

ANNUAL REPORT | 08



ETLA LIMITED

BRIDGING

Technology and Solutions



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Corporate Profile

ETLA was founded in 1985. From just specializing in sheet metal fabrication, the company grew in size and capabilities to become a vertically integrated solutions provider with a full range of integrated services. Today, the services that ETLA provides include design enhancement, manufacture of mechanical parts, equipment assembly, integration, testing, and commissioning of production lines for the data storage, semiconductor, medical/pharmaceutical and electronic/industrial machinery industries. The company headquarters in Singapore and has subsidiaries in the People's Republic of China and Malaysia. It also has a sales representative in the USA.

For the past twenty years, ETLA has honed its craft in manufacturing excellence. Combining this excellence with the highest level of technological expertise and a clear understanding of its customers' business, ETLA is able to deliver high end fabrication and integrated engineering solutions that its customers have come to appreciate and rely on.

The key to ETLA's success in this global market place has been its capability to think beyond conventional lines and its ability to offer more than just outsourcing. Open-mindedness and the courage to explore new directions have long been a tradition at ETLA. ETLA also has training programs in place to ensure employees achieve their potential and keep abreast with the latest technology, technical know-how and practices. Strong intellectual property policy, innovation through leadership management, and a commitment to work excellence and high business integrity have strengthened ETLA's position as the preferred manufacturing partner.



Corporate Information

BOARD OF DIRECTORS

Derrick Tan Lai Heng (Executive Chairman)
Ricky Lee Tiam Nam (Executive Vice Chairman)
Barry Sim Mong Huat (CEO)
Frances Yap Yock Ran (Senior Director)
Gerald Mah Kah On (Lead Independent Director)
Goh Yeow Tin (Independent Director)
Khor Thiam Beng (Independent Director)

AUDIT COMMITTEE

Gerald Mah Kah On (Chairman)
Goh Yeow Tin
Khor Thiam Beng

REMUNERATION COMMITTEE

Khor Thiam Beng (Chairman)
Gerald Mah Kah On
Goh Yeow Tin

NOMINATING COMMITTEE

Goh Yeow Tin (Chairman)
Khor Thiam Beng
Gerald Mah Kah On

COMPANY SECRETARIES

Lotus Isabella Lim Mei Hua (FCIS)
Chen Fui Ming (ACIS)

REGISTERED OFFICE

1 Changi North Street 2
Changi North Industrial Estate
Singapore 498808

SHARE REGISTRAR AND SHARE TRANSFER AGENT

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street #11-00 PWC Building
Singapore 048424

AUDITORS

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

Partner-in-charge: Max Loh Khum Whai
(since financial year ended 31 December 2004)

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank
United Overseas Bank Limited


Chairman's Statement



“As a company infused with personal commitment, passion and leadership, I am confident that ETLA’s experience in overcoming challenging times will set us apart.”

Dear Shareholders,

Year 2008 was indeed a challenging year for ETLA. The severe weakening of the US Dollar against Singapore Dollar in 1H08 resulted in significant gross margin erosion and huge foreign exchange losses; which in turn; contributed to the Group incurring a net loss of S\$6.5 million in the first half of the year. We promptly took concrete measures to return the Group to profitability – adjusted the selling price of new orders for clients to reflect the prevailing US-Sin exchange rate and implemented cost cutting measure to reduce operation costs notably, salary reduction for all executive directors and senior executive officers; right-sizing the headcount and tight operating and capital expenditure controls. Our gross margin improved from single digit in 1H08 to 18% in 2H08 as the US dollar regained strength and the cost-cutting measures took effect. I am happy to report that the Group achieved a net profit of S\$0.6 million in 2H08; amid an even challenging operating and recessionary



environment. We incurred an overall net loss of S\$5.9 million for the full year of 2008 as the marginal profit made in the latter half was insufficient to cover the significant losses incurred in 1H08.

Year 2008 was yet another year of transition for ETLA as we focused on our diversification efforts into new and emerging business segments. To this end, it has borne fruits as our revenue contributions from the Medical/Pharmaceutical and Electronic/Industrial Machinery sectors have increased significantly compared to the previous year. We will continue to pursue opportunities in these sectors so as to broaden our long-term growth drivers. Geographically, our wholly-owned subsidiary in Wuxi, China has taken root and contributed to the Group's revenue from 5.6% in FY2007 to 17.1% in FY2008. We are currently constructing a new production facility in KL, Malaysia with the objective of providing a more cost-effective solution to our clients together with the existing Singapore factory. The new facility in KL is expected to be ready by 2H09 and will house mainly precision machining and sheetmetal fabrication operations.

The Group also took a significant step in achieving our long-term objective of becoming an integrated Contract Equipment Manufacturing and precision metal fabrication player. On 3 November 2008, we, together with Electrotech Investments Limited, jointly announced a proposed merger. We believe that this proposed merger will create a compelling partnership which will combine ETLA's and ElectroTech's operational and financial resources, thereby increasing its scale and financial strength. By pooling our strengths, sharing skills and technology and cross selling each other's capabilities and facilities, we will be better positioned to meet customers' increasing outsourcing needs.

Year 2009 promises to be an exciting year and one that is no less challenging for ETLA amidst the prevailing recessionary economic environment. As a company infused with personal commitment, passion and leadership, I am confident that ETLA's experience in overcoming challenging times will set us apart. The present market turmoil is an opportunity to distinguish ETLA with our operational excellence and vigilant cost management which will enable both our clients and us to succeed.

Lastly, I would like to thank you for standing by us with your continued trust and confidence. I would also like to thank all ETLA employees for their contributions and for riding through this difficult period with us.

Thank you.

Derrick Tan
Executive Chairman

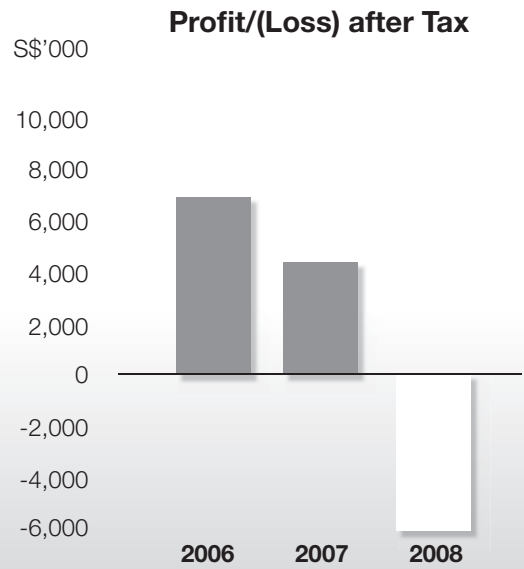
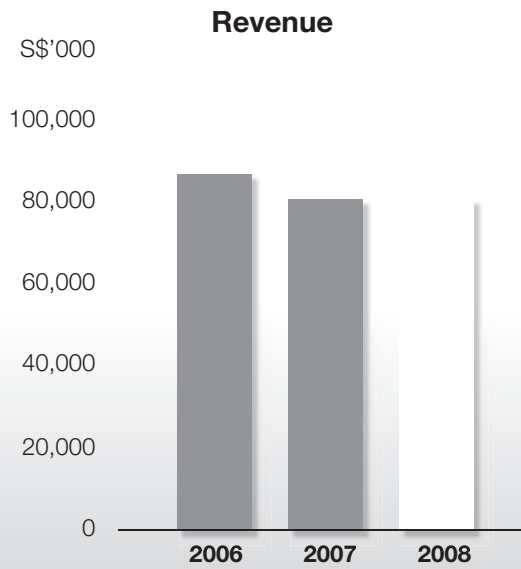
Financial Highlights

For the year ended December 2008

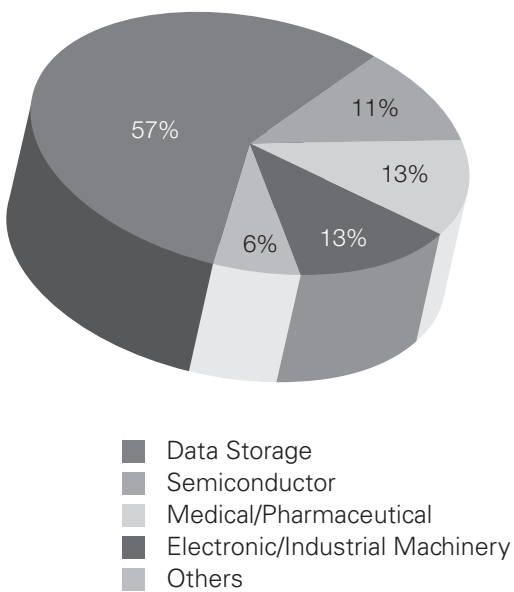
	2006	2007	2008
	S\$'000	S\$'000	S\$'000
Operating Results			
Revenue	86,427	80,373	79,667
Profit/(Loss) after Tax	6,862	4,054	(5,917)
Divisional Performance Revenue			
Data Storage	60,047	45,089	45,460
Semiconductor	15,127	16,831	8,947
Medical/Pharmaceutical	1,448	7,501	9,849
Electronic/Industrial Machinery	4,799	7,674	10,378
Others	5,006	3,278	5,033
Total	86,427	80,373	79,667
Geographical Performance Revenue			
Singapore	84,754	74,224	64,230
Malaysia	1,288	1,595	1,767
China	385	4,554	13,670
Total	86,427	80,373	79,667
Financial Position			
Total assets	63,642	80,776	82,801
Total liabilities	43,337	40,787	48,289
Shareholders' equity	20,305	39,989	34,512
Cash Flow Position			
Cash flows from operations	3,499	1,423	527
Cash and cash equivalents	10,224	9,630	6,960
Key Ratios			
Net profit margin	7.9%	5.5%	-7.4%
Return on Equity	33.8%	11.1%	-17.1%
Earnings/(loss) per share *	4.9 cents	3.5 cents	(4.2) cents
Net asset value per share **	19.8 cents	28.4 cents	24.5 cents

* Earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares issued of 140,691,100, 114,455,484 and 102,691,100 for the financial years ended 31 December 2008, 2007 and 2006 respectively.

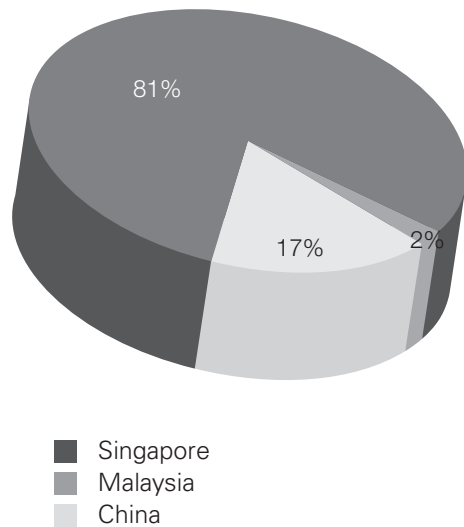
** Net asset value per share is calculated using the net asset value of the Group divided by the issued share capital of the Company of 140,691,100, 140,691,100 and 102,691,100 ordinary shares for the financial years ended 31 December 2008, 2007 and 2006 respectively.



FY2008 Revenue by Business Segment



FY2008 Revenue by Geographical Segment



Operations Review

Our revenue for FY2008 closed at S\$79.7 million, a marginal 1% drop from FY2007 revenue of S\$80.4 million. Gross margin decreased from 21% to 12% which contributed mainly to the net loss of S\$5.9 million in FY2008 as compared to a net profit of S\$4.1 million in FY2007.

The decrease in revenue was mainly attributed to the global downturn in the semiconductor industry which resulted in a drop in revenue from this business segment by 47% from S\$16.8 million in FY2007 to S\$8.9 million in FY2008. However this sharp decrease in revenue from the Semiconductor industry business segment was largely offset by an increase in our revenue from the rest of the business segments. Revenue contributed by the Data Storage business segment increased by about 1% from S\$45.1 million in FY2007 to S\$45.5 million in FY2008. Revenue contributed by the Medical/Pharmaceutical and Electronics/Industrial Machinery business segments increased by 33% due to our focused diversification efforts to achieve a more balanced customer/industry base and to reduce our risk of over reliance on any dominant customer or industry segment. In FY2008, our customer base as well as the number of new products sold for the Medical/Pharmaceutical and Electronics/Industrial Machinery business segments increased. We also saw an increase in the volume production from our existing customers in the above sectors. Revenue contributed by the Others business segment increased by 54% in FY2008 to S\$5.0 million as compared to the previous year of S\$3.3 million due to increase in orders from our customers located in China.

In terms of revenue breakdown by region, Singapore continues to be the main contributor of revenue, accounting for 81% of the total group revenue. Revenue contribution from China increased to 17% in FY2008, compared to 6% in the previous year as our operations in Wuxi, China.

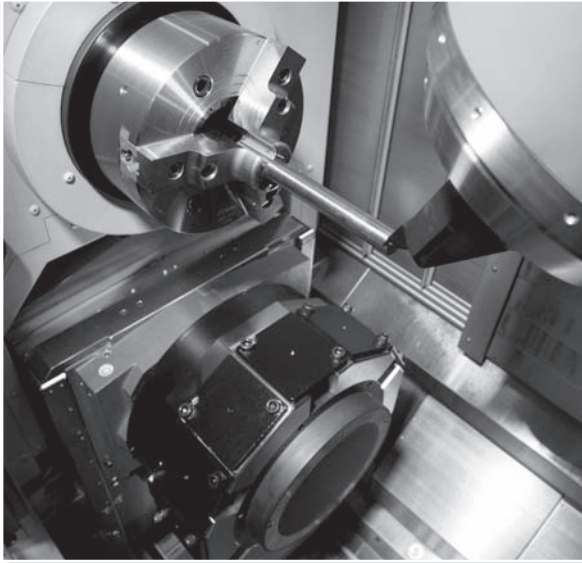
Our gross profit margin fell significantly by about 9 percentage points in FY2008 as compared to FY2007 due to the severe weakening of the US dollar in 1H08 in which a large portion of our sales were denominated. We promptly responded to this crisis by taking concrete measures to adjust the selling price of new orders to reflect the prevailing US-Sin exchange rate. Concurrently cost cutting measure to reduce the operation costs were implemented including right-sizing of headcount and tightening of operating and capital expenditures. Our gross margin improved from single digit in 1H08 to double digit in 2H08 as the US dollar regained strength and the adjustment in selling price for new orders and cost-cutting measures took effect.

Gross margin erosion and an exchange loss of S\$3.1 million in 1H08 resulted in a net loss of S\$6.5 million for the Group in that reporting period. As the US dollar regained strength and the cost-cutting measures took effect in 2H08, we achieved a net profit of S\$0.6 million in 2H08; amid an even challenging operating and recessionary environment. We incurred an overall net loss of S\$5.9 million for the full year of 2008 as the marginal profit made in the latter half was insufficient to cover the significant losses incurred in 1H08.

Operationally, we continue to streamline our processes so as to achieve our objective to be a cost-effective manufacturing solutions provider. We also continue to adopt the latest technology in our processes and solutions.

In order to step-up product quality and reduce process time. Our latest innovation is automating the welding process with the Laser Welding Technology,





Our revenue for FY2008 closed at S\$79.7 million, a marginal 1% drop from FY2007 revenue of S\$80.4 million. Gross margin decreased from 21% to 12% which contributed mainly to the net loss of S\$5.9 million in FY2008 as compared to a net profit of S\$4.1 million in FY2007.

which we believe will help in controlling the quality and consistency of the end products. We are also upgrading our Enterprise Resource Planning system to improve the efficiency and effectiveness in managing our resources and reduce wastage.

The construction of our new facility in Kuala Lumpur is expected to be completed and operational in 2Q09. When this new facility is ready we plan to consolidate some of the Group manufacturing activities to this new facility so as to take advantage of the lower costs in Malaysia. ETLA (Wuxi) will continue to support the China market demand for precision engineering-centered manufacturing services and solutions.

As we move into year 2009, we expect the recessionary economic climate combined with weak market demand for capital equipment to pose a challenging operating environment for the Group. Hence, across all our subsidiaries, we spare no efforts to reduce our operating costs. We will also continue to focus on businesses and industry segments with long term growth prospects.



Board of Directors



Derrick Tan Lai Heng

DERRICK TAN LAI HENG is our Executive Chairman and Founder. He was appointed as our Director on 6 May 1992. He is responsible for determining our overall corporate strategic development direction. He is also actively involved in identifying business opportunities and fostering customer relationships. Derrick Tan has more than 20 years of experience in the engineering industry. He ventured into his own business in 1985 when he started Eng Tic Lee Engineering as a sole proprietorship to provide air-conditioner ducting to the automobile industry. In 1992, he expanded the business and incorporated Eng Tic Lee Engineering (S) Pte Ltd. Derrick has been instrumental in the growth of our Group and in steering our Group to its present success.



Ricky Lee Tiam Nam

RICKY LEE TIAM NAM is our Executive Vice Chairman. He was appointed as Director on 12 February 2007. Ricky was a business consultant to our Company in 2005 and 2006. He joined our Company in July 2006 and works closely with our Executive Chairman to set our corporate and business strategies and oversees our overall business and development. He is also actively involved in identifying business opportunities and fostering customer relationship. Ricky has more than 20 years of experience in the precision engineering and contract equipment manufacturing industry. He was one of the founders and the Chief Operating Officer of Norelco Centreline Holdings Limited (“Norelco Centreline”). He left Norelco Centreline in November 2004.



Barry Sim Mong Huat

BARRY SIM MONG HUAT is our Executive Director as well as Chief Executive Officer. He joined our Company on 5 March 2007 and is responsible for the Group’s strategic growth and day-to-day business. Barry began his career in March 1990 with the Economic Development Board (“EDB”). In his 15-year tenure with EDB, he served in various management capacities, including being the Senior Vice President (Investments), EDB Ventures Management Pte Ltd where he played a leading role in the company’s investments activities (including M&A, trade sale, etc) in the technology and precision engineering sectors. From 1988 to 2002, he was the Director of Industry (Electronics), charged with spearheading the growth and development of the largest segment of Singapore’s manufacturing industry. Whilst in that latter role, he was concurrently the Director for the EDB’s North America operations, responsible for promoting US investments into Singapore as well as the forging of strategic business alliances between the two economies. Barry was awarded the Public Administration Medal (Silver) in the 2001 National Day for his contributions to the Singapore public service. During 2003 to 2004, Barry was the Group Managing Director of Norelco Centreline Holdings Limited and responsible for shaping the group’s strategic growth directions.

Barry holds a Masters of Business Administration (Sloan Fellows) from the Massachusetts Institute of Technology (MIT) in the United States of America, a post-graduate Diploma in Finance Management from the Singapore Institute of Management and a Bachelor of Mechanical Engineering (First Class Honours) from the University of Newcastle, Australia.



Frances Yap Yock Ran

FRANCES YAP YOCK RAN is our Senior Executive Director (Human Resource and Administration) and is the spouse of our Executive Chairman, Mr Derrick Tan. She was appointed a director of our Company on 6 May 1992. She is responsible for overseeing our human resource and administrative matters as well as developing and implementing the human resource policies of our Group. She has been instrumental in the growth of our Company from its early days as a sole proprietorship to our present status. She has more than 15 years of work experience with our Company.



Gerald Mah Kah On

GERALD MAH KAH ON is our Independent Non-Executive Director and was appointed to our Board on 21 June 2007. He is also the Chairman of our Audit Committee and a member of our Nominating and Remuneration Committees. Gerald is currently an Independent Director of mDR Limited, a company listed on the SGX-ST. He started his career in 1972 as an articled clerk in Mann Judd & Co, a firm of chartered accountants in England, and became an audit senior in 1976. In 1977, he joined Peat Marwick (now known as KPMG Singapore) as an audit senior and became an assistant audit manager in 1979. In August 1979, Gerald joined Dimet (Singapore) Pte Ltd and Adhesives (Far East) Private Limited, both members of the Australian Consolidated Industries (ACI) Group, as their Finance & Administration Manager. In 1981, he joined Associated Merchant Bank Pte. Limited (now known as UMF (Singapore) Limited) as Finance & Administration Manager, and held the position of Assistant General Manager between January 1985 and December 1989, and was General Manager and Director between January 1990 to April 1999. In April 1999, he became the Chief Executive Officer of UMF (Singapore) Limited, a position he held until June 2005, and was responsible for strategising for the company, customers' management and development and shareholders' management. Thereafter, he was engaged by UMF (Singapore) Limited as a consultant from August 2005 to November 2006.

Gerald is a member of the Institute of Certified Public Accountants of Singapore.



Goh Yeow Tin

GOH YEOW TIN is our Independent Non-Executive Director and was appointed to our Board on 21 June 2007. He is also the Chairman of our Nominating Committee and a member of our Audit and Remuneration Committees. Mr Goh is currently the Chief Executive Officer of Sino-Sing Centre Pte. Ltd. He is also an independent director of Oakwell Engineering Limited and Juken Technology Limited. Mr Goh started his career in 1979 with the Economic Development Board where he headed its Local Industries Unit. From 1983 to 1984, as the Deputy Executive Director of the Singapore Manufacturers' Association (now known as the Singapore Manufacturers' Federation), he was responsible for overseeing the running of the association. From 1984 to 1986, as a Director of Automation Applications Centre, which provided automation consultancy services to SMEs in Singapore, Mr Goh assisted in the setting up of the first automation applications centre. From 1986 to 1988, he was the Deputy Managing Director of Tonhow Industries Limited, the first plastic injection moulding company to be listed on the Sesdaq, and was overseeing its operations. Mr Goh was the General Manager of Franchise International Pte Ltd from 1988 to 1991, overseeing its operations in developing franchises in certain sectors in Singapore. Prior to his present business, Mr Goh was with Times Publishing Limited from May 1991 to July 2001, and was its Vice President in charge of the group's retail and distribution business.

Mr Goh holds a Bachelor of Mechanical Engineering (Second Class Honours) from the former University of Singapore (now known as the National University of Singapore) and a Master of Engineering (Industrial Engineering & Management) from the Asian Institute of Technology.



Khor Thiam Beng

KHOR THIAM BENG is our Independent Non-Executive Director and was appointed to our Board on 21 June 2007. He is also the Chairman of our Remuneration Committee and a member of our Audit and Nominating Committees. Mr Khor is a practising advocate and solicitor and a partner of Khor Thiam Beng & Partners. He is also the Non-executive Chairman of Avi-Tech Electronics Limited. Mr Khor began his career as a legal assistant with Lee & Lee in 1968. Between 1971 to 1986, he was a partner of Lim Sin & Thiam Beng. In 1987, he formed the sole proprietorship of Khor Thiam Beng & Partners, and has remained as a partner of the firm since May 2004.

Mr Khor holds a Bachelor of Laws (Honours) from the University of Singapore (now known as the National University of Singapore).

Key Executives

Leong Kwok Choon

LEONG KWOK CHOON is our Chief Operating Officer. He joined our Company in July 2006 and is responsible for overseeing the day-to-day operations of our Group. He has more than 20 years of experience in the manufacturing industry. He first began his career with Philips Singapore Private Limited, part of the Philips group of companies, which develops and manufactures electronic products. From February 1996 to October 1999, he was with Singapore Shinei Sangyo Pte Ltd, a company that provided manufacturing services, and headed its industrial & manufacturing engineering department. He led the company in spearheading initiatives such as process re-engineering and implementation of the Enterprise Resource Planning system. Between October 1999 and June 2002, he was a director of IOPS.COM Pte Ltd, a company which provided software consultancy services, and was also a director of Double Click Pte Ltd, a company which developed software. In 2002, he joined Flextronics International Singapore Pte Ltd and headed its "Asia Quote Hub". In 2003, he joined Norelco Centreline Pte Ltd as its Operations Director where he was responsible for its operations, including program management, engineering, production, assembly and quality assurance. He left Norelco Centreline Pte Ltd in October 2004 and joined Hup Fatt Brothers Engineering Pte Ltd as its Deputy Managing Director after a short break. He holds a Bachelor of Engineering (Mechanical) and a Master of Business Administration, both from the National University of Singapore.

Ho Chin Pang

HO CHIN PANG is our Financial Controller and is overall responsible for the corporate finance and operational finance functions of our Group. He has many years of experience in corporate finance, tax accounting and financial accounting. He was an audit assistant with a public accounting firm, Kwan Wong Tan & Hong in 1992. He joined Ernst & Young as an audit senior in 1996, and moved on to join Wah Guan Hup Kee Pte Ltd in September 1996, a company which traded in plywood, as its Finance & Administrative Manager. He was an audit senior with Moore Stephens, an international public accounting firm, in 1998. He joined Norelco Centreline Holdings Limited in 2000 as its Finance Manager. In 2001, when Norelco Centreline Holdings Limited was admitted to the Official List of the SGX-ST, he was appointed as its Group Financial Controller and Joint Company Secretary and oversaw its financial accounting, tax and treasury functions. He left Norelco Centreline Holdings Limited in April 2005, and joined our Company in January 2006. He holds a Bachelor of Commerce from Murdoch University, Australia and is a member of the Institute of Certified Public Accountants of Singapore and CPA Australia.

Vincent Tay Choon Kiat

VINCENT TAY CHOON KIAT is our General Manager for our operations in China and is responsible for overseeing the business and operations of our wholly-owned subsidiary, ETLA Technology (Wuxi) Co, Ltd. Vincent started out his career as a Sales Engineer with Norelco Centreline Pte Ltd in July 1999 where he was responsible for meeting the company's sales targets and liaising with the company's customers. He was promoted to an Assistant Manager (for Sales/Project Management) and thereafter to the Sales and Marketing Manager, where he undertook the role of identifying and developing new business opportunities. He left Norelco Centreline Pte Ltd in March 2004, and joined Xquisit Design Pte. Ltd. as its Sales Director, and his job scope included managing a team of sales personnel and maintaining key client accounts. Vincent holds a Bachelor's Degree of Engineering (Electrical and Electronic) from the Nanyang Technological University, Singapore.

Martin Low Kong Siang

MARTIN LOW KIONG SIANG is our General Manager for our operations in Malaysia and is responsible for overseeing the business and operations of our wholly-owned subsidiary, ETLA Technology (M) Sdn Bhd. Martin joined us in June 2005. He has over 10 years of experience in managing businesses related to precision machining. Martin was the Managing Director of Norelco Centreline (KL) Sdn Bhd from January 1997 to June 2004. He joined UMS Semiconductor Pte. Ltd. (which is part of the Norelco group of companies) as a Operations Manager in July 2004. Thereafter, Martin incorporated Achieve Manufacturing Solutions (M) Sdn Bhd in January 2005, a company engaged in the provision of precision machining services, and which was thereafter acquired by ETLA.

Eddie Phua Kim Guan

EDDIE PHUA KIM GUAN is our Senior Operations Director and is responsible for overseeing our sheet metal fabrication business and operations in Singapore and Malaysia. After obtaining his Technician Diploma in Building Maintenance and Management from Ngee Ann Polytechnic, Singapore in 1983, he served as a Project Manager with Spectrum Supplies & Services Pte Ltd, a company that is in the business of supplying scientific analytic equipment to the petrochemical industry. Eddie was responsible for the design, supply and installation aspects of project. Between 1991 and 2002, Eddie was the Managing Director of Trend Singapore East Pte Ltd (formerly known as Ban Fatt Precision (Pte) Ltd) and responsible for managing its sheet metal fabrication business. Eddie joined us in January 2004 as a General Manager and was promoted to his current position of Senior Operations Director.

Corporate Governance Statement

The Board of Directors and Management of ETLA Limited (the “Company”) is committed to maintaining a high standard of corporate governance and support the principles set of in the Code of Corporate Governance 2005 (the “Code”). We believe that good corporate governance enhance transparency and accountability and thereby protect the interest of all shareholders.

This report describes the Company’s corporate governance framework and practices with reference to the Code. The Company has adhered to the principles and guidelines set out in the Code for the financial year ended 31 December 2008.

A. BOARD MATTERS

THE BOARD’S CONDUCT OF ITS AFFAIRS

Principle 1 Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board of Directors (“The Board”) is responsible for the overall management of the Group’s business and corporate affairs. It assumes the following responsibilities so as to protect and enhance the long-term shareholder’s value:

- Guide the setting of business direction;
- Review management performance;
- Establish a framework of adequate and effective internal controls which enables risk to be assessed and managed; and
- Ensure good corporate governance.

Matters that specifically require the Board’s approval are those involving:

- Results announcements;
- Declaration of interim dividends and proposal of final dividends;
- Appointment of directors and key personnel;
- Annual budget, major funding, investment and divestment proposals;
- Merger and acquisition transactions;
- Interested party transactions;
- Matters involving conflict of interests for a substantial shareholder or director; and
- All other matters of material importance.

Corporate Governance Statement (cont'd)

The Board comprises of 7 Directors of whom 4 are Executive Directors and 3 are Independent Directors. The Directors of the Company as at the date of this report are:

Derrick Tan Lai Heng ⁽¹⁾	Executive Chairman
Ricky Lee Tiam Nam	Executive Vice Chairman
Barry Sim Mong Huat	Executive Director and CEO
Frances Yap Yock Ran ⁽¹⁾	Senior Executive Director
Gerald Mah Kah On	Independent Director
Goh Yeow Tin	Independent Director
Khor Thiam Beng	Independent Director

(1) Mr Derrick Tan and Ms Frances Yap are husband and wife.

The Board consists of business leaders, legal and financial professionals whose diverse and vast experiences provide valuable insights to the Group. It acts in good faith and consider the interest of the Company at all time in making decision. The Board considers it's current Board size of 7 is appropriate, taking into account the scope and nature of the operations of the Group.

To ensure smooth and effective running of the Group and to facilitate decision making, the Board has delegated some of its powers and functions to various 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 at least 2 times a year. Ad-hoc Board meetings are also convened as and when deemed necessary by the Board members. As permitted under the Company's Articles of Association, Board meetings may be conducted by way of telephone and video conference. The number of Board meetings held and the attendance of each Board member at the meetings are disclosed below:

Name of Director	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Derrick Tan Lai Heng	3	3	N/A	N/A	N/A	N/A	N/A	N/A
Ricky Lee Tiam Nam	3	3	N/A	N/A	N/A	N/A	N/A	N/A
Barry Sim Mong Huat	3	3	N/A	N/A	N/A	N/A	N/A	N/A
Frances Yap Yock Ran	3	3	N/A	N/A	N/A	N/A	N/A	N/A
Gerald Mah Kah On	3	3	3	3	1	1	1	1
Goh Yeow Tin	3	3	3	3	1	1	1	1
Khor Thiam Beng	3	3	3	3	1	1	1	1

BOARD COMPOSITION AND BALANCE

Principle 2 There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Boards' decision making.

There is a strong and independent element in the Board as more than one third of the Board members are Non-executive and independent of management.



Corporate Governance Statement (cont'd)

The independence of each Director is reviewed annually by the Nominating Committee based on the Code's definition of independence. The Board has satisfied the Code whereby at least one-third of the Board should be independent.

The Independent Directors constructively challenge and help develop proposals on strategy and also review the performance of Management in meeting agreed goals and objectives. They meet regularly on their own with and/or without the present of Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3 There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is also a clear division of responsibilities between the Chairman and Chief Executive Officer ("CEO") as the function of the Chairman and CEO in the Company are assumed by different individuals. The Chairman and CEO are not related to each other.

The CEO is responsible for the day-to-day operations of the Group while the Chairman is responsible for the conduct of the Board. The Chairman ensures that the Board meetings are held when necessary and approves the agenda of the Board meeting in consultation with CEO. The Chairman also review key proposals and Board papers before they are presented to the Board and ensures that Board members are provided with adequate, accurate and timely information.

BOARD MEMBERSHIP

Principle 4 There should be a formal and transparent process for the appointment of new Directors to the Board. As a principle of good corporate governance, all Directors should be required to submit themselves for re-nomination and re-election at regular intervals.

A Nomination Committee ("NC") has been established to responsible for the following:

- (a) to make recommendations to our Board on all board appointments, including re-nominations, having regard to our Director's contribution and performance (such as attendance, preparedness, participation and candour) including, if applicable, as an independent Director;
- (b) to determine annually whether or not a Director is independent;
- (c) in respect of a Director who has multiple board representations on various companies, to decide whether Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards; and
- (d) to decide how our Board's performance may be evaluated and propose objective performance criteria, as approved by our Board, that allows comparison with its industry peers, and address how our Board has enhanced long term shareholders' value.

Recommendations for new Board members are table to the Board for its consideration and approval.

Corporate Governance Statement (cont'd)

NC comprises three members. All of them are Non-executive and independent of management. The members of the NC are:

Name	Role in NC
Goh Yeow Tin	Chairman
Khor Thiam Beng	Member
Gerald Mah Kah On	Member

None of the Directors are appointed for any fixed term. The Company's Articles of Association require regular retirement and re-election of Directors by rotation. One-third of the Directors shall retire and submit themselves for re-election at every annual general meeting. All Directors are required to retire from office at least every three years, and such Directors will be eligible for re-election at the meeting at which they retires.

The Board confirms that the Independent Directors have been able to devote sufficient time, expertise and attention to the Group's affairs.

BOARD PERFORMANCE

Principle 5 There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The Board has delegated the assessment of the Board to the NC. The NC has established procedures and performance criteria to assess the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. Each NC member is required to complete an evaluation form. The NC Chairman would collate all the completed forms submitted by the members and compile the results accordingly. The NC is satisfied that all the Directors appointed have the appropriate background, expertise, knowledge and management skills that are critical to the Group's business and they have actively participated in each Board meeting during the year. All Directors have contributed independent, objective views on discussion matters during the Board meetings. All decisions made were well balanced and well-considered. The NC is of the opinion that the Board and each Board member have been effective during the year and have discharged their duties responsibly.

ACCESS TO INFORMATION

Principle 6 In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is provided with quarterly reports of the Group performance and is informed of all material events and transactions as and when they occurred. To ensure that the Board members have sufficient time to look through the materials and information, all board papers are sent to the members few days before the Board meeting. The Board members have separate and independent access to the senior management, Company secretary and auditors at all time. All requests for information from the Board are dealt with promptly by management.

The Company Secretaries assist the Chairman in ensuring that all board procedures are followed and that the Company's Memorandum and Articles of Associations and applicable rules and regulations, including requirements of the Companies Act and the Singapore Exchange, are complied with. They also administer, attend and prepare the minutes of all Board and committee meetings and assist the Chairman in implementing and strengthening corporate governance practices and processes.

Each Director, whether individually or as a group, has the right to seek independent professional advice as and when necessary, in carrying out their duties, at the Company's expense and with the approval of the Chairman.

Corporate Governance Statement (cont'd)

B. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7 There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No Director should be involved in deciding his own remuneration.

The Board established a Remuneration Committee (“RC”) to deal with remuneration matters concerning Directors and key executives. All of the RC members are Non-Executive Directors who are independent of the Management and free from any business or other relationships, which may materially interfere with the exercise of their independent judgment. The RC consists of three members and they are:

Name	Role in RC
Khor Thiam Beng	Chairman
Gerald Mah Kah On	Member
Goh Yeow Tin	Member

The RC works within the written terms of reference, which provides a formal and transparent procedure for fixing the remuneration package of the individual Director. No Director is involved in deciding his own remuneration. In accordance with the written terms of reference, the RC’s responsibilities include the following:

- (a) recommend to the Board a framework of remuneration (including but not limited to Director’s fees, salaries, allowances, bonuses, options and benefits in kind) for the Directors and key executives and determine specific remuneration packages for each Executive Director and CEO;
- (b) in the case of service agreement, to review and to recommend to the Board the terms of renewal. There should be a fixed appointment period for all Directors after which they are subject to re-election. The service agreement should not be excessively long or with onerous removal clauses;
- (c) consider what compensation commitments the Directors’ contracts of service, if any would entail in the event of early termination;
- (d) oversee the administration of the Company’s Employees Share Option Scheme; and
- (e) ensure adequate disclosure of Directors’ remuneration as required by regulatory bodies.



Corporate Governance Statement (cont'd)

LEVEL AND MIX OF REMUNERATION

Principle 8 The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of the Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting the remuneration package of the individual Director, the RC will take into consideration the following factors:

- (a) Salary and employment conditions within the industry and in comparable companies;
- (b) The Company's relative performance and the performance of the individual Director;
- (c) The attractiveness of the remuneration package so as to retain the Directors and motivate them to run the Company successfully;
- (d) Significance of performance-related elements of remuneration; and
- (e) Effort, time spent and responsibilities of the individual Director.

Executive Directors:

Executive Directors receive their remuneration in two key components, that is, fixed monthly salary and variable bonus. The fixed monthly salary includes transport allowance and central provident fund contribution. The variable portion depends largely on the performance of the Group and their individual performance and is payable upon the achievement of corporate targets. They do not receive any Director's fees.

Non-Executive Directors:

Non-Executive Directors are paid an annual Director fees. In determining the quantum of Director fees, factors such as effort and time spent, and responsibilities of the Directors are taken into account. The RC ensures that none of the Non-Executive Directors are over-compensated to the extent that their independence may be compromised. The Director fees are subject to approval at the Annual General Meeting.

The Company has signed service agreements with all of its Executive Directors. Each of the service agreements has a fixed appointment period and may be extended at the option of the Company. The service agreements clearly state the duties, remuneration, leave entitlement, office of Director, expenses and benefits, time and attention, confidentiality, termination from employment, resignation from directorship, event of incapacity, reconstruction or amalgamation, non-solicitation and non-competition. The terms and conditions are not excessive and none of the service agreement has any onerous removal clauses. No long-term incentives have been granted to individual Director. The remuneration policies for the Executive and Non-Executive Directors have been endorsed by the RC and the Board.

Corporate Governance Statement (cont'd)

DISCLOSURE ON REMUNERATION

Principle 9 Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The remuneration of directors is set out below:

Name of Director	Director Fees ⁽¹⁾	Salary	Bonus	Other Benefits ⁽²⁾	Total
	%	%	%	%	%
S\$250,000 to S\$500,000					
Derrick Tan Lai Heng	–	92	–	8	100
Barry Sim Mong Huat	–	91	–	9	100
Below S\$250,000					
Ricky Lee Tiam Nam	–	89	–	11	100
Frances Yap Yock Ran	–	84	–	16	100
Gerald Mah Kah On	100	–	–	–	100
Goh Yeow Tin	100	–	–	–	100
Khor Thiam Beng	100	–	–	–	100

(1) approved by shareholders as a lump sum at the annual general meeting on 8 April 2008.

(2) other benefits refer to benefits-in-kind such as transport allowance, contribution of central provident fund.

Key Executives

The remuneration of top 3 key executives (who are not Directors of the Company) is set out below:

Below S\$250,000	<ul style="list-style-type: none"> • Leong Kwok Choon • Eddie Phua Kim Guan • Ho Chin Pang
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Corporate Governance Statement (cont'd)

Immediate Family Member of Director

The following table shows the makeup (in percentage terms) of the annual remuneration of an employee who is an immediate family member of our Director, Ricky Lee Tiam Nam.

Name of Director	Salary	Bonus	Other Benefits	Total
	%	%	%	%
Below S\$100,000				
Lee Peng Guan	86	0	14	100
Lee Ching Ann	85	2	13	100
Chua Bee Ban	100	0	0	100

Other than as disclosed, there are no other key executives who are related to any Director and whose remuneration exceeds S\$100,000.

During the financial year ended 31 December 2008, no employee share options were granted.

C. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10 The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

As stated above, under Principle 6, the Management provides the Board with information relating to the financial performance, operations and developments of the Group on a quarterly basis. However, if there are any major transactions or decisions to be made within a quarter, the Board will be informed on a timely manner.

In line with the Listing Manual, it is the Board's policy to provide the shareholders with all important and price sensitive information. These are done through the Singapore Exchange Securities Trading Limited via SGXNET during the result announcements and as and when necessary.

AUDIT COMMITTEE

Principle 11 The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC") at present comprises 3 members, all of whom are Non-Executive and Independent Directors. The members of the AC are as follows:

Name	Role in RC
Gerald Mah Kah On	Chairman
Goh Yeow Tin	Member
Khor Thiam Beng	Member

Corporate Governance Statement (cont'd)

The roles and responsibilities of the AC are:

- (a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;
- (b) review the quarterly, half yearly and annual financial statements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with Financial Reporting Standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (c) review the internal controls and procedures and ensure co-ordination between the external auditors and our management, reviewing the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- (d) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (e) review transactions falling within the scope of Chapter 9 and Rule 1010 of the Listing Manual;
- (f) review any potential conflicts of interest and to ensure that procedures for resolving such conflicts are sufficient and strictly adhered to by the Company;
- (g) review our Company's foreign exchange policy and the procedures to manage our foreign currency risk;
- (h) commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore and other applicable law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position;
- (i) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- (j) generally undertake such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

All of the current AC members have finance related expertise and experience and hence they are appropriately qualified to discharge their responsibilities. The AC is authorized to investigate any matter within its terms of reference, has full access to and co-operation by Management. It also has full discretion to invite any Director or Executive Officer to attend its meetings, and reasonable resources to enable it to discharge its function properly.

The Company has put in place a whistle-blowing policy which provides employees with a channel to report in good faith and in confidence, concerns about possible improprieties in financial reporting or other matters to the Chairman of AC.

The AC has met with the external auditors and internal auditors without the presence of the Company's Management at least once a year. Having reviewed all the non audit services provided by the external auditors during the current financial year, the AC is satisfied that the independence of the external auditors has not been compromised by the nature and extent of the non audit services provided by them.



Corporate Governance Statement (cont'd)

INTERNAL CONTROLS

Principle 12 The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Group, has in place a set of internal controls to safeguard shareholders' investments and the Company's assets and to ensure that proper accounting records are kept. Procedures are in place to identify major business risks and evaluate potential financial effects, as well as for the authorisation of capital expenditure and investments.

The Board believes that, in absence of any evidence to the contrary, the system of internal control and risk management maintained by the Group is adequate to safeguard shareholders' investments and the Group's assets. However, the Board provides reasonable but not absolute assurance against any material financial misstatements or loss, compliance with the relevant legislation, and identification and containment of business risk as they feel that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

INTERNAL AUDIT

Principle 13 The Company should establish an internal audit function that is independent of the activities it audits.

The Board is responsible for maintaining a system of internal control processes to safeguard shareholder's investments and the Group's business and assets while the Management is responsible for monitoring the effectiveness of these internal control systems and procedures. The internal audit function of the Company is out-sourced to a certified public accounting firm in Singapore. The internal auditors report directly to the AC. During the year, the internal auditors performed one cycle of internal audit for ETLA Singapore and presented their audit finding to the AC.

D. COMMUNICATION WITH SHAREHOLDERS

Principle 14 Companies should engage in regular, effective and fair communication with shareholders

Principle 15 Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board makes every effort to regularly communicate major developments in its business and material transactions to all its shareholders through SGXNET. Apart from half yearly reporting of financial results, the Company issues other announcements on an immediate basis as required by the Listing Manual.

Information is first disclosed to all shareholders through SGXNET announcements before the Company meets with any group of analysts or investors. This ensures that all shareholders and the public have fair access to information. Where inadvertent disclosures are made to a select group of people, or unfounded rumors are spread about the Company, the Company will make the same disclosures and clarify all rumors publicly immediately.

Corporate Governance Statement (cont'd)

Shareholders are encouraged to attend and participate at the Company's Annual General Meeting to ensure that they have a better understanding of the Group's plans and developments for the future. The Chairman of the Board, AC, NC, RC, the external auditors and management are normally present at these meetings to address any questions that the shareholders may have. The Board values shareholders' feedback and input.

The Company's Articles of Association provides for a shareholder of the Company to appoint one or two proxies to attend the Annual General Meeting and to vote in place of the shareholders.

E. DEALING IN SECURITIES

The Company has adopted the internal compliance code pursuant to the Listing Rule 1207(18) of the Listing Manual which prohibits the directors, key executive officers and staffs who possess price sensitive information to deal with the Company's securities during the period beginning two (2) weeks or one (1) month, as the case may be, before the release of its quarterly, half yearly or full year result and ending on the date of the announcement of the result. In addition, Directors and key executive officers are expected to observe insider trading law at all times even within the permitted trading period.

F. RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

G. MATERIAL CONTRACTS

On 3 November 2008, we have executed an implementation agreement ("**Implementation Agreement**") with ElectroTech Investments Limited ("**ElectroTech**") for the proposed acquisition by ElectroTech of all the shares in the capital of the Company in consideration for the allotment and issue of shares in the capital of ElectroTech to the shareholders of the Company to be effected by way of the Company implementing a scheme of arrangement (the "**Scheme**") under Section 210 of the Companies Act, Chapter 50 of Singapore, and in accordance with the Singapore Code on Take-overs and Mergers, resulting in the merger of the ElectroTech group and our group (the "**Proposed Merger**").

The Scheme will involve, amongst other things, the following:

- (a) the transfer of all the ordinary shares in the share capital of ETLA held by the shareholders of the Company (the "**ETLA Shares**") to ElectroTech; and
- (b) in consideration of the transfer of the ETLA Shares held by our shareholders, our shareholders will receive from ElectroTech 508 newly-issued ElectroTech Shares for every 1,000 ETLA Shares.



Corporate Governance Statement (cont'd)

Contemporaneously with the execution of the Implementation Agreement, certain directors and shareholders of the Company (namely, (i) Derrick Tan Lai Heng, (ii) Frances Yap Yock Ran, (iii) Ricky Lee Tiam Nam, and (iv) Barry Sim Mong Huat) have each provided an irrevocable undertaking (the “**ETLA Irrevocable Undertaking**”) to ElectroTech to, amongst other things, (i) vote and/or procure the voting of all the ETLA shares owned and/or controlled by him/her in favour of the Scheme and any other matter necessary or proposed to implement the Scheme at the meeting of the ETLA Shareholders; (ii) not resign or terminate his/her employment with the Company, or give any notice of the same for a period of two (2) years after the effective date of the Scheme; (iii) not, for certain periods after the effective date of the Scheme, to sell, transfer or otherwise dispose of certain percentages of his/her shares in ElectroTech; and (iv) subject to his/her fiduciary duties solely in his/her capacity as a director of the Company (where applicable), to reject, not solicit, not accept, and where applicable, to vote against any bona fide competing offer by any third party, during the term of his/her ETLA Irrevocable Undertaking.

Further, the Company and ElectroTech have also agreed in the Implementation Agreement that following the implementation of the Scheme, our directors, Derrick Tan Lai Heng and Barry Sim Mong Huat, will be appointed to the board of directors of ElectroTech as executive directors. As the proposed new appointments are to take place after the implementation of the Scheme, no service contracts in this regard have been agreed with Derrick Tan Lai Heng and Barry Sim Mong Huat as at this date.

On 5 December 2008 and 5 March 2009 respectively, we executed a supplemental agreement and a second supplemental agreement to supplement and vary certain terms of the Implementation Agreement. For further details, please refer to the announcements released by the Company in relation to the Proposed Merger and the Scheme on <http://www.sgx.com>.

Other than the above, there was no material contracts entered into by the Company or any of its subsidiaries involving the interest of any director or controlling shareholder subsisting at the end of the financial year ended 31 December 2008.

H. INTERSTED PERSON TRANSACTIONS

The Company has its own internal policy to deal with interested person transactions. All interested person transactions will be documented and submitted to the Audit Committee on a half yearly basis for their review and approval to ensure that the transactions are carried out at arm's length.

During the current year, there were interested person transactions involving Derrick Tan Lai Heng and Frances Yap Yock Ran. As the amount involved was below the threshold limit under the Listing Manual, no immediate disclosure was made. All interested party transactions were conducted on arm's length basis and in normal commercial terms. The Audit Committee has approved of these transactions.

Disclosure of interest person transaction is set out on page 63 of this Annual Report.

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Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of ETLA Limited (the Company) and its subsidiaries (collectively, the Group) and the balance sheet, income statement and statement of changes in equity of the Company for the financial year ended 31 December 2008.

Directors

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

Derrick Tan Lai Heng
Frances Yap Yock Ran
Ricky Lee Tiam Nam
Barry Sim Mong Huat
Gerald Mah Kah On
Goh Yeow Tin
Khor Thiam Beng

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company as stated below:

Name of director	Direct interest		Deemed interest	
	At beginning of financial year or date of appointment	At end of financial year	At beginning of financial year or date of appointment	At end of financial year
Ordinary shares				
Derrick Tan Lai Heng	32,111,640	32,111,640	6,000,000	6,000,000
Frances Yap Yock Ran	6,000,000	6,000,000	32,111,640	32,111,640
Ricky Lee Tiam Nam	11,501,300	11,501,300	–	–
Barry Sim Mong Huat	1,500,000	1,500,000	–	–
Gerald Mah Kah On	80,000	80,000	–	–
Goh Yeow Tin	50,000	50,000	–	–
Khor Thiam Beng	20,000	20,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

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



Directors' Report (cont'd)

Directors' contractual benefits

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

Options

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2008, there were no options on the unissued shares of the Company or its subsidiaries which are outstanding.

Audit Committee

The members of the Audit Committee (AC) during the financial year and at the date of this report are:

Gerald Mah Kah On (Chairman)
Goh Yeow Tin
Khor Thiam Beng

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50., including reviewing:

- Assistance provided by the Company's management to the external auditors;
- Half yearly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee convened three meetings during the year with full attendance from all members. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal control system.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of external auditors and reviews the level of audit fee.

The Audit Committee is satisfied with the independence and objectivity of external auditors and has recommended to the Board of Directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

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



Directors' Report (cont'd)

Auditors

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

On behalf of the board of directors:

Derrick Tan Lai Heng
Director

Barry Sim Mong Huat
Director

Singapore
6 March 2009



Statement by Directors

We, Derrick Tan Lai Heng and Barry Sim Mong Huat, being two of the directors of ETLA Limited, do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, income statements, 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 2008 and the results of the business, changes in equity of the Group and of the Company and the cash flows of the Group for the financial 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:

Derrick Tan Lai Heng
Director

Barry Sim Mong Huat
Director

Singapore
6 March 2009

Independent Auditors' Report to the members of ETLA Limited and its Subsidiaries

We have audited the accompanying financial statements of ETLA Limited (the Company) and its subsidiaries (collectively, the Group), set out on pages 31 to 72, which comprise the balance sheets of the Group and the Company as at 31 December 2008, the income statements, statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet, income statement 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 2008, and the results and changes in equity of the Group and of the Company and cash flows of the Group for the financial year ended on that date; and
- (b) the 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

6 March 2009

Income Statements

for the financial year ended 31 December 2008

	Notes	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	4	79,667	80,373	66,666	74,860
Cost of sales		(69,947)	(63,725)	(61,081)	(60,562)
Gross profit		9,720	16,648	5,585	14,298
Other income	5	620	435	475	367
Distribution and selling expenses		(2,238)	(2,778)	(1,885)	(2,502)
Administrative expenses		(9,930)	(7,749)	(7,977)	(6,287)
Other expenses		(3,085)	(666)	(2,813)	(562)
(Loss)/profit from operations	6	(4,913)	5,890	(6,615)	5,314
Finance costs	8	(1,365)	(1,356)	(1,365)	(1,355)
(Loss)/profit before income tax		(6,278)	4,534	(7,980)	3,959
Income tax credit/(expense)	9	361	(480)	450	(448)
(Loss)/profit for the financial year		(5,917)	4,054	(7,530)	3,511
Attributable to:					
Equity holders of the Company		(5,917)	4,054	(7,530)	3,511
(Loss)/earnings per share (cents)					
Basic and diluted	10	(4.2)	3.5		

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

Balance Sheets

as at 31 December 2008

	Notes	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Non-current assets					
Property, plant and equipment	11	38,800	34,014	24,091	25,705
Investment in subsidiaries	12	-	-	7,959	7,645
Current assets					
Inventories	13	18,266	18,713	16,762	17,724
Trade receivables	14	17,141	16,353	13,753	14,448
Other receivables and deposits	15	734	1,204	285	809
Prepayments		68	269	39	130
Amounts due from subsidiaries (trade)	16	-	-	328	545
Amounts due from subsidiaries (non-trade)	16	-	-	10,843	3,119
Cash and cash equivalents	17	7,792	10,223	4,142	8,956
		44,001	46,762	46,152	45,731
Current liabilities					
Trade payables	18	9,220	8,000	7,717	7,149
Other payables and accrued expenses	19	4,926	6,454	4,128	5,636
Amounts due to subsidiaries (trade)	16	-	-	365	504
Amounts due to subsidiary (non-trade)	16	-	-	3	-
Bank borrowings	20	21,043	9,291	21,043	9,291
Finance lease obligations	21	2,108	2,403	2,108	2,403
		37,297	26,148	35,364	24,983
Net current assets		6,704	20,614	10,788	20,748
Non-current liabilities					
Bank borrowings	20	7,508	8,977	7,508	8,977
Finance lease obligations	21	2,418	4,229	2,418	4,229
Deferred tax liabilities	22	1,066	1,433	866	1,316
Net assets		34,512	39,989	32,046	39,576
Equity attributable to equity holders of the Company					
Share capital	23	25,200	25,200	25,200	25,200
Revaluation reserve	24	532	532	532	532
Accumulated profits		8,321	14,238	6,314	13,844
Translation reserve	25	459	19	-	-
Total equity		34,512	39,989	32,046	39,576

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

Statements of Changes in Equity

for the financial year ended 31 December 2008

	Share capital (Note 23)	Revaluation reserve (Note 24)	Accumulated profits	Translation reserve (Note 25)	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
2007					
At 1 January 2007	9,444	532	10,184	145	20,305
Currency translation differences	–	–	–	(126)	(126)
Net expense recognised directly in equity	–	–	–	(126)	(126)
Profit for the financial year	–	–	4,054	–	4,054
Total recognised income and expenses for the financial year	–	–	4,054	(126)	3,928
Issuance of ordinary shares for cash	15,756	–	–	–	15,756
At 31 December 2007	25,200	532	14,238	19	39,989
2008					
At 1 January 2008	25,200	532	14,238	19	39,989
Currency translation differences	–	–	–	440	440
Net income recognised directly in equity	–	–	–	440	440
Loss for the financial year	–	–	(5,917)	–	(5,917)
Total recognised income and expenses for the financial year	–	–	(5,917)	440	(5,477)
At 31 December 2008	25,200	532	8,321	459	34,512

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

Statements of Changes in Equity (cont'd)

for the financial year ended 31 December 2008

	Share capital (Note 23) \$'000	Revaluation reserve (Note 24) \$'000	Accumulated profits \$'000	Total equity \$'000
Company				
2007				
At 1 January 2007	9,444	532	10,333	20,309
Profit for the financial year representing total recognised income for the financial year	–	–	3,511	3,511
Issuance of ordinary shares for cash	15,756	–	–	15,756
At 31 December 2007	25,200	532	13,844	39,576
2008				
At 1 January 2008	25,200	532	13,844	39,576
Loss for the financial year representing total recognised expense for the financial year	–	–	(7,530)	(7,530)
At 31 December 2008	25,200	532	6,314	32,046

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2008

	Notes	2008 \$'000	2007 \$'000
Operating activities			
(Loss)/profit before income tax		(6,278)	4,534
Adjustments for:			
Allowance for inventory obsolescence		1,835	172
Allowance for doubtful trade receivables		181	404
Depreciation of property, plant and equipment		5,356	3,515
(Gain)/loss on disposal of property, plant and equipment		(86)	162
Plant and equipment written off		-	2
Interest expense		1,365	1,356
Interest income		(102)	(190)
Translation difference		247	32
Operating cash flows before working capital changes		2,518	9,987
Increase in inventories		(1,388)	(2,730)
Increase in trade receivables		(968)	(4,693)
(Decrease)/increase in other receivables and deposits		470	(474)
Decrease in prepayments		201	12
Increase/(decrease) in trade payables		1,220	(1,927)
(Decrease)/increase in other payables and accrued expenses		(1,526)	1,248
Cash flows from operations		527	1,423
Interest paid		(1,365)	(1,356)
Tax paid		(6)	(835)
Interest received		102	190
Net cash flows used in operating activities		(742)	(578)
Investing activities			
Purchase of property, plant and equipment	A	(9,803)	(9,275)
Proceeds from disposal of property, plant and equipment		304	747
Net cash flows used in investing activities		(9,499)	(8,528)
Financing activities			
Proceeds from issuance of ordinary shares		-	15,756
Repayment of bank borrowings		(34,056)	(52,547)
Repayment of obligations under finance leases		(2,472)	(1,854)
Proceeds from bank borrowings		44,099	47,157
Net cash flows from financing activities		7,571	8,512
Net decrease in cash and cash equivalents		(2,670)	(594)
Cash and cash equivalents at the beginning of the financial year		9,630	10,224
Cash and cash equivalents at the end of the financial year	17	6,960	9,630

Note A. Cash outflows on acquisition of property, plant and equipment

	2008 \$'000	2007 \$'000
Aggregate cost of property, plant and equipment acquired	10,169	14,285
Less: Acquired by means of finance lease	(366)	(5,010)
Cash payments made to acquire property, plant and equipment	9,803	9,275

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

Notes to the Financial Statements

31 December 2008

1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company is located at 1 Changi North Street 2, Changi North Industrial Estate, Singapore 498808.

The principal activities of the Company are those of provision of design enhancement, prototyping, fabrication of equipment parts, program management, supply chain management, precision machining of components, surface finishing, assembly and integration of equipment and commissioning of production lines. The principal activities of its the subsidiaries are disclosed in Note 12 to the financial statements.

On 3 November 2008, the Company and ElectroTech Investments Limited ("ElectroTech") jointly announced, *inter alia*, the execution of an implementation agreement for the proposed acquisition by ElectroTech of all the shares in the capital of the Company in consideration for the allotment and issue of shares in the capital of ElectroTech to the shareholders of the Company to be effected by way of the Company implementing a scheme of arrangement (the "Scheme") under Section 210 of the Companies Act, Chapter 50 of Singapore, and in accordance with the Singapore Code on Take-overs and Mergers, resulting in the merger of the ElectroTech group and the ELTA group (the "Proposed Merger"). In consideration of the transfer of the ELTA Shares held by the ETLA Shareholders, the ELTA Shareholders will receive from ElectroTech 508 newly-issued ElectroTech Shares for every 1,000 ELTA Shares. The proposed merger is subject to approvals by the respective shareholders of ElectroTech and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet, income statement and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

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

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

2.2 Future changes in accounting policies

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

Reference	Description	Effective for annual periods beginning on or after
FRS 1	– Presentation of Financial Statements — Revised presentation	1 January 2009
	– Presentation of Financial Statements — Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Borrowing Costs	1 January 2009

Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Future changes in accounting policies (cont'd)

Reference	Description	Effective for annual periods beginning on or after
FRS 32	Financial Instruments: Presentation — Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 102	Share-based payment — Vesting conditions and cancellations	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008

The directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

FRS 1 Presentation of Financial Statements — Revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 108 Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position and results of the Group when implemented in 2009.

2.3 Basis of consolidation

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

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



Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of consolidation (cont'd)

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

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

2.4 Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

2.5 Foreign currency

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement 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 equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

2.6 Property, plant and equipment

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

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the balance sheet date.

Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property, plant and equipment (cont'd)

Any revaluation surplus is credited directly to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in income statement, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The whole of the revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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

Leasehold factory buildings	–	60 years
Office equipment	–	3 – 8 years
Air conditioners	–	3 – 8 years
Plant, machinery and equipment	–	3 – 10 years
Computer	–	3 years
Installation	–	6 years
Renovation	–	3 – 6 years
Motor vehicles	–	3 – 6 years

Asset under construction relates to a leasehold factory building which is not depreciated as the asset is 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 to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

2.7 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.



Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

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

2.8 Subsidiaries

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

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

2.9 Financial assets

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

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

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

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

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

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

Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Financial assets (cont'd)

(b) *Loans and receivables*

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

(c) *Held-to-maturity investments*

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

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

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

2.10 Impairment of financial assets

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

(a) *Assets carried at amortised cost*

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

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.



Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Impairment of financial assets (cont'd)

(a) *Assets carried at amortised cost (cont'd)*

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

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

(b) *Assets carried at cost*

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

(c) *Available-for-sale financial assets*

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

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

2.11 Cash and cash equivalents

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

Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Inventories

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

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

2.13 Provisions

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

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

2.14 Financial liabilities

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.

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

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

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

2.15 Borrowing costs

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Employee benefits

(i) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company makes contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme. The Company makes monthly contributions based on stipulated contribution rates.

Malaysia

The subsidiaries incorporated and operating in Malaysia are required to make contributions to the Employees Provident Fund (EPF), a defined contribution pension scheme. The subsidiaries make monthly contributions based on stipulated contribution rates.

People's Republic of China (PRC)

The subsidiary incorporated in the PRC is required to provide certain staff pension benefits to their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by PRC legislation and are contributed to a pension fund managed by government agencies, which are paying pensions to the PRC subsidiary's retired employees.

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

(ii) *Employee leave entitlement*

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

2.17 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 the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

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

Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Revenue

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

(a) *Sale of goods*

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

2.19 Income taxes

(a) *Current tax*

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

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) *Deferred tax*

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

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

- Where the deferred tax 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 accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Income taxes (cont'd)

(b) *Deferred tax* (cont'd)

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

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

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

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

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

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.

2.20 Related party

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

- (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or
- (ii) it is subject to common control or common significant influence.

2.21 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services 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.

Notes to the Financial Statements (cont'd)

31 December 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 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.

2.23 Contingencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

(i) *Income taxes*

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's current tax payable, tax recoverable and deferred tax liabilities at the balance sheet date were \$Nil (2007: \$Nil), \$7,000 (2007: \$125,000) and \$1,066,000 (2007: \$1,433,000) respectively.

3.2 Key sources of estimation uncertainty

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

(i) *Useful lives of plant and equipment*

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements (cont'd)

31 December 2008

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(i) *Useful lives of plant and equipment (cont'd)*

The carrying amount of the Group's and the Company's plant and equipment (other than leasehold property) at balance sheet date were \$25,696,000 and \$10,987,000 (2007: \$20,867,000 and \$12,558,000) respectively.

A 5% difference on the expected useful lives of these assets from management's estimates would result in approximately 4.55% (2007: 4.2%) variance in the Group's profit for the financial year.

4. REVENUE

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

5. OTHER INCOME

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Interest income from bank balances	102	190	96	184
Gain on disposal of property, plant and equipment	86	16	86	16
Sale of scrap materials	390	145	262	91
Miscellaneous income	42	84	31	76
	620	435	475	367

6. (LOSS)/PROFIT FROM OPERATIONS

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

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Allowance for inventory obsolescence	1,835	172	1,778	172
Allowance for doubtful trade receivables	181	404	181	404
Depreciation of property, plant and equipment (Note 11)	5,356	3,515	3,584	2,365
Inventories recognised as an expense in cost of sales (Note 13)	60,852	55,431	57,534	56,817
Legal and other professional fees	419	236	399	231
Loss on disposal of property, plant and equipment	–	178	–	–
Loss on foreign exchange	3,085	666	2,813	562
Operating lease expenses	1,207	1,139	803	792
Plant and equipment written off	1	2	1	–
Staff costs (Note 7)	20,404	20,010	16,702	17,328

Notes to the Financial Statements (cont'd)

31 December 2008

7. STAFF COSTS

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Staff costs				
– Salaries and bonuses	16,680	17,104	13,781	15,001
– Central Provident Fund and other pension contributions	2,121	1,553	1,513	1,132
– Other short-term benefits	1,603	1,353	1,408	1,195
	20,404	20,010	16,702	17,328

8. FINANCE COSTS

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Interest expense on:				
– Bank borrowings and overdrafts	1,093	1,116	1,093	1,116
– Obligations under finance leases	272	240	272	239
	1,365	1,356	1,365	1,355

9. INCOME TAX (CREDIT)/EXPENSE

The major components of income tax (credit)/expense for the financial years ended 31 December 2008 and 2007 are:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Income statement:				
– Current income tax	–	397	–	397
– (Over)/under provision in respect of prior years ⁽¹⁾	–	(207)	–	(207)
Deferred income tax				
– Reversal of temporary differences	(361)	321	(450)	289
– Under provision in respect of prior years	–	69	–	68
– Effect of reduction in tax rate	–	(100)	–	(99)
Income tax (credits)/expense	(361)	480	(450)	448

⁽¹⁾ The Company was granted two Investment Allowance Certificates (Certificates) under the Economic Expansion Incentives (Relief from Income Tax) Act by the Economic Development Board (EDB) effective from 1 January 2002 (Certificate Number A2456) and 15 May 1999 (Certificate Number A2273), for a qualifying period of 4 and 5 years, respectively. The Investment Allowances (IA) are 30% of the approved fixed capital expenditure, subject to a maximum IA of \$1,726,500. To qualify for the IA, the Company is required to meet certain terms and conditions stated in the Certificates. The conditions under Certificate A2273 have been met. In connection with Certificate A2456, one of the conditions is that the Company needs to incur at least \$3,844,000 of the approved capital expenditure by the end of the qualifying period. This condition has not been met at the end of the qualifying period. Accordingly, IA claimed in prior years were written back during the financial year ended 31 December 2006.

On 26 December 2007, the Company was granted a waiver from EDB for the aforementioned condition stated in the Certificate.

Based on the revised Certificate No. A2456, the Company is allowed to claim IA on the revised approved capital expenditure of \$4,805,000 incurred in the period of 4 years from 1 January 2002, subject to a maximum IA of \$1,441,500.

The amount incurred by the Company on qualifying fixed assets was \$3,991,000. This resulted in a reduction to the Company's tax expense of \$207,000.

Notes to the Financial Statements (cont'd)

31 December 2008

9. TAX EXPENSE (cont'd)

The reconciliation between the tax (credit)/expense and the product of accounting (loss)/profit multiplied by the applicable tax rate for the years ended 31 December 2008 and 2007 are as follows:

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(Loss)/profit before income tax	(6,278)	4,534	(7,980)	3,959
Tax at the domestic rates applicable to profits in the countries where the Group operates ⁽¹⁾	(871)	879	(1,436)	713
<i>Adjustments:</i>				
Non-deductible expenses	40	66	40	15
Effects of reduction in tax rates	-	(100)	-	(99)
Reduction in tax due to Development and Expansion Incentive ⁽²⁾	-	(103)	-	(103)
Tax exemption ⁽³⁾	(576)	(112)	-	-
Income not subject to tax ⁽⁴⁾	-	(73)	-	-
(Over)/under provision of tax in respect of prior years	-	(138)	-	(139)
Deferred tax assets not recognised	940	-	929	-
Withholding tax on undistributed profit	89	-	-	-
Others	17	61	17	61
Income tax (credit)/expense	(361)	480	(450)	448

Notes:

- (1) This is prepared by aggregating separate reconciliations for each national jurisdiction.
- (2) In September 2006, the Company was granted the Development and Expansion Incentive (DEI). With the incentive, the Company enjoys a concessionary tax rate of 10% on its qualifying income for a period of 6 + 1 years commencing 1 November 2005. To qualify for the DEI, the Company is required to meet certain terms and conditions.
- (3) The subsidiary in the People's Republic of China, ETLA Technology (Wuxi) Co., Ltd. being established as a wholly foreign-owned enterprise in the financial year ended 31 December 2006, enjoys full exemption from Enterprise Income Tax (EIT) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year.
- (4) There is no taxation charge for ETLA Technology (M) Sdn. Bhd., a wholly owned subsidiary for the financial year ended 31 December 2008, as the company has opted for Pioneer Status under Section 4A of the Promotion of Investments Act 1986, effective from 3 February 2006. With the Pioneer Status, the company is eligible to an exemption from tax on 70% of its statutory income derived from business sources. The Pioneer Status expires on 3 February 2011 and subject to approval of the relevant authorities, it may be extended for another five years.

Notes to the Financial Statements (cont'd)

31 December 2008

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the financial year attributable to the ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2008	2007
	\$'000	\$'000
(Loss)/earnings for the purposes of basic (loss)/earnings per share	(5,917)	4,054
	No. of shares	
	2008	2007
	'000	'000
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	140,691	114,455

No diluted earnings per share is presented as there are no potential dilutive shares.

Notes to the Financial Statements (cont'd)

31 December 2008

11. PROPERTY, PLANT AND EQUIPMENT

Group	At cost								Total \$'000		
	At valuation	Leasehold factory building \$'000	Office equipment \$'000	Air conditioners \$'000	Plant, machinery and equipment \$'000	Computer \$'000	Installation \$'000	Renovation \$'000		Motor vehicles \$'000	Construction- in-progress \$'000
Cost/valuation											
As at 1 January 2007		7,663	360	419	15,159	1,049	441	289	474	4,320	30,174
Additions		-	168	43	11,002	500	96	469	51	1,956	14,285
Disposals		-	(29)	(25)	(1,872)	(21)	(40)	(37)	(24)	-	(2,048)
Written off		-	-*	-	-	(2)	-	-	-	-	(2)
Translation difference		-	(3)	(4)	(186)	(2)	(2)	(1)	(2)	-	(200)
Reclassification		6,276	-	-	-	-	-	-	-	(6,276)	-
As at 31 December 2007 and 1 January 2008		13,939	496	433	24,103	1,524	495	720	499	-	42,209
Additions		212	33	26	2,921	262	103	115	-	6,497	10,169
Disposals		-	-*	-	(534)	-	(2)	-	(111)	-	(647)
Written off		-	-	-	(217)	(38)	(34)	(47)	-	-	(336)
Translation difference		-	8	4	188	1	(2)	84	4	-	287
Reclassification		-	(46)	-	46	-	-	-	-	-	-
As at 31 December 2008		14,151	491	463	26,507	1,749	560	872	392	6,497	51,682
Accumulated depreciation											
As at 1 January 2007		600	147	125	3,793	505	221	134	333	-	5,658
Charge for the year		192	101	73	2,450	402	78	169	50	-	3,515
Disposals		-	(5)	(5)	(1,101)	(8)	(9)	(8)	(3)	-	(1,139)
Written off		-	-*	-	-	-*	-	-	-	-	-*
Translation difference		-	(2)	(1)	(32)	(1)	-*	(3)	-*	-	(39)
As at 31 December 2007 and 1 January 2008		792	241	192	5,110	898	290	292	380	-	8,195
Charge for the year		255	90	79	4,081	437	89	242	52	31	5,356
Disposals		-	-*	-	(317)	-*	(1)	-	(111)	-	(429)
Written off		-	-	-	(217)	(38)	(34)	(47)	-	-	(336)
Translation difference		-	2	3	46	2	-*	42	1	-	96
As at 31 December 2008		1,047	333	274	8,703	1,299	344	529	322	31	12,882
Net book value											
As at 31 December 2007		13,147	255	241	18,993	626	205	428	119	-	34,014
As at 31 December 2008		13,104	158	189	17,804	450	216	343	70	6,466	38,800

Notes to the Financial Statements (cont'd)

31 December 2008

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	At cost										
	At valuation	Leasehold factory building \$'000	Office equipment \$'000	Air conditioners \$'000	Plant, machinery and equipment \$'000	Computer \$'000	Installation \$'000	Renovation \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
Company											
Cost/valuation											
As at 1 January 2007	7,663	249	284	284	9,667	974	395	245	423	4,320	24,220
Additions	-	71	14	14	7,732	386	66	194	-	1,956	10,419
Disposals	-	-	-	-	(2,205)	-	(2)	-	-	-	(2,207)
Reclassification	6,276	-	-	-	-	-	-	-	-	(6,276)	-
As at 31 December 2007 and 1 January 2008	13,939	320	298	298	15,194	1,360	459	439	423	-	32,432
Additions	212	1	5	5	2,086	161	87	104	-	-	2,656
Disposals	-	(1)	-	-	(1,210)	-	(2)	-	(111)	-	(1,324)
Written off	-	-	-	-	(217)	(38)	(34)	(47)	-	-	(336)
Reclassification	-	(46)	-	-	46	-	-	-	-	-	-
As at 31 December 2008	14,151	274	303	303	15,899	1,483	510	496	312	-	33,428
Accumulated depreciation											
As at 1 January 2007	600	137	117	117	3,318	492	213	125	326	-	5,328
Charge for the year	192	62	37	37	1,543	361	72	62	36	-	2,365
Disposals	-	-	-	-	(966)	-	*	-	-	-	(966)
As at 31 December 2007 and 1 January 2008	792	199	154	154	3,895	853	285	187	362	-	6,727
Charge for the year	255	39	37	37	2,710	361	80	73	29	-	3,584
Disposals	-	(1)	-	-	(625)	-	(1)	-	(111)	-	(638)
Written off	-	-	-	-	(217)	(38)	(34)	(47)	-	-	(336)
As at 31 December 2008	1,047	237	191	191	5,863	1,176	330	213	280	-	9,337
Net book value											
As at 31 December 2007	13,147	121	144	144	11,299	507	174	252	61	-	25,705
As at 31 December 2008	13,104	37	112	112	10,036	307	180	283	32	-	24,091

* Less than \$1,000.

Notes to the Financial Statements (cont'd)

31 December 2008

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Revaluation of leasehold factory buildings

Leasehold factory buildings are revalued at the balance sheet date by accredited independent valuers every 5 years. The last valuation was performed by HBA Group Consultants Pte Ltd on 27 November 2008. Fair value was determined by reference to open market value on an existing use basis.

If the buildings were measured using the cost model, the carrying amount would be as follows:

	Group and Company	
	2008	2007
	\$'000	\$'000
Cost	13,109	12,897
Accumulated depreciation	(810)	(593)
	12,299	12,304

Assets held under finance leases

During the financial year, the Group acquired plant and equipment with an aggregate cost of \$366,000 (2007: \$5,010,000) by means of financial leases. The cash outflow on acquisition of property, plant and equipment amounted to \$9,803,000 (2007: \$9,275,000). The net book value of plant, machinery and equipment of the Group and the Company held under finance leases as at 31 December 2008 was \$7,358,000 and \$6,928,000 (2007: \$8,898,000 and \$8,359,000).

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

Assets pledged as security

In addition to assets held under finance leases, the leasehold factory buildings of the Company with a carrying amount of \$13,104,000 (2007: \$13,147,000) are pledged to a bank to secure banking facilities granted to the Company (Note 20).

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2008	2007
	\$'000	\$'000
Shares, at cost	7,959	7,645

Notes to the Financial Statements (cont'd)

31 December 2008

12. INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest		Cost of investment by the Company	
			2008	2007	2008	2007
			%	%	\$'000	\$'000
Eng Tic Lee Achieve (M) Sdn. Bhd. ⁽¹⁾ ("ETLA (M)")	Malaysia	Dormant	100	100	139	139
ETLA Technology (M) Sdn. Bhd. ⁽²⁾ ("ETLA Tech")	Malaysia	Production of precision machining parts	100	100	129	129
ETLA Technology (Wuxi) Co., Ltd. ^{(3) (4)} ("ETLA Wuxi")	People's Republic of China	Production of precision machining and sheet metal parts and assembly and integration of equipment	100	100	7,691	7,377
					7,959	7,645

(1) The Company is under member's voluntary winding-up. The financial statements are not audited.

(2) Audited by Ernst & Young LLP, Kuala Lumpur.

(3) ETLA Technology (Wuxi) Co., Ltd. has a registered capital of USD5,000,000. The Company has completed the capital contribution of approximately USD1,600,000 (\$2,487,000) in cash and USD3,400,000 (\$5,204,000) in fixed assets to the subsidiary's registered capital. As at 31 December 2008, there was no outstanding capital contribution.

(4) Audited by Wuxi Dazhong Certified Public Accountant Co., Ltd.

13. INVENTORIES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Balance sheet:				
Raw materials	10,251	7,759	10,051	7,629
Work-in-progress	3,211	7,875	2,740	7,569
Finished goods	4,140	2,757	3,250	2,245
Goods-in-transit	1,215	494	1,215	453
Allowance for inventory obsolescence	(551)	(172)	(494)	(172)
	18,266	18,713	16,762	17,724
Income statement:				
Inventories recognised as an expense in cost of sales	60,852	55,431	57,534	56,817

Notes to the Financial Statements (cont'd)

31 December 2008

13. INVENTORIES (cont'd)

Movement in allowance for inventory obsolescence during the financial year was as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At the beginning of the financial year	172	–	172	–
Allowance for the financial year	1,835	172	1,778	172
Write off against allowance	(1,456)	–	(1,456)	–
At the end of the financial year	551	172	494	172

14. TRADE RECEIVABLES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	17,754	16,785	14,366	14,880
Allowance for doubtful trade receivables	(613)	(432)	(613)	(432)
	17,141	16,353	13,753	14,448

Trade receivables

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

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to \$6,491,000 (2007: \$5,081,000) and \$3,776,000 (2007: \$4,946,000) 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		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables past due:				
Less than 30 days	3,693	2,461	2,549	2,371
30 – 60 days	1,615	1,958	930	1,917
61 – 90 days	646	291	141	287
91 – 120 days	458	219	77	219
More than 120 days	79	152	79	152
	6,491	5,081	3,776	4,946

Notes to the Financial Statements (cont'd)

31 December 2008

14. TRADE RECEIVABLES (cont'd)

Receivables that are impaired

The Group's and Company'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 and Company	
	2008	2007
	\$'000	\$'000
Trade receivables – nominal amounts	613	494
Allowance for impairment	(613)	(432)
	<u>–</u>	<u>62</u>
At the beginning of the financial year	432	28
Allowance for the financial year	181	404
At the end of the financial year	<u>613</u>	<u>432</u>

15. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Tax recoverable	7	125	–	117
Other receivables	–	25	–	17
Deposits	548	511	209	165
Advances made to suppliers	179	543	76	510
	<u>734</u>	<u>1,204</u>	<u>285</u>	<u>809</u>

16. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The trade amounts due from/(to) subsidiaries are non-interest bearing and are generally on 30 to 90 days' terms.

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable upon demand.

Notes to the Financial Statements (cont'd)

31 December 2008

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at banks and in hand	7,792	5,839	4,142	4,572
Short term deposits	-	4,384	-	4,384
	7,792	10,223	4,142	8,956

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

For the purpose of consolidated cash flow statement, cash and cash equivalents comprise the following:

	Group	
	2008	2007
	\$'000	\$'000
Cash and short term deposits	7,792	10,223
Bank overdraft (Note 20)	(832)	(593)
	6,960	9,630

18. TRADE PAYABLES

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

19. OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Other payables	46	437	142	163
Accrued expenses	4,880	6,017	3,986	5,473
	4,926	6,454	4,128	5,636

Other payables are non-interest bearing and have an average term of 60 days.

Notes to the Financial Statements (cont'd)

31 December 2008

20. BANK BORROWINGS (EXCLUDING FINANCE LEASE OBLIGATIONS)

	Maturity	Group and Company	
		2008	2007
		\$'000	\$'000
Current:			
Bank overdraft ⁽¹⁾	On demand	832	593
Bills payable ⁽²⁾	2009	12,250	6,304
Short-term loans ⁽³⁾	2009	6,517	1,000
Term loans ⁽⁴⁾	Various	1,444	1,394
		21,043	9,291
Non-current:			
Term loans ⁽⁴⁾	Various	7,508	8,977

⁽¹⁾ Bank overdraft is denominated in SGD, bear interest at SIBOR+1.5% per annum and is unsecured.

⁽²⁾ Bills payable are due within 1 to 6 months. The effective interest rates on bills payable ranged between 2.47% and 6.42% (2007: 4% and 5.37%) per annum.

⁽³⁾ Short-term loans are due within 3 to 12 months. The effective interest rates on the short-term loans ranged between 2.38% and 4.70% (2007: 4.32% and 5.01%) per annum.

⁽⁴⁾ Term loans consist of the following:

Term loan of \$1,524,000 (2007: \$2,256,000)

As at the balance sheet date, \$752,000 (2007: \$715,000) is current and \$772,000 (2007: 1,541,000) is non-current. This loan bears fixed interest at 5.1% per annum, and is fully repayable on 30 November 2010.

Term loan of \$484,000 (2007: \$648,000)

As at the balance sheet date, \$169,000 (2007: \$161,000) is current and \$315,000 (2007: \$487,000) is non-current. This term loan bears fixed interest at 5.1% per annum, and is repayable over 48 equal monthly instalments commencing in January 2008.

Term loan of \$3,863,000 (2007: \$4,073,000)

As at the balance sheet date, \$204,000 (2007: \$208,000) is current and \$3,659,000 (2007: \$3,865,000) is non-current. This term loan was repayable over 180 equal monthly instalments commencing in January 2007. Effective interest rate on the loan is 4.5% (2007: 4.5%) per annum. This interest rate will be the Enterprise Financing Rate ("EFR") in subsequent periods till its maturity. This facility is secured by a first legal mortgage over the Company's leasehold property at 2 Changi North Street 2, Changi North Industrial Estate, Singapore 498808.

Term loan of \$3,081,000 (2007: \$3,394,000)

As at the balance sheet date, \$319,000 (2007: \$310,000) is current and \$2,762,000 (2007: \$3,084,000) is non-current. This term loan is repayable over 120 monthly instalments commencing from December 2007. Effective interest rate on the loan is 4.75% (2007: 4.28%). This interest rate will be the EFR in subsequent calendar years till its maturity. This facility is secured by a first legal mortgage over the Company's leasehold property at 1 Changi North Street 2, Changi North Industrial Estate, Singapore 498808.

The Company is required to comply with certain financial covenants in respect of certain bank borrowings. The Company has complied with all the financial covenants except for one, which waiver has been obtained from the lender for the non-compliance. The Company is required to obtain waiver at each reporting of the half yearly and full year result, if financial covenants are breached.

Notes to the Financial Statements (cont'd)

31 December 2008

21. FINANCE LEASE OBLIGATIONS

The Group and the Company has finance leases for machineries. These obligations are secured by a charge over the leased assets (Note 11).

The lease periods range from 3 to 4 years (2007: 3 to 4 years) with options to purchase at the end of the lease terms. The average discount rates implicit in the leases range from 4.46% to 5.0% (2007: 4.46% to 7.72%) per annum. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

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

	Group			
	Minimum lease payments 2008 \$'000	Present value of payments 2008 \$'000	Minimum lease payments 2007 \$'000	Present value of payments 2007 \$'000
Not later than one year	2,270	2,108	2,662	2,403
Later than one year but not later than five years	2,511	2,418	4,460	4,229
Total minimum lease payments	4,781	4,526	7,122	6,632
Amount representing finance charges	(255)	-	(490)	-
Present value of minimum lease payments	4,526	4,526	6,632	6,632

	Company			
	Minimum lease payments 2008 \$'000	Present value of payments 2008 \$'000	Minimum lease payments 2007 \$'000	Present value of payments 2007 \$'000
Not later than one year	2,270	2,108	2,662	2,403
Later than one year but not later than five years	2,511	2,418	4,460	4,229
Total minimum lease payments	4,781	4,526	7,122	6,632
Amount representing finance charges	(255)	-	(490)	-
Present value of minimum lease payments	4,526	4,526	6,632	6,632

Notes to the Financial Statements (cont'd)

31 December 2008

22. DEFERRED TAX

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deferred tax liabilities				
Revaluation of leasehold factory building of the Company	120	120	120	120
Excess of net book value over tax written down value of property, plant and equipment	1,450	1,367	1,339	1,250
Undistributed earnings of a subsidiary company	89	–	–	–
Other items	32	13	32	13
	1,691	1,500	1,491	1,383
Deferred tax assets				
Unutilised tax losses	(571)	–	(571)	–
Provision for unutilised leave	(54)	(67)	(54)	(67)
	(625)	(67)	(625)	(67)
Net deferred tax liabilities	1,066	1,433	866	1,316

23. SHARE CAPITAL

	Number of shares 2008 '000	Company	
		Number of shares 2007 '000	2007 \$'000
At the beginning of the financial year	140,691	25,200	9,444
Upon sub-division of each ordinary share into 20 shares	–	–	–
Issue of 38,000,000 new ordinary shares pursuant to the public offering of the Company less issue expenses	–	–	15,756
At the end of the financial year	140,691	25,200	25,200

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 restrictions.

24. REVALUATION RESERVE

This amount relates to the revaluation surplus, net of associated deferred tax liability, arising from the revaluation of the Group and Company's leasehold factory building at 1 Changi North Street 2, Changi North Industrial Estate, Singapore 498808. The revaluation reserve records increases in the fair value of the leasehold factory building and decreases to the extent that such decrease relates to an increase of the same asset previously recognised in equity. This revaluation reserve is not available for dividend distribution.

Notes to the Financial Statements (cont'd)

31 December 2008

25. TRANSLATION RESERVE

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

26. COMMITMENTS

(a) Operating lease commitments

The Group has entered into various operating lease agreements in respect of rental of office premises, factory space and office equipment. These leases have remaining lease terms of between 1 and 2 years, except for the lease of the land for its factory buildings which have a lease term of 60 years. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Lease payments recognised as an expense in the income statement for the financial year ended 31 December 2008 amounted to \$1,207,000 (2007: \$1,139,000).

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

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Not later than one year	285	589	172	172
Later than one year but not later than five years	634	759	634	653
Later than five years	6,034	6,185	6,034	6,185
	6,953	7,533	6,840	7,010

(b) Capital commitments

Capital expenditure contracted for as at 31 December but not recognised in the financial statements is as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
In respect of property, plant and equipment	1,909	2,582	1,909	209
In respect of construction in progress for factory building	3,418	-	-	-
	5,327	2,582	1,909	209

Notes to the Financial Statements (cont'd)

31 December 2008

27. RELATED PARTY TRANSACTIONS

(a) *Sale 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 Company and related parties took place on terms agreed between the parties during the financial year:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Sale of finished goods to subsidiaries	-	-	2,435	637
Purchase of goods from subsidiaries	-	-	2,673	3,384
Purchase of travelling services from a related party	197	191	197	191
Purchase of consumables from a related party	25	30	25	30

(b) *Compensation of key management personnel*

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Salaries and bonuses	1,770	1,554	1,590	1,465
Central Provident Fund contributions and other pension contributions	96	87	96	84
Other short-term benefits	185	177	185	157
	2,051	1,818	1,871	1,706

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Comprise amounts paid to:				
- Directors of the Company	903	993	903	901
- Other key management personnel	1,148	825	968	805
	2,051	1,818	1,871	1,706

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial instruments whose carrying amount approximate fair value

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

Notes to the Financial Statements (cont'd)

31 December 2008

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Financial instruments carried at other than fair value

Set out below is a comparison by category of the carrying amounts and fair values of all of the Group's and Company's financial instruments that are carried in the financial statements at other than fair values as at 31 December.

	Group and Company			
	Carrying amount		Fair value	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Financial liabilities: (Non-current)				
Finance lease obligations	2,418	4,229	2,418	4,220
Term loan	1,087	2,029	1,070	2,029

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of borrowing or leasing agreements at the balance sheet date.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, finance leases and cash. The main purpose of these financial instruments is to finance 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 financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to changes in interest rates relates primarily to its investment portfolio in fixed deposits and its bank borrowings and leasing arrangements. The Group does not use derivative financial instruments to hedge its investment portfolio. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

At the balance sheet date, approximately 22% (2007: 41%) of the Group's borrowings are at fixed rates of interest. The remaining financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months from the balance sheet date.

As at the balance sheet date, if SGD interest rate had been 20 (2007: 20) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been \$38,000 (2007: \$15,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating loans & borrowings.

Notes to the Financial Statements (cont'd)

31 December 2008

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) *Foreign currency risk*

The Group has transactional currency exposures. Such exposure arises from sales and purchases by an operating unit in currencies other than the respective functional currencies of Group entities, primarily SGD, Malaysian Ringgit (Ringgit) and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly US Dollars (USD). Approximately 83% (2007: 82%) of the Group's sales are denominated in foreign currencies, whilst almost 60% (2007: 60%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. As at balance sheet date, such foreign currency balances (mainly in USD) amounted to \$6,239,000 (2007: \$8,782,000) and \$3,452,000 (2007: \$7,515,000) for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investment in foreign operations in Malaysia and The People's Republic of China ("PRC"). The Group's net investments in Malaysia and PRC are not hedged as currency positions in Ringgit and RMB are considered to be long term in nature.

The Group has not entered into any forward contract or engaged in any hedging activities as at the financial year 31 December 2008.

The following table demonstrates the sensitivity to a reasonable possible change in USD, RMB, RM, Euro and JPY exchange rates (against SGD), with all other variables held constant, of the Group's loss net of tax and equity.

	Group	
	Loss net of tax 2008 \$'000	Profit net of tax 2007 \$'000
USD – strengthened 3%	449	524
– weakened 3%	(449)	(524)
RMB – strengthened 3%	57	22
– weakened 3%	(57)	(22)
RM – strengthened 3%	(1)	7
– weakened 3%	1	(7)
Euro – strengthened 3%	23	67
– weakened 3%	(23)	(67)
JPY – strengthened 3%	3	(14)
– weakened 3%	(3)	14

Notes to the Financial Statements (cont'd)

31 December 2008

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) *Credit risk*

Credit risk is the risk of loss that mainly arises on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other receivables (including related parties balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector 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:

	2008		2007	
	\$'000	% of total	\$'000	% of total
By Country:				
Singapore	13,753	80%	14,448	89%
The People's Republic of China	2,987	17%	1,548	9%
Malaysia	401	3%	357	2%
	17,141	100%	16,353	100%
By Industry Sectors:				
Data storage	9,246	54%	9,043	56%
Semiconductor	1,556	9%	3,448	21%
Medical/Pharmaceutical	2,311	13%	1,050	6%
Electronic/Industrial Machinery	2,498	15%	–	–
Others	1,530	9%	2,812	17%
	17,141	100%	16,353	100%

At the balance sheet date, approximately 66% (2007: 43%) of the Group's trade receivables were due from 3 major customers who are multi-national corporations.

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 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 Note 14 (trade receivables).

Notes to the Financial Statements (cont'd)

31 December 2008

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group. Short-term funding may be obtained from short-term loans where necessary.

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

	2008			2007				
	1 year or less \$'000	1 – 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 – 5 years \$'000	Over 5 Years \$'000	Total \$'000
Group								
Trade and other payables	14,146	-	-	14,146	14,454	-	-	14,454
Bank borrowings	21,485	4,600	5,002	31,087	9,781	5,624	5,865	21,270
Finance lease	2,270	2,511	-	4,781	2,662	4,460	-	7,122
	37,901	7,111	5,002	50,014	26,897	10,084	5,865	42,846
Company								
Trade and other payables	12,213	-	-	12,213	12,785	-	-	12,785
Bank borrowings	21,485	4,600	5,002	31,087	9,781	5,624	5,865	21,270
Finance lease	2,270	2,511	-	4,781	2,662	4,460	-	7,122
	35,968	7,111	5,002	48,081	25,228	10,084	5,865	41,177

Notes to the Financial Statements (cont'd)

31 December 2008

30. 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. No changes were made to the objectives, policies or processes during the financial years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	Group	
	2008	2007
	\$'000	\$'000
Bank borrowings and finance lease obligations (Notes 20 and 21)	33,077	24,900
Trade and other payables (Notes 18 and 19)	14,146	14,454
Cash and bank balances (Note 17)	(7,792)	(10,223)
Net debt	39,431	29,131
Total capital	34,512	39,989
Capital and net debt	73,943	69,120
Gearing ratio	53%	42%

31. SEGMENT INFORMATION

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risk and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic segment that offers different products and serves different markets.

Business segments

The 5 main business segments of the Group are:

Data storage – mainly serves customers who manufacture hard disk drive and hard disk drive assembly equipment.

Semiconductor – mainly serves customers who manufacture semiconductor and related equipment.

Medical/Pharmaceutical – mainly serves customers who manufacture pharmaceutical and medical equipment.

Electronic/Industrial Machinery – mainly serves customers who manufacture industrial machinery and tools and electronic products.

Others – mainly serves customers who manufacture any industrial related products which does not fall into the above-mentioned 4 business segments.

Segment accounting policies are the same as the policies described in Note 2.

Notes to the Financial Statements (cont'd)

31 December 2008

31. SEGMENT INFORMATION (cont'd)

Geographical segment

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments, are based on the geographical location of its customers.

Allocation basis

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise other receivables, deposit, prepayments, trade and other payables, bank borrowings and tax payable and deferred tax liabilities.

There are no inter-business segment sales.

(a) Business segments

- (i) The following table presents revenue and results information regarding the Group's business segments for the financial years ended 31 December 2008 and 2007.

There are no inter-segment sales within the Group.

	Data storage \$'000	Semi- conductor \$'000	Medical/ Pharma- ceutical \$'000	Electronic/ Industrial Machinery \$'000	Others \$'000	Group \$'000
2008						
Revenue						
Sales to external customers	45,460	8,947	9,849	10,378	5,033	79,667
Segment results	5,363	1,423	236	1,702	996	9,720
Unallocated other income						620
Unallocated expenses						(15,253)
Finance costs						(1,365)
Loss before income tax						(6,278)
Income tax credit						361
Loss for the financial year						(5,917)
2007						
Revenue						
Sales to external customers	45,089	16,831	7,501	7,674	3,278	80,373
Segment result	8,962	3,619	1,065	2,057	945	16,648
Unallocated other income						435
Unallocated expenses						(11,193)
Finance costs						(1,356)
Profit before income tax						4,534
Income tax expense						(480)
Profit for the financial year						4,054

Notes to the Financial Statements (cont'd)

31 December 2008

31. SEGMENT INFORMATION (cont'd)

(a) *Business segments (cont'd)*

(ii) The following table presents assets, liabilities and other segment information regarding the Group's business segments for the financial years ended 31 December 2008 and 2007.

	Data storage	Semi- conductor	Medical/ Pharma- ceutical	Electronic/ Industrial Machinery	Others	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2008						
Assets and liabilities						
Segment assets	9,246	1,556	2,311	2,498	1,530	17,141
Unallocated assets						65,660
Total assets						82,801
Unallocated liabilities						48,289
Other segment information						
Unallocated capital expenditure						10,619
Depreciation expense: – unallocated						5,356
2007						
Assets and liabilities						
Segment assets	9,043	3,241	1,956	1,238	875	16,353
Unallocated assets						64,423
Total assets						80,776
Unallocated liabilities						40,787
Other information						
Unallocated capital expenditure						14,285
Depreciation expense: – unallocated						3,515

Notes to the Financial Statements (cont'd)

31 December 2008

31. SEGMENT INFORMATION (cont'd)

(b) *Geographical segments*

The following table presents revenue, capital expenditure and certain assets information regarding the Group's geographical segments as at and for the financial years ended 31 December 2008 and 2007.

	Singapore		Malaysia		The People's Republic of China		Elimination		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue:										
Sales to external customers	64,230	74,224	1,767	1,595	13,670	4,554	-	-	79,667	80,373
Inter-segment sales	2,436	638	2,361	1,848	312	1,536	(5,109)	(4,022)	-	-
Segment revenue	66,666	74,862	4,128	3,443	13,982	6,090	(5,109)	(4,022)	79,667	80,373
Other segment information:										
Segment assets	70,243	71,436	11,886	4,762	12,405	8,929	(11,733)	(4,351)	82,801	80,776
Investment in subsidiaries	7,959	7,645	-	-	-	-	(7,959)	(7,645)	-	-
Total assets	78,202	79,081	11,886	4,762	12,405	8,929	(19,692)	(11,996)	82,801	80,776
Capital expenditure	2,656	10,419	7,647	2,004	341	2,810	(475)	(948)	10,169	14,285

Notes to the Financial Statements (cont'd)

31 December 2008

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

	Group	As
	As restated	previously
	\$'000	disclosed
		\$'000
Business segments:		
Revenue		
Semiconductor	16,831	17,260
Medical/Pharmaceutical	7,501	6,668
Electronic/Industrial Machinery	7,674	–
Others	3,278	11,356
Segment result		
Semiconductor	3,619	3,702
Medical/Pharmaceutical	1,065	946
Electronic/Industrial Machinery	2,057	–
Others	945	3,038
Segment assets		
Semiconductor	3,241	3,448
Medical/Pharmaceutical	1,956	1,050
Electronic/Industrial Machinery	1,238	–
Others	875	3,212

33. SUBSEQUENT EVENT

In January 2009, the Singapore Government announced the 2009 Budget with a "Resilience Package", which provides a number of measures to cushion the impact of the slowing Singapore economy. The Group will benefit largely from two key Budget measures, namely the reduction in corporate tax rate from 18% to 17% and the job credit scheme.

The Group's deferred tax provision has been computed on the year end prevailing tax rate of 18%. Applying the reduced tax rate of 17% would result in an approximately S\$48,000 reduction in deferred tax liability.

34. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 6 March 2009.

Statistics of Shareholdings

as at 27 February 2009

SHARE CAPITAL

Issued and Fully Paid-up Capital	:	\$25,200,000
Class of shares	:	Ordinary shares
Number of shares	:	140,691,100

ANALYSIS OF SHAREHOLDERS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	4	0.24	1,000	–
1,000 – 10,000	1,127	68.64	4,457,000	3.17
10,001 – 1,000,000	488	29.72	37,155,660	26.41
1,000,001 and above	23	1.40	99,077,440	70.42
Total	1,642	100.00	140,691,100	100.00

Based on the information available and to the best knowledge of the Directors and substantial shareholders of the Company, approximately 55.6% of the issued share capital of the Company was held in the hand of publics as at 27 February 2009. Accordingly, the Company has complied with Rule 723 of the Singapore Exchange Listing Manual.

TWENTY LARGEST SHAREHOLDERS AS AT 27 FEBRUARY 2009

	SHAREHOLDER'S NAME	NO. OF SHARES	%
1	DERRICK TAN LAI HENG	32,111,640	22.82
2	RICKY LEE TIAM NAM	11,501,300	8.17
3	UHLMANN SINGAPORE LLP	7,000,000	4.98
4	PLE INVESTMENTS PTE LTD	6,219,080	4.42
5	FRANCES YAP YOCK RAN	6,000,000	4.26
6	LEE PENG GUAN	4,268,580	3.03
7	KOH MOI ENG	4,243,700	3.02
8	LEE KIM BOCK	2,820,000	2.00
9	LEE CHING ANN	2,501,420	1.78
10	NG WAI YUEN JULIAN	2,185,720	1.55
11	MARTIN LOW KONG SIANG	2,092,860	1.49
12	SIA CHYE SENG	2,031,000	1.44
13	CHAN YEOK PHENG	1,988,000	1.41
14	TAN MING CHING	1,898,000	1.35
15	HO CHIN PANG	1,806,540	1.28
16	CIMB-GK SECURITIES PTE. LTD.	1,555,000	1.11
17	BARRY SIM MONG HUAT	1,500,000	1.07
18	LEONG KWOK CHOON	1,400,000	1.00
19	DBS NOMINEES PTE LTD	1,261,000	0.90
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,242,000	0.88
	Total	95,625,840	67.96

Statistics of Shareholdings (cont'd)

as at 27 February 2009

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest	% of Shares	Deemed Interest	% of Shares
1. Derrick Tan Lai Heng ⁽¹⁾	32,111,640	22.82	6,000,000	4.26
2. Ricky Lee Tiam Nam	11,501,300	8.17	–	–
3. Frances Yap Yock Ran ⁽¹⁾	6,000,000	4.26	32,111,640	22.82

Notes:

- (1) Frances Yap is the spouse of Derrick Tan. Pursuant to Section 164(15) of the Companies Act, Derrick Tan is deemed interested in the shares in which Frances Yap is interested.

Notice of Annual General Meeting

ETLA LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 199202325G)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162, on 9 April 2009 at 3 p.m. (or as soon thereafter following the conclusion or adjournment of the Extraordinary General Meeting of the Company to be held at 1.30 p.m. on the same day and at the same place) to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2008 and the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**
2. To approve the Directors' fees of S\$150,000 for the financial year ending 31 December 2009 (31 December 2008: S\$150,000). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Articles of Association:-

Mr Gerald Mah Kah On **(Resolution 3)**

Ms Frances Yap Yock Ran **(Resolution 4)**

Mr Gerald Mah Kah On will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee respectively, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To re-appoint Messrs Ernst & Young LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

5. **Authority to allot and issue shares**
 - (a) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
 - (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

Notice of Annual General Meeting (cont'd)

- (b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

- (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;
- a) new shares arising from the conversion or exercise of convertible securities, or
- b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and
- c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

(Resolution 6)

(See Explanatory Note 1)

6. Authority to grant options and to issue shares under ETLA Limited Share Option Scheme

"That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the ETLA Limited Share Option Scheme (the "Scheme"), and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen (15) per cent of the total number of issued shares excluding treasury shares of the Company from time to time, as determined in accordance with the provisions of the Scheme."

(Resolution 7)

(See Explanatory Note 2)

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

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

17 March 2009



Notice of Annual General Meetings (cont'd)

Notes:

- 1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.
- 2) A proxy need not be a member of the Company.
- 3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- 4) The instrument appointing a proxy must be deposited at the registered office of the Company at 1 Changi North Street 2, Changi North Industrial Estate, Singapore 498808 not later than 48 hours before the time appointed for the Meeting.

Explanatory Notes:-

1. The ordinary resolution in item no. 5 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of total number of issued shares excluding treasury shares of the Company, of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
2. The ordinary resolution proposed in item 6 above, if passed, will empower the Directors of the Company to offer and grant options under the ETLA Limited Share Option Scheme and to allot and issue shares pursuant to the exercise of such options under the ETLA Limited Share Option Scheme not exceeding fifteen (15) per cent of the total number of issued shares excluding treasury shares of the Company from time to time.

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ETLA LIMITED

Registration Number: 199202325G
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy ETLA Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent 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.

*I/We _____ of _____

being *a member/members of ETLA Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

--	--	--	--

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162 on 9 April 2009 at 3 p.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2008 and the Directors' Report and Auditors' Report thereon.		
2.	To approve the Directors' fees of S\$150,000 for the financial year ending 31 December 2009.		
3.	To re-elect Mr Gerald Mah Kah On pursuant to Article 89 of the Company's Articles of Association.		
4.	To re-elect Ms Frances Yap Yock Ran pursuant to Article 89 of the Company's Articles of Association.		
5.	To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
7.	To authorise Directors to grant options and to issue shares under ETLA Limited Share Option Scheme.		

Dated this _____ day of _____ 2009

Total Number of Shares Held

Signature(s) of Member(s)/Common Seal

* Delete accordingly

IMPORTANT. Please read notes overleaf

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 1 Changi North Street 2, Changi North Industrial Estate, Singapore 498808 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

AFFIX
STAMP

The Company Secretary
ETLA LIMITED
1 Changi North Street 2
Changi North Industrial Estate
Singapore 498808



ETLA Limited

Company Registration No : 199202325G

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