's policy to provide credit terms to creditworthy customers and debts are continually monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. During the financial year, the Group has adopted stricter credit policy for new customers who wish to trade on credit terms in order to mitigate heightened credit risks arising from revenue growth strategies. The Group does not expect to incur material credit losses except as provided for in the financial statements.

<u>Exposure to credit risk</u>

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 with positive fair value; and

- a nominal amount of $6,222,000 (2010: $5,093,000) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank loan.

Information regarding credit enhancements for trade and other receivables is disclosed in Notes 15 and 16.

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

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the geographical profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2011		**2010**	
	$'000	**% of total**	**$'000**	**% of total**
By geographical:				
People's Republic of China	5,317	58	5,216	65
Other Asia Pacific countries	3,902	42	2,749	35
	9,219	100	7,965	100

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 that are neither past due nor impaired are placed with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 15 and 16.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset at the balance sheet.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance lease and stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that to maintain sufficient liquid financial assets and stand-by credit facilities with few different banks.

The Group monitors its liquidity risk and maintains adequate level of cash and cash equivalents to finance the Group's operations.

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

Group **2011**	**One year or less** $'000	**One to five years** $'000	**Over five years** $'000	**Total** $'000
Financial assets:				
Trade and other receivables	19,225	13	–	19,238
Cash and short-term deposits	15,328	–	–	15,328
Total undiscounted financial assets	34,553	13	–	34,566
Financial liabilities:				
Trade and other payables	13,731	–	–	13,731
Other liabilities	71	139	–	210
Loans and borrowings	14,440	–	–	14,440
Total undiscounted financial liabilities	28,242	139	–	28,381
Total net undiscounted financial assets/(liabilities)	6,311	(126)	–	6,185

Group **2010**	**One year or less** $'000	**One to five years** $'000	**Over five years** $'000	**Total** $'000
Financial assets:				
Trade and other receivables	16,577	14	–	16,591
Cash and short-term deposits	22,802	–	–	22,802
Total undiscounted financial assets	39,379	14	–	39,393
Financial liabilities:				
Trade and other payables	13,724	–	–	13,724
Other liabilities	86	190	20	296
Loans and borrowings	15,638	–	–	15,638
Total undiscounted financial liabilities	29,448	190	20	29,658
Total net undiscounted financial assets/(liabilities)	9,931	(176)	(20)	9,735

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

(b) Liquidity risk (cont'd)

Company 2011	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
Financial assets:				
Trade and other receivables	6,482	–	–	6,482
Cash and short-term deposits	7,614	–	–	7,614
Total undiscounted financial assets	14,096	–	–	14,096
Financial liabilities:				
Trade and other payables	4,501	–	–	4,501
Other liabilities	63	133	–	196
Loans and borrowings	7,744	–	–	7,744
Total undiscounted financial liabilities	12,308	133	–	12,441
Total net undiscounted financial assets/(liabilities)	1,788	(133)	–	1,655

Company 2010	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
Financial assets:				
Trade and other receivables	5,806	–	–	5,806
Cash and short-term deposits	5,820	–	–	5,820
Total undiscounted financial assets	11,626	–	–	11,626
Financial liabilities:				
Trade and other payables	2,891	–	–	2,891
Other liabilities	78	176	20	274
Loans and borrowings	4,209	–	–	4,209
Total undiscounted financial liabilities	7,178	176	20	7,374
Total net undiscounted financial assets/(liabilities)	4,448	(176)	(20)	4,252

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. Information relating to the Group's interest rate exposure is disclosed in the notes on term loans and leasing obligations.

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

(c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2010: 50) basis points lower/higher with all other variables held constant, the Group's (loss)/profit before tax would have been $69,000 (2010: $75,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rates loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the market environment where Singapore interest rate is influenced by the funds liquidity in Singapore and also the interest rate trend in the U.S.

Surplus funds are placed with reputable banks.

(d) Foreign currency risk

The foreign currency risk of the Group arises from its subsidiaries operating in the People's Republic of China and Malaysia, which generate revenue and incur costs denominated in foreign currencies. The Company also generates revenues and incurs costs in foreign currencies. These give rise to foreign currency risk. The Group has entered into foreign currency option contracts to hedge against its foreign currency risk against the account receivables denominated in USD. The foreign currency option contracts are used where possible to reduce the exposure in the fluctuations of foreign currency rates. However, the Group tries to match the timing of its receipts and payments in the same foreign currency in an effort to reduce foreign currency risk. It is the Group's policy not to enter into derivative foreign currency option contracts for speculative purposes.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2011	**2010**
		$'000	$'000
		Loss before tax	Loss before tax
USD/SGD	- strengthened 3% (2010: 3%)	+260	+116
	- weakened 3% (2010: 3%)	-260	-116

35. Financial instruments

(a) 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 whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables, bills payables and term loans based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

35. Financial instruments (cont'd)

(a) Fair values (cont'd)

Financial instruments carried at other than fair value

The carrying amount of staff loans approximate their fair value after discounting the relevant cash flows using current incremental lending rates for similar types of lending and borrowing arrangements.

The carrying amounts of finance leases approximate their fair value after discounting the relevant cash flows using current interest rates for similar instruments as at balance sheet date.

Methods and assumptions used to determine fair values

Quoted investment which is a Level 1 in fair value hierarchy has been carried at fair value which is determined by reference to published market prices at the balance sheet date without factoring in transaction costs.

(b) Interest rate risk

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.

Group **2011**	**Within 1 year** $'000	**1 to 2 years** $'000	**2 to 3 years** $'000	**3 to 4 years** $'000	**4 to 5 years** $'000	**More than 5 years** $'000	**Total** $'000
Fixed rate							
Bills payable	6,607	–	–	–	–	–	6,607
Finance leases	60	46	34	22	10	5	177
Fixed deposits	9,160	–	–	–	–	–	9,160
Floating rate							
Bank loans	13,799	–	–	–	–	–	13,799
2010							
Fixed rate							
Bills payable	6,358	–	–	–	–	–	6,358
Finance leases	74	60	42	30	28	16	250
Fixed deposits	14,862	–	–	–	–	–	14,862
Floating rate							
Bank loans	15,031	–	–	–	–	–	15,031

35. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Company 2011	**Within 1 year** $'000	**1 to 2 years** $'000	**2 to 3 years** $'000	**3 to 4 years** $'000	**4 to 5 years** $'000	**More than 5 years** $'000	**Total** $'000
Fixed rate							
Bills payable	1,769	–	–	–	–	–	1,769
Finance leases	52	38	31	25	17	–	163
Fixed deposits	3,268	–	–	–	–	–	3,268
Floating rate							
Bank loans	7,577	–	–	–	–	–	7,577
2010							
Fixed rate							
Bills payable	1,124	–	–	–	–	–	1,124
Finance leases	67	53	36	30	28	16	230
Fixed deposits	1,874	–	–	–	–	–	1,874
Floating rate							
Bank loans	4,128	–	–	–	–	–	4,128

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.

36. Financial guarantees

The Company had provided a corporate guarantee of $9,090,200 (2010: $8,995,000 (USD7,000,000)) to a bank in respect of bank facilities amounting to $10,200,000 (2010: $9,795,000 (RMB50,000,000)) granted to two of its subsidiaries in the PRC as at 31 December 2011. As at year end, $6,222,000 (RMB 30,500,000) (2010: $5,093,000 (RMB 26,000,000)) has been drawn down by a subsidiary as a short term loan (Note 23).

37. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

37. Capital management (cont'd)

As disclosed in Note 28, subsidiaries in the PRC are required to contribute and maintain non-distributable general and enterprise expansion reserve fund, whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2011 and 31 December 2010.

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 below 70%. The Group includes within net debts, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the abovementioned statutory reserve fund.

	Group	
	2011	**2010**
	$'000	$'000
Term loans (Note 23)	13,799	15,031
Trade payables (Note 19)	5,236	5,182
Bills payable to banks (Note 20)	6,607	6,358
Other payables and accruals (Note 21)	1,888	2,184
Finance lease liabilities (Note 22)	177	250
Less: Cash and cash equivalents (Note 18)	(15,328)	(22,802)
Net debt	12,379	6,203

	Group	
	2011	**2010**
	$'000	$'000
Equity attributable to the owners of the parent	36,355	41,709
Less: General reserve (Note 27)	(4,337)	(4,337)
Less: Enterprise expansion reserve (Note 28)	(4,337)	(4,337)
Total capital	27,681	33,035
Capital and net debt	40,060	39,238
Gearing ratio	30.9%	15.8%

38. Dividends

No dividend was declared during the financial year.

39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the directors dated 15 March 2012.

Report on Corporate Governance

Matex International Limited ("the Company") is committed to uphold good corporate governance practices and to comply with the Principles of the Singapore Corporate Governance Code 2005 ("the Code"). Good corporate governance establishes and maintains an ethical environment, which strives to enhance the interests of all shareholders. This report outlines the Company's corporate governance processes that have been adopted by the Company with specific reference to the principles of the Code.

BOARD MATTERS

Board's Conduct of its Affairs

The board of directors ("the board") supervises the management of the business and affairs of the Company and its subsidiaries ("the Group"). The primary role of the board is to set broad corporate and strategic direction, approves the appointment of directors and major funding and investment proposals, and reviews the financial performance of the Group.

The board meets to consider the following:

1. Approval of half year and full year results announcements;
2. Approval of annual audited results and accounts;
3. Declaration of interim dividends and proposal of final dividends;
4. Convening of shareholders' meetings;
5. Approval of corporate strategy;
6. Authorisation of merger and acquisition transactions; and
7. Authorisation of major transactions.

To facilitate effective management, certain functions have been delegated to various board committees, each of which has its own written terms of reference and whose actions are reported to and monitored by the board.

The board meets regularly and as warranted. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Articles of Association. The details of the number of board meetings held for 2011 as well as the attendance of each board member at the meetings of the board committees are disclosed below.

	Board Meetings		Nominating Committee Meeting		Remuneration Committee Meeting		Audit Committee Meetings	
Name of Director	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Dr John Chen Seow Phun	2	2	1	1	1	1	2	2
Dr Tan Pang Kee	2	2	1	1	1	1	2	2
Dr Chua Geok Koon	2	2	1	1	1	1	2	2
Dr Wang Kai Yuen	2	2	1	1	1	1	2	2
Mr Robson Lee Teck Leng	2	2	1	1	1	1	2	2
Mr Dro Tan Guan Liang	2	2	1	1	1	1	2	2

The directors have separate and independent access to the Company's senior management and together with the Company Secretary, are responsible for ensuring that the board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary attends all board and specialised committee meetings and is responsible to ensure that board procedures are followed.

The board takes independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, directors, whether as a group or individual, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company. Apart from keeping the board informed of all relevant new laws and regulations, the Company will consider appropriate training and orientation session for newly appointed directors.

Board Composition and Balance

The board comprises six directors, three of whom namely, Dr John Chen Seow Phun, Dr Wang Kai Yuen and Mr Robson Lee Teck Leng are independent and non-executive. The independence of each director is reviewed annually by the Nominating Committee ("NC"), which confirms that the independent directors made up at least one-third of the board. The NC is also of the view that the current board size is appropriate, taking into account the nature and scope of the Company's operations. The board consists of high calibre members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, legal, business and general corporate matters.

Chairman and Chief Executive Officer ("CEO")

Different individuals assume the Chairman and CEO's functions in the Company. The Chairman, Dr John Chen Seow Phun is an independent non-executive director, while the CEO, Dr Tan Pang Kee, is an executive director. There is a clear division of responsibilities between the Chairman and CEO, which ensures a balance of power and authority at top of the Company. The Chairman and the CEO are not related to each other.

The CEO has the executive responsibility for the day-to-day operations of the Group while the Chairman bears responsibility for the workings of the board and ensures that procedures are introduced to comply with the Code.

Board Membership

Nominating Committee ("NC")

The NC comprises three independent non-executive directors, namely, Dr Wang Kai Yuen (Chairman of the Committee), Dr John Chen Seow Phun and Mr Robson Lee Teck Leng. The NC, which has written terms of reference, is responsible for making recommendations to the board on all board appointments and re-appointments. The NC's responsibilities include the following:

a) make recommendations to the board on new appointments to the board;
b) make recommendations to the board on the re-nomination of retiring directors standing for re-election at the Company's Annual General Meeting, having regard to the directors' contribution and performance (e.g. attendance, preparedness, participation and candour);
c) ensure that all directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
d) review the size and composition of the board with the objective of achieving a balanced board in terms of the mix of experience and expertise;
e) determine annually whether or not a director is independent;
f) ensure complete disclosure of key information of directors in the Company's annual reports as required under the Code;
g) decide on how the board's performance may be evaluated and recommend objective performance criteria to the board;
h) report to the board on its activities and proposals; and
i) carry out such other duties as may be agreed to by the NC and the board.

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Articles of Association, one-third of the directors retire from office at the Company's Annual General Meeting. Article 90 of the Company's Articles of Association provides that directors to retire by rotation shall include (so far as necessary to obtain the number required) any director who is due to retire at the meeting by reason of age.

The NC is conscious of the competing time commitments that are faced when directors serve on multiple boards. Directors should not serve on more principal boards than they can handle.

Key Information on the directors is set out bellow:

Name of director	Academic & professional qualifications	Board committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at next AGM
Dr John Chen Seow Phun	Doctor of Philosophy degree in Electrical Engineering	Chairman: Audit Committee Member: Nominating Committee & Remuneration Committee	11 July 2003 / 27 April 2010	Non-executive / Independent	Retirement pursuant to Article 89
Dr Tan Pang Kee	Doctor of Philosophy in Business Administration	N/A	23 March 1990 / 20 May 2002	Executive	N/A
Dr Chua Geok Koon	Doctor of Philosophy in Chemistry	N/A	30 September 1989 / 26 April 2011	Executive	Retirement pursuant to Section 153(6) of the Companies Act, Cap. 50.
Dr Wang Kai Yuen	Doctor of Philosophy in Engineering	Chairman: Nominating Committee Member: Remuneration Committee & Audit Committee	11 July 2003 / 27 April 2010	Non-executive / Independent	N/A
Mr Robson Lee Teck Leng	LLB (2nd Class Upper Hons)	Chairman: Remuneration Committee Member: Nominating Committee & Audit Committee	25 April 2006 / 26 April 2011	Non-executive / Independent	N/A
Mr Dro Tan Guan Liang	Master in Architecture	N/A	01 March 2010 / 27 April 2010	Executive	N/A

Review of Directors Independence

The Board is guided by the definition of independence given in the Code of Corporate Governance issued by the Corporate Governance Committee in determining if a director is independent.

Mr. Lee Teck Leng, Robson, an independent director, is a partner at law firm, Shook Lin & Bok LLP ("SLB"). SLB had in FY2011 received legal fees from the Group for legal services provided from FY 2010 to FY 2011. The aggregate value of professional fees paid to SLB by the Group in FY 2011 was approximately S$207,000.

The NC (excluding Mr Lee Teck Leng Robson) has reviewed and confirmed that notwithstanding the foregoing, Mr Lee Teck Leng Robson remains an independent director. The fees paid to SLB in FY 2011 were for legal services provided by SLB over a period of two financial years. The fees paid were entirely in accordance with the prevailing market rates for such professional legal services that had been agreed independently by the Company's management with the concurrence of the Board (without the participation of Mr Lee Teck Leng Robson).

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 the individual directors.

In evaluating the board's performance, the NC considers a set of quantitative and qualitative performance criteria. The performance criteria for the board evaluation are in respect of board size and composition, board process, board information and accountability, board performance in relation to discharging its principal functions and responsibilities and financial targets. The individual directors' performance criteria were in relation to their industry knowledge and/or functional expertise, contribution and workload requirements, sense of independence and attendance at the board and committee meetings.

The NC evaluated the performance of the Board as a whole taking into consideration the board's discharge of its principal responsibilities, the earnings of the Group and the economic environment for 2011. The NC considered the board's performance to be good.

REMUNERATION MATTERS

Annual Remuneration Reports

Remuneration Committee ("RC")

The RC comprises three independent non-executive directors, namely, Mr Robson Lee Teck Leng (Chairman of the Committee), Dr John Chen Seow Phun and Dr Wang Kai Yuen. The Committee has access to expert advice in the field of executive compensation outside the Company where required.

The members of the RC carried out their duties in accordance with the term of references, which include the following:

a) make recommendations to the board on the framework of remuneration for the directors;
b) make recommendations to the board on the specific remuneration packages for each executive director and managing director (or executive of equivalent rank) of the Company;
c) review all benefits (including share schemes) and compensation packages for directors of the Company;
d) report to the board on its activities and proposals; and
e) carry out such other duties as may be agreed to by the RC and the board.

Report on Corporate Governance

The Company adopts a formal procedure for the fixing of the remuneration packages of individual directors. No director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

Executive directors do not receive directors' fees. The remuneration policy for executive directors and senior management staff consists of two key components, that is, fixed cash and annual variable components. The fixed components include salary and other allowances. The variable component comprises a performance based bonus which forms a significant proportion of the total remuneration package of executive directors and is payable on the achievement of individual and corporate performance targets.

The service contracts for three executive directors have fixed appointment period and clauses relating to early termination. None of the service contracts has any onerous removal clauses.

Non-executive directors, including the Chairman, have no service contract with the Company and their terms are specified in the Articles of Association. Non-executive directors are paid a basic fee and additional fee for serving on any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of directors are taken into account. Such fees are subject to the approval of the shareholders as lump sum payment at the Annual General Meeting.

Remuneration of Directors and Top 5 Executives

A breakdown of the gross remuneration of the Directors of the Company for the year ended 31 December 2011 is set out below:

Name of director	Salary	Bonus	Other benefits (2)	Fees (1)	Total
	$	$	$	$	$
Dr Tan Pang Kee	435,078	19,250	15,564	-	469,892
Dr Chua Geok Koon	99,000	4,125	9,550	-	112,675
Dr John Chen Seow Phun	-	-	-	63,000	63,000
Dr Wang Kai Yuen	-	-	-	42,000	42,000
Mr Robson Lee Teck Leng	-	-	-	42,000	42,000
Mr Dro Tan Guan Liang	138,000	6,000	13,198	-	157,198
	672,078	29,375	38,312	147,000	886,765

(1) Subject to approval by shareholders as a lump sum at Annual General Meeting for the financial year ended 31 December 2011.

(2) Other benefits refer to benefits-in-kind such as car etc made available to directors as appropriate.

Top 5 Executives

The gross remuneration paid to top 5 executives of the group (who are not directors) for the year ended 31 December 2011 are set out below in bands of $250,000. This is to impede solicitation of key executives by the Group's competitors.

Remuneration band^	No. of executives
Below $250,000	5

^Remuneration amounts are inclusive of salary, bonus, allowances and Central Provident Fund contributions.

Immediate Family Member of Directors and CEO

There is no employee who is immediate family members of the directors and CEO who earns in excess of $150,000 for the year ended 31 December 2011.

Approved by Shareholders

Directors' fees are approved by shareholders at the Annual General Meeting. The remuneration framework for executives and executive directors has been approved by the RC and endorsed by the board. The board considers that the remuneration framework does not need to be approved by the shareholders.

ACCOUNTABILITY AND AUDIT

Audit Committee ("AC")

The AC comprises three independent non-executive directors, namely, Dr John Chen Seow Phun (Chairman of the Committee), Dr Wang Kai Yuen and Mr Robson Lee Teck Leng.

The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC meets at least twice a year. Separate meetings were also held for the AC to meet with the external auditors without the presence of Management, to enable the auditors to raise issues encountered in the course of their work directly to the AC.

The Company has put in place a whistle-blowing framework, endorsed by the Audit Committee, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. To ensure proper investigation of such matters and for appropriate follow up action, once the investigation has been concluded, the Investigation Officer must report the outcome of the investigation (including any recommendations for improvement) to the Monitoring Officer who will keep a central register of all complaints.

The AC, which has written terms of reference, performs delegated functions:

Internal Controls

a) ensure that arrangement is made for the review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management, at least annually;

External Audit

b) review the audit plan of the external auditors;
c) review the external auditors' consideration of the system of internal accounting controls relevant to the entity's preparation of financial statements;
d) review the external auditors' management letter and response from the Company's management;
e) review the scope and results of the external audits and their cost effectiveness;
f) nominate external auditors for re-appointment;

Financial Statements

g) review the financial statements of the Company and the Group before submission to the board;

Compliance with the Laws and Regulations

h) review transactions falling within the scope of the listing manual of the SGX-ST ("listing manual"), in particular matters pertaining to interested person transactions and acquisitions and realisations as laid down in the listing manual;
i) generally undertake such other functions and duties as may be required by statute, the listing manual or the Code, and by such amendments made thereto from time to time; and

Others

j) undertake such other reviews and projects as may be requested by the board and report to the board its findings from time to time on matters arising and requiring the attention of the AC.

The AC is authorised by the board to:

a) investigate any matter within its terms of reference;
b) seek information it requires from any employee and all employees are directed to co-operate with any requests made by the AC;
c) if it deems appropriate, seek the professional advice of external consultants;
d) invite such persons (e.g. director, executive officer) to attend its meeting;
e) meet with external auditors, without the presence of the Company's management, at least once a year; and
f) review all non-audit services provided by the external auditors to the Group to ensure that the nature and extent of such services would not affect the independence of the external auditors.

Internal Controls / Internal Audit

Our board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets and business. The board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the Company's management throughout the financial year and up to the date of this report, provide reasonable, but not absolute, assurance in the safeguarding of assets, compliance with relevant legislations, identification and containment of business risks, and against material financial misstatements or loss. The board also notes that no system of internal control could provide absolute assurance against the occurrence of errors, fraud or other irregularities.

Based on the reports from both the internal and external auditors, and with the concurrence of the Audit Committee, the Board is satisfied that there are adequate internal controls to address the financial, operational and compliance risks for the nature and size of the Group's operations and business. The Management will continue to focus on improving the standard of internal controls and corporate governance.

COMMUNICATION WITH SHAREHOLDERS

The board is mindful of the obligation to provide regular, effective and fair communication to shareholders. Information is communicated to the shareholders on a timely basis. Where inadvertent disclosure has been made to a select group, the Company will make the same disclosure publicly to all others as soon as possible. The board provides shareholders with an assessment of the Company's performance, position and prospect on a half-yearly basis via half-yearly announcement of results and other ad hoc announcement as required by the SGX-ST. The Company's Annual Report is sent to all shareholders and other information is accessible at the Company website.

The board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. Shareholders are informed of shareholders' meetings through notices published in the newspaper and reports or circulars sent to all shareholders. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. The Chairmen of the AC, RC and NC are normally available at the meeting to answer those questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders.

The Company's Articles of Association allow a member of the Company to appoint not more than two proxies to attend and vote instead of the member. The Company is not implementing absentia-voting methods such as by mails, e-mails or fax until security, integrity, legislative recognition of electronic voting and other pertinent issues are satisfactory resolved.

INTERESTED PARTY TRANSACTIONS

The Group does not have material interested person transactions for the financial year ended 31 December 2011.

MATERIAL CONTRACTS

The Group does not have material contracts involving the interest of the CEO, each director or substantial shareholders as at 31 December 2011.

DEALING IN SECURITIES

The Company has adopted and implemented an internal code of conduct which prohibits the directors, key executives and their connected persons from dealing in the Company's shares during the "black-out" period – being one month immediately preceding the announcement of the Company's half-year and full-year results. This has been made known to directors, officers and staff of the Company. It has been highlighted that to deal in the Company's securities as well as securities of other listed companies when the officers (directors and employees) are in possession of unpublished material price sensitive information in relation to those securities is an offence and the law on insider trading is applicable at all times.

Statistic of Shareholders

As at 12 March 2012

SHARE CAPITAL

Paid-Up Capital	:	17,692,093
Class of Shares	:	Ordinary Shares
Voting Rights	:	On the poll : one vote per share On a show of hands : one vote each member

BREAKDOWN OF SHAREHOLDINGS BY RANGE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 - 999	37	4.29	477	0.00
1,000 – 10,000	434	50.29	2,074,000	1.16
10,001 – 1,000,00	382	44.26	28,588,960	15.95
1,000,001 AND ABOVE	10	1.16	148,530,163	82.89
TOTAL	**863**	**100.00**	**179,193,600**	**100.00**

SUBSTANTIAL SHAREHOLDINGS AS AT 12 MARCH 2012

Name of substantial shareholder	Number of shares registered in the name of the substantial shareholder	Number of shares in which substantial shareholder is deemed to have an interest	Total	Percentage (%)
Dr Tan Pang Kee	58,232,000	-	58,232,000	32.50%
Dr Chua Geok Koon	9,170,000	-	9,170,000	5.12%
Masda Chemmical (Private) Limited	-	63,000,000 (1)	63,000,000	35.16%
Tan Ee Soon	-	63,000,000 (2)	63,000,000	35.16%
Tan Soon Heng	-	63,000,000 (3)	63,000,000	35.16%

Notes:

(1) Masda Chemical (Private) Limited's deemed interest arises from 63,000,000 shares held by United Overseas Bank Nominees (Private) Limited as its nominee.

(2) Mr Tan Ee Soon's deemed interest arises from the 63,000,000 shares by United Overseas Bank Nominees (Private) Limited as nominee for Masda Chemical (Private) Limited, where he has a shareholding interest of more than 20%.

(3) Mr Tan Soon Heng's deemed interest arises from the 63,000,000 shares held by United Overseas Bank Nominees (Private) Limited as nominee for Masda Chemical (Private) Limited, where he has a shareholding interest of more than 20%.

Statistic of Shareholders

As at 12 March 2012

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital
1	UNITED OVERSEAS BANK NOMINEES PTE LTD	63,177,000	35.26
2	TAN PANG KEE	58,232,000	32.50
3	CHUA GEOK KOON	9,170,000	5.12
4	UOB KAY HIAN PTE LTD	8,820,000	4.92
5	OCBC SECURITIES PRIVATE LTD	1,913,163	1.07
6	LEK MEI RU	1,800,000	1.00
7	TSAO SAN	1,459,000	0.81
8	CHUA LEONG KIAT (CAI LIANGJIE)	1,374,000	0.77
9	GOH BAK HENG	1,296,000	0.72
10	PHILLIP SECURITIES PTE LTD	1,289,000	0.72
11	HO I-CHIN @PETER HO	1,000,000	0.56
12	HSBC (SINGAPORE) NOMINEES PTE LTD	900,000	0.50
13	LIM & TAN SECURITIES PTE LTD	726,000	0.41
14	TAN KONG PIAT (PTE) LTD	720,000	0.40
15	MAYBAN NOMINEES (SINGAPORE) PTE LTD	626,000	0.35
16	WONG TAT YANG	600,000	0.33
17	LIM SHAO-LIN	574,000	0.32
18	OCBC NOMINEES SINGAPORE PTE LTD	495,000	0.28
19	MAYBANK KIM ENG SECURITIES PTE LTD	487,000	0.27
20	CHENG CHIN LIM @ CHENG AIK HEM	446,000	0.25
	TOTAL	**155,104,163**	**86.56**

PERCENTAGE OF SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the company as at 12 March 2012, approximately 27.22% of the issue ordinary share of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by Stock Exchange Securities Trading Limited has accordingly been complied with.

Notice of Twenty-Second Annual General Meeting

MATEX INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore under the Companies Act, Cap. 50)
Company Registration No. 198904222M

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of the Company will be held at 15 Tuas View Square, Singapore 637556 on Wednesday, 25 April 2012 at 4.00 p.m. to transact the following business: -

Ordinary Business

1 To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2011 and the Auditors' Report thereon. **[Resolution 1]**

2 To re-appoint Dr Chua Geok Koon as a Director of the Company to hold office until the next Annual General Meeting of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50. **[Resolution 2]**

Note: Dr Chua Geok Koon, if re-elected, will remain the executive director of the Company and will not be considered as an independent director.

3 To re-elect Dr John Chen Seow Phun who is retiring in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[Resolution 3]**

Note: Dr John Chen Seow Phun, if re-elected, will remain the Chairman of the Company's Board of Directors and audit committee and a member of the Company's remuneration committee and nominating committee and will be considered as an independent director.

4 To approve the sum of S$147,000 as directors' fees for the year ended 31 December 2011.
(2010: S$147,000) **[Resolution 4]**

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

Special Business

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

That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby authorised to allot and issue whether by way of rights, bonus or otherwise (i) shares; (ii) convertible securities; (iii) additional convertible securities issued pursuant to rights, bonus or other capitalisation issues (notwithstanding that such authority may have ceased to be in force at the time the securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a shareholder does not receive); or (iv) shares arising from the conversion of securities in (ii) and additional convertible securities in (iii), notwithstanding that such authority may have ceased to be in force at the time the shares are to be issued, in the Company upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED THAT

(i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the total number of issued shares in the capital of the Company; and

(ii) the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20% of the total number of issued shares in the capital of the Company,

and for the purpose of this resolution, the percentage of issued share capital shall be based on the total number of issued shares in the capital of the Company at the time this resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities or share options or vesting of shares awards which are outstanding or subsisting at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note] **[Resolution 6]**

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

By Order of the Board

Wong Tat Yang
Company Secretary

Singapore
10 April 2012

Explanatory Note :

Resolution 6 is to authorise the Directors of the Company to allot and issue shares and convertible securities up to 50% of the total number of issued shares in the capital of the Company with an aggregate sub-limit of 20% of the total number of issued shares in the capital of the Company for any allotments and issues of shares and convertible securities not made on a pro rata basis to shareholders of the Company.

Proxies :

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the registered office of the Company at 15 Tuas View Square, Singapore 637556, not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

MATEX INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore
under the Companies Act, Cap. 50)
Company Registration No. 198904222M

PROXY FORM
– ANNUAL GENERAL MEETING

Important:

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

I/We ____

of ____

being a member/members of MATEX INTERNATIONAL LIMITED hereby appoint

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

and/or (*delete as appropriate*)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of MATEX INTERNATIONAL LIMITED to be held at 15 Tuas View Square Singapore 637556 on Wednesday, 25 April 2012 at 4.00 p.m. and at any adjournment thereof.

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

NO	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business :		
1.	Adoption of Reports and Accounts		
2.	Re-appointment of Dr Chua Geok Koon		
3.	Re-election of Dr John Chen Seow Phun		
4.	Approval of Directors' fees		
5.	Re-appointment of Auditors		
	Special Business :		
6.	Authority for Directors to issue shares and convertible securities pursuant to Section 161 of the Companies Act, Cap. 50		
7.	Any other ordinary business		

Dated this ____________ day of ________________ 2012.

Total Number of Shares Held :

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

IMPORTANT :-
PLEASE READ NOTES OVERLEAF

MATEX INTERNATIONAL LIMITED
PROXY FORM

Continuation Sheet 1

Notes :-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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 shall not be entitled to appoint more than two proxies to attend and vote at the Annual General Meeting, Provided that if a member shall nominate two proxies then the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

3 A proxy need not be a member of the Company.

4 The instrument appointing a proxy must be deposited at the registered office of the Company at 15 Tuas View Square, Singapore 637556, not less than forty-eight (48) hours before the time appointed for the holding of the Annual General Meeting.

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

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

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

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 the holding of the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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our Headquarters and Factories

Matex®

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