Memtech International Ltd.

# POISED FOR GROWTH

ANNUAL REPORT 2017

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# CORPORATE PROFILE

**MEMTECH IS A GLOBAL COMPONENTS SOLUTION PROVIDER WORKING WITH OUR PARTNERS IN THE BUSINESS OF AUTOMOTIVE COMPONENTS, INDUSTRIAL & MEDICAL, MOBILE COMMUNICATIONS AND CONSUMER DIGITAL DEVICES.**

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

Memtech's customers include major automotive suppliers Continental, Hella, Magna, and Kostal. We are also providing solutions to leading electric vehicle companies including Tesla and Nio ; leading manufacturers including Foxconn and Celestica, along with re-knowned brands such as Amazon, Beats, Netgear and Roku are also our long-term customers.

## AUTOMOTIVE

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

## INDUSTRIAL & MEDICAL

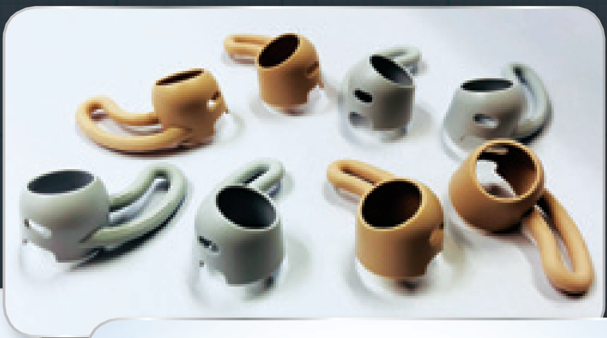
Memtech understands the needs & requirements of different businesses and helps our customers to develop innovative products in various niche Industrial and Medical areas.

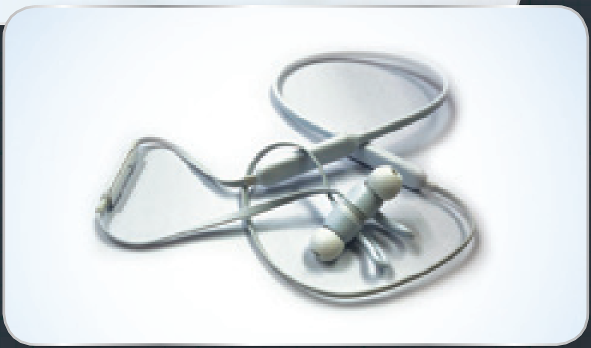
## MOBILE COMMUNICATIONS

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

## CONSUMER DIGITALS

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





**CHUANG WEN FU**
*Executive Chairman*

**"Looking ahead, we remain relentless in our pursuit to further automate our processes to ensure sustainable margin improvements in the future and defend our competitive edge for the long term.**

**Across all of our four business segments, we have unique growth strategies in place to enhance long-term shareholder value. Our focus will be on the continued development of diversifying and growing our customer base to include additional multinational blue-chip customers."**

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Memtech International Limited ("Memtech" or "the Group"), I am pleased to present you with our annual report for the financial year ended 31 December 2017 ("FY2017").

### REVIEW OF 2017

Driven by technological innovation and strong demand, the global market for electronics experienced tremendous improvements. This growth was further fueled by favourable economic tailwinds in the form of low inflationary pressure and interest rates coupled with a recovery in demand for manufacturing. While we saw marked improvements in our Consumer Electronics segment, we were encouraged by the strong performance of our Automotive segment which continues to gain traction.

Over the course of the last eight years, we had three years where the Group incurred losses in the first half of the year. Seasonally, the first half of the year is also relatively weaker in the industries we operate in. We have made conscientious efforts to mitigate the impact from seasonality through various business development initiatives. This has translated to improve financial performance where in the first half 2017, we set new records in terms of revenue and profitability - backed also by the gains from the disposal of land at our Huzhou plant. The foundation we laid in the first half of the year set the tone for a strong finish for our FY2017 results. Our revenue increased 6.9% year-on-year ("yoy") to a record US$170.0 million driven by growth across our Automotive, Consumer Electronics and Industrial & Medical segments. Additionally, our improvements to operational efficiency and a shift in product mix to producing higher margin and complex products drove gross profit margin expansion from 16.0% to 18.2% as gross profit surged 21.8% yoy to US$30.9 million. Furthermore, while the automotive industry as a whole remained subdued in terms of growth, the contribution of our Automotive segment to our total revenue increased from 43.8% to 46.8%.

Our three production facilities are located in close proximity to key customers in China: Dongguan, Nantong and Kunshan. Across our manufacturing locations, we continued to face headwinds in the form of labour shortages which led to difficulties in the recruitment of workers. Furthermore, rising utility costs and costs associated with logistics continued to weigh down on our operations. Coupled with uncertain macroeconomic conditions and rising trade protectionism across developing countries, these business headwinds are not unique to us alone, but ongoing throughout the manufacturing landscape in China. We continue to remain vigilant of the challenges that may lie ahead.

Increasingly, the business landscape has become more competitive as a result of consolidation. Combined with factors such as rising labour costs and pricing pressure from customers, our drive for earnings quality this past year was focused primarily on boosting our productivity through automation and improvements to operational efficiency. Looking ahead, we remain relentless in our pursuit to further automate our processes to ensure sustainable margin improvements in the future and defend our competitive edge for the long term.

## OUTLOOK FOR 2018

In a world where Artificial intelligence and the Internet of Things has transformed the manufacturing landscape, our internal motto for the year ahead is, "Break the rules, master the future". In this light, we will continue our use of high-end precision engineering technologies and continued R&D initiatives. All the while we will remain conscious of stricter environmental controls as we adhere to our goal of being socially responsible in our activities.

Across all of our four business segments, we have unique growth strategies in place to enhance long-term shareholder value. Our focus will be on the continued development of diversifying and growing our customer base to include additional multinational blue-chip customers. We will continue to leverage on our unique capabilities to win new projects as value adding to our customers through complex engineering design and material science capabilities has been the cornerstone of our recent success.

In terms of assessing our financial position, we adopt a prudent and conservative approach as a resilient balance sheet is necessary to mitigate any potential minsky moments that may occur in the future.

## DIVIDENDS

To reward shareholders for their continued support and with confidence in our future, the Board has proposed a final dividend of 5.5 Singapore cents per share (2016: 2.5 Singapore cents per share) to be approved at our upcoming annual general meeting.

## ACKNOWLEDGMENTS

On behalf of the Board, I hereby express my heartfelt thanks to our valued shareholders for their unwavering support over the past financial year.

I would also like to thank our clients, suppliers and business partners for their long-term support. Your confidence in Memtech has motivated us to face any challenge without fear.

Lastly, I would like to thank the Directors, management and all staff of Memtech for their hard work and dedication this past year. We look forward to a better year together in 2018!

**CHUANG WEN FU**

*Executive Chairman*
*April 2018*

# 主席致辞

庄文甫
董事主席

“万德公司新年度的内部管理Logo，“打破陈规、开创未来”（Break the rules, Master the future），是我们面对AI & IOT结成的世界新趋势，所应对的基本精神。

我们对2018年度的业务与利润的成长是有信心的，虽然面对种种挑战，万德的团队当会全力去克服，不能辜负投资股东的期待。”

敬爱的股东们：

我谨代表万德国际公司的董事会，向您汇报集团在2017年的业绩报告与新年度的展望。

回顾2017年：

全球经济在低通膨、低利率、稳成长的大环境下，全球电子产品市场也因为科技的创新进步而突飞猛进，消费性3C电子产品稳健成长及汽车配件市场也维持了平稳的状态。

回顾以往的八个经营年度，有三个年度在上半年是发生亏损的，这也是我们所处产业在上半年的需求往往是较低的，一直是我们较为担心，而在全力寻求对策的。所幸在我们的努力下2017年的上半年销售金额及获利，都取得了同期的历史新高（包括出售湖州厂的土地收入在内）。这也为全年的业绩，奠定良好的基础。全年营销达1亿7千万美元，年增加6.9%，毛利率也是由16%提升到18.2%较合理的水平，取得年比21.8%的成长。我们全力汲汲而营的汽车配件市场，虽然受到全球与中国大陆汽车销售量均微量成长的状况下，万德仍在我们产品销售版图结构中由43.8%，略升到46.8%的比例，值得欣慰。

我们三个生产中心，东莞、南通、昆山都位处中国大陆，众所周知，严重的劳力短缺，招工困难以及持续上升的工资，原物料、能源、运输成本等，形成的压力更为严峻，加上动荡不安的朝鲜半岛地缘政治、中美之间可能的贸易战争等因素，都是我们必须随时关注而努力不懈，要去面对任何的突发事件。

一年来，面对同业间的购併行动，竞争者越併越强大的这种市场竞争新形势，以及劳力和其他成本高涨的压力，生产自动化与流程效率化二项提升工程是十分重要的，因此仍需要适量的资本投入，来产生竞争力。

## 展望2018年：

万德公司新年度的内部管理Logo，“打破陈规、开创未来”（Break the rules, Master the future），是我们面对AI & IOT结成的世界新趋势，所应对的基本精神。

我们的市场，已经明确的定位为“工业与医疗”“汽车配件”“消费性电子”“通讯”四大产业领域，策略上也会逐步往大客户靠拢，当然也会面对跟以往不同的新挑战：

- 高端技术的需求
- 更精密设备的需求
- 先进研发能力的需求
- 更严格的环保要求
- 更多的社会责任担当

这些都需要资源的注入和加大日常管理的力度，为公司长远的发展，必须负责任的去承担，力求完善。因为以万德现有的规模和能力，没有更多国际级客户的大订单，是难予再跨越成长的。

中国央行总裁周小川，提出可能发生的“明斯基时刻”（Minsky Moment）警语，我们牢记在心。所以维持良好的公司财务状态，乃是我们不变的工作要项。这一向是万德管理层，对财务管理，未雨绸缪，维持保守严谨的原因。

我们对2018年度的业务与利润的成长是有信心的，虽然面对种种挑战，万德的团队当会全力去克服，不能辜负投资股东的期待。

## 股息：

董事们建议派发每股5.5分一次过股息（2016年为2.5分）。一次过股息如在来临的股东大会表决通过，将于2018年5月18日支付。

## 衷心感谢：

我谨代表集团全体董事和同仁，向我们的股东致以万分感谢。

也要感谢我们的客户、供应商和生意伙伴长期以来的支持，你们对万德的信心，是我们面对困难不产生恐惧的动力。

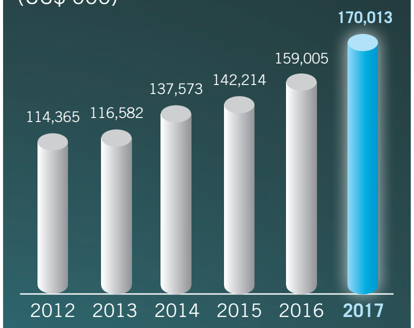
最后，我要感谢万德董事、管理层和全体员工，一年来的辛劳和付出。

让我们一起在2018年展望美好的未来！

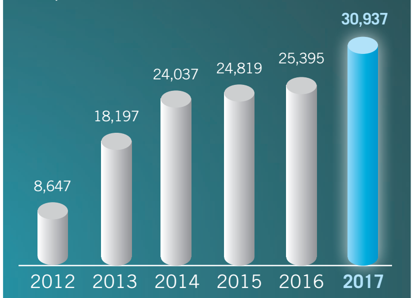
董事主席
庄文甫
*2018年4月*

# FINANCIAL HIGHLIGHTS

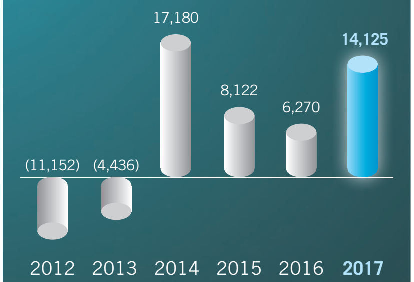
## REVENUE
(US$'000)



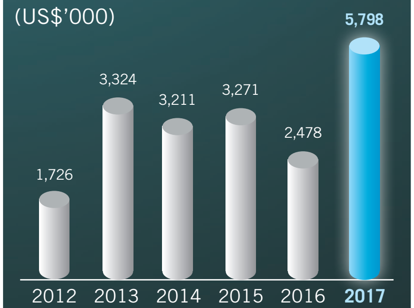

## GROSS PROFIT
(US$'000)




## NET PROFIT AFTER TAX
(US$'000)




## DIVIDEND PAID
(US$'000)



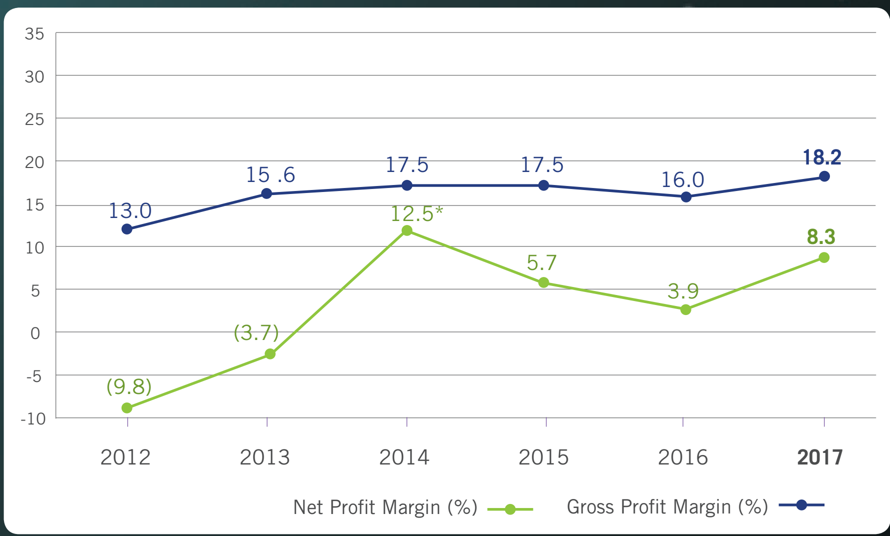

## FINANCIAL POSITION (US$'000)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| Total Shareholders Equity | 110,461 | 109,783 | 112,126 | 112,138 | 110,642 | **126,992** |
| Total Assets | 143,738 | 147,251 | 152,900 | 151,428 | 165,733 | **187,418** |
| Total Liabilities | 33,277 | 37,468 | 40,774 | 39,049 | 54,900 | **60,100** |
| Net Current Assets | 67,475 | 71,416 | 71,609 | 74,496 | 78,214 | **90,900** |
| Cash and Cash Equivalents | 34,912 | 37,094 | 32,433 | 26,767 | 27,353 | **34,896** |
| Debt to Equity Ratio % | 4.5% | 4.0% | 3.0% | 2.0% | 4.1% | **3.8%** |

## FINANCIAL INDICATORS

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| Return on Shareholders Equity | (10.0%) | (3.5%) | 15.3% | 7.2% | 5.7% | **11.1%** |
| Earnings Per Share (EPS) | (1.6) | (0.5) | 2.4 | 1.2 | 4.5* | **10.0** |
| Price-Earnings Ratio | (4.0) | (11.2) | 3.1 | 8.0 | 10.1 | **8.0** |
| Dividend Paid USD '000s | 1,726 | 3,324 | 3,211 | 3,271 | 2,478 | **5,798** |
| Dividend Paid Per Share S$ cents | 0.3 | 0.6 | 0.6 | 0.66 | 2.5* | **5.5** |
| Dividend Payout Ratio | (15.5%) | (87.4%) | 18.7% | 40.3% | 39.5% | **41.0%** |
| Market Capitalisation SG$'000 | 54,587 | 53,650 | 70,592 | 91,573 | 88,755 | **150,743** |

## PROFIT MARGIN ANALYSIS




* On 7 January 2016, the Company completed a share consolidation exercise ("Share Consolidation")in which every five (5) existing ordinary share were consolidated into one (1) ordinary share. Beforethe Share Consolidation, the issued share capital of the Company comprised of 720,000,000 ordinary shares. After the Share Consolidation, the issued share capital of the Company comprised 143,999,998ordinary shares, after disregarding fractional entitlements.

# GROUP STRUCTURE

## MR CHUANG WEN FU

**Mr Chuang Wen Fu** is our Executive Chairman. He was appointed to the Board on 27 November 2003. With more than 25 years of experience in the keypad industry, Mr Chuang is the key driver of the Group's strategies, and is responsible for the overall management and operations of our Group. His experience in the keypad industry stretches back to 1982 when he was overseeing San Teh Limited's entire keypad operations. Under his leadership, San Teh grew to become one of the leading keypad manufacturers with more than 5,000 employees. He retired as Managing Director in 1999 but still serves on the Board of San Teh. Mr Chuang holds a diploma in Science (Survey engineering) from Tamkang College of Arts and Science (now known as Tamkang University), Taiwan.

## MR GU CHENG HUA

**Mr Gu Cheng Hua** is our Executive Director since 2004 and was appointed as the CEO of the group company on 1 April 2016. Mr Gu has over 20 years of experience in the keypad manufacturing industry and is responsible for overseeing the entire operation of business unit in Nantong, including both manufacturing and marketing activities. He holds a Bachelor of Science (Mathematics and Physics) degree from Southeast University in the People's Republic of China.

## MR YAP CHIN KUAN

**Mr Yap Chin Kuan** is our Executive Director and President of Dongguan Memtech Electronic Products Co., Ltd. Mr Yap was appointed to the Board on 27 November 2003. He has over 20 years of experience in the keypad manufacturing industry, of which more than 15 years were spent in the People's Republic of China. Mr. Yap is responsible for overseeing the entire operation of business unit in Dongguan, including both manufacturing and marketing activities. His experience covers all aspects of keypad manufacturing, from production, marketing operations, factory operations to overseas expansion.

## MR TEOW JOO HWA

**Mr Teow Joo Hwa** is our Executive Director and President of Taitech Precision Electronic (Kunshan) Co., Ltd. Mr Teow was appointed as a Director of the Company on 26 February 2005. Mr. Teow is responsible for overseeing the entire operation of business unit in Kunshan, including both manufacturing and marketing activities A graduate in Mechanical Engineering from National Taiwan University and armed with over 20 years of experience, Mr Teow has a strong background in precision mechanical engineering and designing machine tools

## MR CHUANG TZE-MON

**Mr Chuang Tze-Mon** is our Executive Director & Vice-President for Corporate Strategy. He joined the company in 2004 and was appointed to the board on 11 May 2015. At present, Mr Chuang leads the business development initiatives for the Group's European and North American customers. In addition, Mr Chuang oversees the Group's investor relations activities encompassing investor road shows, briefings and media engagements. Mr Chuang has over 15 years of experience covering product management, project management, operations and sales. Mr. Chuang holds a bachelor of Commerce degree from University of Melbourne (Australia) and a MBA from Shanghai Antai College of Economies & Management, Jiaotong University(PRC).

## MR CHUA KENG HIANG

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

## MR TEO KIANG KOK

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

## MR TENG CHEONG KWEE

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

# KEY MANAGEMENT

**MR KOH KOK BOON** is the Chief Marketing Officer for the group. He oversees the consolidated sales operation for all our product-lines, and heads the business development strategies of the Group. Mr Koh joined Memtech in August 2003 and has a total of 20 years experience working in Singapore, Malaysia, Taiwan and PRC, with a background in Tooling Design & Manufacturing.

**MR ZHANG LIUQING** is our Group Financial Controller. Mr. Zhang is responsible for the financial stewardship of our Group. Mr. Zhang graduated from Nanjing Agricultural University, major in Accounting and Auditing. He has been with the Group since the establishment of the company and has worked in our Dongguan, Nantong and Kunshan facilities before being appointed as our Financial Controller in FY2016. He has more than 21 years of professional experience in finance and accounting related role.

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

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

**MR HENG NGEE BOON, STEVEN** is the vice president of plastic division of Kunshan Plant. He has more than 20 years of experience in the Keypad and Plastic manufacturing industry, of which more than 15 years were spent in PRC and Malaysia. Mr Heng joined us in 2004.

**MR WANG JIAN** is the General Manager of our Nantong Plant. He oversees the entire operations of our Nantong Plant. Prior to joining the Group in 2003, Mr Wang had more than 20 years of experience in the keypad industry in Singapore and PRC. Mr Wang graduated with a Bachelor of Science (Mechanical Engineering) degree from the Hehai University, PRC. He also holds an Executive MBA from Guanghua School of Management, Peking University, PRC.

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

## ASIA

### PRC

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## GLOBAL CONTACT

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# CORPORATE INFORMATION

### BOARD OF DIRECTORS

Chuang Wen Fu *(Executive Chairman)*
Gu Cheng Hua *(Executive Director)*
Yap Chin Kuan *(Executive Director)*
Teow Joo Hwa *(Executive Director)*
Chuang Tze-Mon *(Executive Director)*
Chua Keng Hiang *(Lead Independent Director)*
Teo Kiang Kok *(Independent Director)*
Teng Cheong Kwee *(Independent Director)*

### AUDIT COMMITTEE

Chua Keng Hiang *(Chairman)*
Teo Kiang Kok
Teng Cheong Kwee

### NOMINATING COMMITTEE

Teng Cheong Kwee *(Chairman)*
Chuang Wen Fu
Chua Keng Hiang

### REMUNERATION COMMITTEE

Teo Kiang Kok *(Chairman)*
Chua Keng Hiang
Teng Cheong Kwee

### COMPANY SECRETARY

Teo Chin Kee, ACIS

### REGISTERED OFFICE

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

### COMPANY REGISTRATION NUMBER

200312032Z

### REGISTRAR AND SHARE TRANSFER OFFICE

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112 Robinson Road #05-01
Singapore 068902

### INVESTOR RELATIONS

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James Bywater
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The House of Eden Singapore 048543
Fax: +65 6438 0064
Tel: +65 6438 2990
Email: memtech@financialpr.com.sg

### AUDITORS

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

### BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank
DBS Bank Limited
Oversea-Chinese Banking Corporation Limited
Dongguan Rural Commercial Bank
Bank of China
Mega International Commercial Bank
Kunshan Rural Commercial Bank
OCBC Wing Hang Bank Limited
Citibank
Bank of Nanjing
China Citic Bank

# CORPORATE GOVERNANCE AND FINANCIAL REPORT


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## Code of Corporate Governance

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

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

## BOARD MATTERS

### 1 Board's Conduct of its Affairs

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

1.2 To facilitate the discharge of its responsibilities, the Board has established three Board Committees, namely Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also reviewed annually.

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

1.4 The frequency of the meetings of the Board and Committees, as well as the frequency of the Directors' attendance at such meetings during the financial year ended 31 December 2017 are as follows:

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

Column a: Number of meetings held while as a member
Column b: Number of meetings attended

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

1.6 To facilitate operational efficiency, the Group has delegated certain authority and set out the delegated authorisations and approval limits applicable to each level of the Group and Management for specified transactions and corporate activities, as well as transactions that require Board approval. The Approving Limits of Authority is reviewed regularly by the Board. The Board's approval is required for key matters, including corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisition or disposal of assets, major corporate policies on key areas of operations, acceptance of significant bank facilities, release of Group results and material interested person transactions.

1.7 The Board comprises directors who collectively possess the relevant core competencies and diversity of experience that would enable them to contribute to the Board's effectiveness. The Company will consider appropriate training programs for directors to meet their relevant training needs, and encourages directors to attend relevant training courses at the Company's expense. Arrangements have been made for new directors to visit our factories and facilities and to be given briefings on operations to enable them to gain a better understanding of the Group's business. In addition, directors were invited to participate in our annual internal budget and strategy discussions. During the year, the Company had also arranged for industry expert to speak to directors and Company executives on industry trends and developments. Information on changes and developments in relevant market regulations and accounting standards would also be circulated to all directors for reference. Each Director, at his appointment, is given a formal letter setting out his duties and obligations, and terms of his appointment.

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

## 2 Board Composition and Balance

2.1 The Board comprises eight directors, namely, Mr. Chuang Wen Fu (Executive Chairman), Mr. Gu Cheng Hua (Chief Executive Officer), Mr. Yap Chin Kuan (Executive), Mr. Teow Joo Hwa (Executive), Mr. Chuang Tze Mon (Executive), Mr. Chua Keng Hiang (Independent, Non-Executive), Mr. Teo Kiang Kok (Independent, Non-Executive) and Mr. Teng Cheong Kwee (Independent, Non-Executive). Mr Chua has been appointed the Lead Independent Director. There are no alternate directors appointed to the Board.

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

2.3 Guideline 2.2 of the Code provides that Independent Directors should make up at least half of the Board in the situation where the Chairman of the Board is part of the Management team. The Company's current Board composition does not meet this requirement. The Board is of the view that with three Independent Directors, representing more than one-third of the Board, and with each of the three Board Committees being chaired by an Independent Director, there is a sufficiently strong independent element on the Board that upholds good corporate governance and facilitate the exercise of independent and objective judgment on the Board. The Board is of the view that the size and composition of the current board, taking into account the proportion of Independent Directors and the experience and core competencies of the directors, is appropriate for the Group given its current scope and scale of business, and its current stage of development. Nevertheless, the NC and the Board will keep this matter under regular review, and will make such changes as are necessary to further enhance the standard of corporate governance. The NC has also ascertained that for the year under review, the Directors have devoted sufficient time and attention to the Group's affairs.

### 3 Chairman and Chief Executive Officer

3.1 The Chairman of the Company, Mr. Chuang Wen Fu, exercises full executive responsibilities over the management and major operational decisions of the Group. He is responsible for the overall stewardship of the Group while the day-to-day operations are run by the executive directors and top management of the Group. As part of the Group's succession planning, the Board had appointed Mr. Gu Cheng Hua as the Group Chief Executive Officer ("CEO") with effect from 1 April 2016, while Mr. Chuang Wen Fu will remain as the Group Executive Chairman. Mr Chuang is responsible for the overall stewardship of the Group, while Mr Gu is responsible for the day-to-day operations with the help of executive directors and other key management staff.

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

3.3 The responsibilities of the Chairman include the following:

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

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

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

### 4 Board Membership

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

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

4.3 The NC's principal functions are to:

- regularly review the Board structure, size and composition and make recommendations to the Board on any changes that the NC deems necessary;
- review and nominate candidates for appointment as directors for the approval of the Board;
- determine annually, and as and when circumstances require, the independence of each Director and ensure that the Board comprises at least one-third independent Directors;
- propose a framework for the evaluation of Board and committee effectiveness and individual director's contribution to Board effectiveness, and carry out such evaluation; and
- review and recommend to the Board, the training and professional development programs for the Directors.

4.4 When the need to appoint a new member to the Board arises, such as to fill a vacancy or to augment the Board, the NC, in consultation with the Board, evaluates and determines the selection criteria and identifies potential candidates, whether proposed by the Management or the Directors or identified through the NC's network of contacts or through engagement of an external professional search firm. The NC will meet or conduct telephone interviews with the proposed candidates to assess suitability, taking into consideration the qualification and experience of the candidates against the selection criteria and their ability to contribute to the effectiveness of the Board. Thereafter, the NC will decide on the candidate for nomination to the Board for approval and appointment as a Director.

4.5 In assessing the independence of the non-executive independent Directors, namely Mr. Chua Keng Hiang, Mr. Teo Kiang Kok and Mr. Teng Cheong Kwee (collectively "NEIDs"), the NC noted that, although the NEIDs have all served more than 9 years on the Board, it is of the view that their length of tenure has not impacted their independence. In arriving at this view, the NC noted that in the course of their NEIDs' discharge of their responsibilities as Directors:

- the NEIDs had participated actively and provided objective, rational and constructive views to the Board and management on matters put before the Board and the Board committees;

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

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

The NC is of the view that the NEIDs' experience and knowledge of the Group's business, combined with their external business and professional experience, enable them to provide effective solutions and make constructive contributions to the Board and management discussions in the interest of the Company and its shareholders as a whole.

All the NEIDs have provided written confirmation of their independence in accordance with the Code.

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

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

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

4.7 In accordance with the Company's Constitution, Messrs Teow Joo Hwa, Teng Cheong Kwee and Chuang Wen Fu will retire by rotation and they have indicated their willingness to seek re-election at the forthcoming Annual General Meeting ("AGM"). Following a review, the NC has recommended to the Board to nominate them for re-election at the AGM.

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

| Director | Date of Appointment | Date of last election | Due for re-election |
|---|---|---|---|
| Chuang Wen Fu (Chairman) | 27/11/2003 | 28/4/2016 | 25/4/2018 |
| Yap Chin Kuan | 27/11/2003 | 27/4/2017 | |
| Gu Cheng Hua | 1/4/2004 | 28/4/2016 | |
| Teow Joo Hwa | 26/2/2005 | 29/4/2015 | 25/4/2018 |
| Chuang Tze Mon | 11/5/2015 | 28/4/2016 | |
| Chua Keng Hiang | 6/6/2004 | 27/4/2017 | |
| Teo Kiang Kok | 6/6/2004 | 27/4/2017 | |
| Teng Cheong Kwee | 6/6/2004 | 28/4/2016 | 25/4/2018 |

### 5 Board Performance

5.1 The NC is also tasked with the responsibility of monitoring and evaluating Board performance. On the recommendation of the NC, the Board has adopted a framework for evaluating the performance and effectiveness of the Board and its Committees, and the performance of each Board member. The framework entails collective discussion of formal evaluation of Board performance carried out by individual director completing a Questionnaire. The questionnaire seeks to assess the Board's performance in key areas, such as the size and composition of the Board, the Board's access to information, accountability, Board processes, discharge of its principal responsibilities, communication with stakeholders and standard of conduct of the Directors. The NC has also incorporated a performance review framework for assessing the effectiveness of each of the Board Committees, as well as a self-assessment by each individual Director. For the financial year just ended, the NC carried out an assessment of the performance and effectiveness of the Board and its Committees, and the performance of each Director, and the findings were presented and discussed at an NC meeting with participation from all directors.

### 6 Access to Information

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

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

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

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

## REMUNERATION MATTERS

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

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

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

7.3 The RC's principal functions are to:

- review and recommend to the Board in consultation with the Management and the Chairman of the Board, a framework for the remuneration of executive directors and key management and to determine the specific remuneration packages and terms of employment for each of the executive directors and those managers who are related to the executive directors and controlling shareholders of the Group; and

- review and recommend to the Board in consultation with the Management and the Chairman of the Board, any grant or award under any share option scheme or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

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

- all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered;

- the remuneration packages should be comparable within the industry and with comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures for assessing individual executive director's performance; and

- the remuneration packages of managers related to executive directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

7.5 Executive Directors do not receive directors' fees for the financial year ended 31 December 2017. A significant portion of their remuneration package is variable, tied to the performance of the individual and the Group. Non-Executive Directors are paid directors' fees, subject to shareholders' approval at the AGM. A breakdown showing the level and mix of each individual Director's remuneration paid and payable for the financial year ended 31 December 2017 is as follows:

| | Remuneration | | | | |
|---|---|---|---|---|---|
| | Fee[1] | Basic | Variable | Benefits in kind | Total |
| | % | % | % | % | % |
| *Above S$500,000* | | | | | |
| Chuang Wen Fu | – | 45 | 50 | 5 | 100 |
| Gu Cheng Hua | – | 33 | 61 | 6 | 100 |
| Teow Joo Hwa | – | 41 | 55 | 4 | 100 |
| *S$250,000 to S$499,999* | | | | | |
| Yap Chin Kuan | – | 75 | 17 | 8 | 100 |
| *Below S$250,000* | | | | | |
| Chuang Tze Mon | | 73 | 18 | 9 | 100 |
| Chua Keng Hiang | 100 | – | – | – | 100 |
| Teo Kiang Kok | 100 | – | – | – | 100 |
| Teng Cheong Kwee | 100 | – | – | – | 100 |

1 These fees are subject to approval by shareholders at the AGM for the financial year ended 31 December 2017.

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

| | 2017 | 2016 |
|---|---|---|
| Above S$500,000 | 3 | – |
| S$250,000 to S$499,999 | 1 | 4 |
| Below S$250,000 | 4 | 4 |
| | 8 | 8 |

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

| | Salaries<br>% | Bonus<br>% | Benefits in kind<br>% | Total<br>% |
|---|---|---|---|---|
| *S$250,000 to S$499,999* | | | | |
| Heng Ngee Boon | 41 | 55 | 4 | 100 |
| Wang Jian | 36 | 60 | 4 | 100 |
| *Below S$250,000* | | | | |
| Bai Yi Song | 70 | 22 | 8 | 100 |
| Koh Kok Boon | 62 | 29 | 9 | 100 |
| Jung Kil Ho | 83 | 12 | 5 | 100 |

7.7 The Board is of the view that it would not be in the best interest of the Group to disclose the exact remuneration of each individual director and the aggregate remuneration of the top five executives (who are not also directors of the Company) as such disclosure may affect the Group's ability to motivate and retain staff, and for competitive reasons given the competitive environment and limited talent pool.

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

| | Salaries<br>% | Bonus<br>% | Benefits in kind<br>% | Total<br>% |
|---|---|---|---|---|
| *S$100,000-S$150,000* | | | | |
| Chuang Tze Mon<br>(Son of Executive Chairman Mr. Chuang Wen Fu) | 73 | 18 | 9 | 100 |

7.9 The Company has no share option plans. Accordingly, no share option has been granted to the above Directors and Executive Officers.

## ACCOUNTABILITY AND AUDIT

### 8. Accountability

8.1 The Board is accountable to shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with statutory reporting requirements. We have adopted quarterly reporting as required by the rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Financial results and annual reports will be announced or issued within prescribed periods.

**9. Risk Management and Internal Controls**

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

9.2 The AC met periodically to perform the following functions:

- review the audit plans of our Company's external auditors;
- review external auditors' reports;
- review the co-operation given by our officers to the external auditors and our internal auditors where applicable;
- review the plan and reports of the internal auditors;
- review with management the adequacy and effectiveness of the Company's internal controls and risk management systems;
- review the financial statements of our Company and the Group and draft earnings release before their submission to the Board;
- review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual;
- review interested person transactions;
- review the independence of external auditors annually; and
- review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

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

9.4 The AC has full access to and received full co-operation of the management. The external auditors and internal auditors have unrestricted access to the AC.

9.5 For the financial year under review, the audit fee payable to the external auditors is S$218,000. The amount of non-audit fee payable to the external auditors is approximately S$5,500. This is in relation to tax services provided to the Company and its subsidiaries.

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

9.7 During the financial year, the AC had one meeting with the external and internal auditors, without the presence of Management, to review and discuss key issues raised.

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

9.9 The Board is responsible for the overall risk management and internal control framework, but acknowledges that no cost-effective risk management and internal controls system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. In designing these controls, the Directors consider the risks to which the business is exposed, the likelihood of the risks occurring, and the cost of implementing the controls.

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

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

9.12 The Company has outsourced its internal audit functions and has appointed a professional firm, KPMG Services Pte. Ltd, as the IA. The role of the IA is to assist the AC to check that the controls are adequate and effective, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The IA reviews the effectiveness of key internal controls, including financial, operational and compliance controls for selected scope of review annually, as approved by the AC. Procedures are in place for the IA to report independently on their findings and recommendations to the AC for review. The IA has unfettered access to all the Company's documents, records, properties and personal, including access to the AC. The Management will update the AC on the status of the remedial action plans. The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience. The AC reviews the adequacy and effectiveness of the internal audit function of the Company annually.

9.13 During the financial year, KPMG Services Pte Ltd carried out internal audit on several key areas of operations of one of the Group's principal subsidiaries, namely Dongguan Memtech Electronic Products Co. Ltd. The findings and recommendations from the internal audit were presented to the AC. The AC reviewed the findings and the measures taken by the Management to address any weaknesses in the internal control procedures and practices.

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

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

9.16 For FY2017, the Board has received written assurance from the CEO and Group Financial Controller that:

- the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2017 give a true and fair view of the Group's operations and finances; and

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

The CEO and Group Financial Controller have obtained similar assurance from the general managers of the various business units in the Group.

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

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

**10. Communication with Shareholders**

10.1 The Company discloses its Group financial performance and position, and prospects on a quarterly basis via announcements to the SGX-ST. The Company also sends its annual reports to all shareholders in advance of the Annual General Meeting to be held each year.

10.2 The Company does not practice selective disclosure. While the Company may, from time to time, meet with groups of investors or analysts to promote understanding of the Company's business and operations, the Board is fully cognizant of the requirement to ensure fair disclosure of material price sensitive information. Such information is always first released publicly through the SGXNET. Financial results and annual reports are announced or issued within the stipulated periods and are available on the Company's website.

10.3 The Chairman, executive directors and Group Financial Controller maintain communication with investors on a regular basis and attend to their queries. All shareholders of the Company receive the annual report and notice of the AGM. The notice is also advertised in the newspapers. At the forthcoming AGM, shareholders will have the opportunity to air their views and raise questions to the directors and the Management regarding the Company. Directors, external auditors and the company secretary will be present at the AGM. The external auditors will be available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report. Voting at general meetings of shareholders are conducted by poll thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The Company Secretary prepares minutes of general meetings. These minutes are available to shareholders upon their request.

10.4 The Company has adopted a dividend policy of paying annual dividends, including interim dividends, of not less than 30% of the audited consolidated net profit of the year, subject to the Group's retained earnings, financial position, cash flow, capital expenditure requirements, future expansion, investment plans, and other relevant factors.

**Internal Code on Dealings with Securities**

11.1 An internal code on dealing in securities of the Company has been issued to directors and officers setting out the requirements for avoidance of insider trading. The Company and its officers are not allowed to deal in the Company's shares during the period commencing at least two weeks before the announcement of the Company's Q1, Q2 and Q3 results or one month before the announcement of year end results, and ending one day after the date of the announcement of the results. Further, the officers of the Company should not deal in the Company's securities on short-term considerations.

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

**Material Contracts**

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

**Interested Party Transactions ("IPT")**

13.1 The Board and the AC meet quarterly to review if the Group enters into any IPT, and ensure that the rules under Chapter 9 of the SGX-ST Listing Manual are complied with. During the financial year, no transaction amounting to more than S$100,000 was conducted with an interested person (as set out in the SGX-ST Listing Manual).

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Memtech International Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

## Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended at that date, and

(b) 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.

## Directors

The Directors of the Company in office at the date of this statement are:

Chuang Wen Fu
Gu Cheng Hua
Yap Chin Kuan
Teow Joo Hwa
Chuang Tze Mon
Chua Keng Hiang
Teo Kiang Kok
Teng Cheong Kwee

## Arrangements to enable Directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## 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, Chapter 50 (the "Act"), an interest in shares of the Company as stated below:

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| Name of Director | At the beginning of financial year | At the end of financial year | At the beginning of financial year | At the end of financial year |
| **The Company** | | | | |
| **Memtech International Ltd.** | | | | |
| **(Ordinary shares)** | | | | |
| Chuang Wen Fu | 5,542,800 | 5,542,800 | – | – |
| Gu Cheng Hua | 1,445,800 | 1,445,800 | – | – |
| Yap Chin Kuan | 400,000 | 400,000 | 592,000 | 592,000 |
| Teow Joo Hwa | 70,000 | 70,000 | 278,940 | 73,440 |
| Chuang Tze Mon | 3,983,200 | 3,983,200 | – | – |
| Chua Keng Hiang | 1,200,000 | 1,200,000 | – | – |
| Teng Cheong Kwee | 20,000 | 20,000 | – | – |

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed in this statement, 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.

## Share Options

There is presently no option scheme on unissued share of the Company.

## Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

### Audit Committee (cont'd)

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual.

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

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

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

### Auditor

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

On behalf of the Board of Directors:

Chuang Wen Fu
Director

Yap Chin Kuan
Director

29 March 2018

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Memtech International Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**Key Audit Matters (cont'd)**

**1) Allowance for doubtful trade receivables**

As at 31 December 2017, the Group's trade receivable balances represent about 38% of the Group's total assets.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by the respective local management. The determination as to whether trade receivable is collectable involves management judgement and estimates. As such, we determined that this is a key audit matter.

Management considered the age of the outstanding balances, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers in estimating allowance for doubtful debts.

Our audit procedures included, but not limited to the following procedures. We assessed the Group's processes relating to the monitoring of trade receivables and reviewed aging of receivables to identify collection risks. We requested trade receivable confirmations, reviewed management's reconciliation of confirmation replies, where applicable, and obtained evidence of receipts from selected customers subsequent to financial year end. We assessed management's assumptions used in assessing adequacy of allowance for doubtful debts amount through review of specific debtors' payment history and management's assessment of credit risk of these debtors. We also assessed the adequacy of the Group's disclosures of trade receivables and the related risks such as credit risk and liquidity risk in Notes 17 and 32 to the financial statements.

**2) Allowance for obsolete inventories**

As at 31 December 2017, the Group's total inventories amounted to $24.6mil, representing 17% of the total current assets of the Group. As at December 2017, the Group has recorded allowance for obsolete inventories of $2.6mil. The allowance for obsolete inventories relates mainly to raw materials and finished goods.

The Group is exposed to risk of obsolete inventories. Significant judgement is required for the estimation of allowance for obsolete inventories. As such, we determined that this is a key audit matter. Such estimation is subject to factors such as future market demand, pricing competition and technological advances.

Our audit procedures included, but not limited to the following procedures. We attended and observed management's inventory counts at selected inventory locations and observed management's process to identify obsolete inventories. We tested the accuracy of the inventory ageing report. We evaluated management's analyses and assessments on the net realisable values of obsolete inventories and their expected usage. This includes comparing the cost of these inventories against the selling price of the inventories in the recent sales transaction or upcoming customer order. We also assessed the adequacy of the disclosures related to inventories in Note 20 to the financial statements.

**Other information**

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and directors for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**Auditor's responsibilities for the audit of the financial statements (cont'd)**

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Chuen Beng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

29 March 2018

| | Note | Group 2017 | Group 2016 |
|---|---|---|---|
| | | US$'000 | US$'000 |
| **Revenue** | 4 | 170,013 | 159,005 |
| Cost of sales | | (139,076) | (133,610) |
| **Gross profit** | | 30,937 | 25,395 |
| Other income | 5 | 5,822 | 1,618 |
| Sales and marketing expenses | | (8,076) | (8,999) |
| General and administrative expenses | | (11,661) | (11,268) |
| Exchange (loss)/gain | | (767) | 770 |
| Other operating expenses | | (254) | (348) |
| Finance costs | 6 | (296) | (146) |
| **Profit before tax** | 7 | 15,705 | 7,022 |
| Taxation | 8 | (1,462) | (646) |
| **Profit for the year** | | 14,243 | 6,376 |
| **Attributable to:** | | | |
| Owners of the Company | | 14,125 | 6,270 |
| Non-controlling interests | | 118 | 106 |
| **Profit for the year** | | 14,243 | 6,376 |
| **Earnings per share** | | | |
| Basic and fully diluted earnings per share attributable to owners of the Company (in US cents) | 9 | 10.0 | 4.5 |
| Profit for the year | | 14,243 | 6,376 |
| **Other comprehensive income for the year, net of tax:** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Currency translation differences | | 4,765 | (4,404) |
| **Total comprehensive income for the year** | | 19,008 | 1,972 |
| **Attributable to:** | | | |
| **Owners of the Company** | | 18,873 | 1,877 |
| **Non-controlling interests** | | 135 | 95 |
| **Total comprehensive income for the year** | | 19,008 | 1,972 |

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2017

| | Note | Group 2017 | Group 2016 | Company 2017 | Company 2016 |
|---|---|---|---|---|---|
| | | US$'000 | US$'000 | US$'000 | US$'000 |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 10 | 43,790 | 39,836 | – | – |
| Investment in subsidiaries | 11 | – | – | 75,107 | 75,107 |
| Investment in associates | 12 | – | – | – | – |
| Long term investment | 13 | – | – | – | – |
| Intangible assets | 14 | 564 | 547 | – | – |
| | | 44,354 | 40,383 | 75,107 | 75,107 |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 15 | 34,896 | 27,353 | 611 | 3,870 |
| Bank deposits pledged | 16 | 1,611 | 1,942 | – | – |
| Trade receivables | 17 | 70,662 | 62,383 | – | – |
| Bills and other receivables | 18 | 6,691 | 7,346 | 3 | 23 |
| Amounts due from subsidiaries | 19 | – | – | 8,792 | 9,743 |
| Prepayments | | 4,625 | 4,394 | – | – |
| Inventories | 20 | 24,579 | 19,451 | – | – |
| Non-current assets held for sale | 21 | – | 2,481 | – | – |
| | | 143,064 | 125,350 | 9,406 | 13,636 |
| **Total Assets** | | 187,418 | 165,733 | 84,513 | 88,743 |
| **Current Liabilities** | | | | | |
| Trade payables and accruals | 22 | 39,676 | 35,834 | 516 | 371 |
| Bills and other payables | 23 | 9,499 | 8,576 | 15 | 20 |
| Amounts due to subsidiaries | 19 | – | – | 5,000 | 5,000 |
| Provision for taxation | | 707 | 732 | – | – |
| Other liabilities | 24 | 784 | 825 | – | – |
| Loans and borrowings | 25 | 1,498 | 1,169 | – | 1,111 |
| | | 52,164 | 47,136 | 5,531 | 6,502 |
| **Net Current Assets** | | 90,900 | 78,214 | 3,875 | 7,134 |
| **Non-Current Liabilities** | | | | | |
| Loans and borrowings | 25 | 3,342 | 3,402 | – | – |
| Other liabilities | | 754 | 789 | – | – |
| Deferred tax liabilities | 26 | 3,840 | 3,573 | – | – |
| | | 7,936 | 7,764 | – | – |
| **Total Liabilities** | | 60,100 | 54,900 | 5,531 | 6,502 |
| **Net Assets** | | 127,318 | 110,833 | 78,982 | 82,241 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 27(a) | 57,808 | 57,808 | 57,808 | 57,808 |
| Treasury shares | 27(b) | (1,441) | (1,441) | (1,441) | (1,441) |
| Currency translation reserve | 28(a) | (1,474) | (6,222) | – | – |
| Statutory reserve fund | 28(b) | 10,457 | 10,035 | – | – |
| Acquisition reserve | 28(c) | (714) | (714) | – | – |
| Revenue reserves | | 62,356 | 51,176 | 22,615 | 25,874 |
| | | 126,992 | 110,642 | 78,982 | 82,241 |
| **Non-controlling interests** | | 326 | 191 | – | – |
| **Total Equity** | | 127,318 | 110,833 | 78,982 | 82,241 |

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

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 27(a)) | Treasury shares (Note 27(b)) | Revenue reserves | Currency translation reserve | Statutory reserve fund | Acquisition reserve (Note28(c)) | Total reserves | Non-controlling interests | Total equity |
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **Group** | | | | | | | | | |
| **At 1 January 2016** | 57,808 | (1,441) | 49,082 | (1,829) | 9,332 | (714) | 55,871 | 96 | 112,334 |
| Profit for the year | – | – | 6,270 | – | – | – | 6,270 | 106 | 6,376 |
| Other comprehensive income for the year | – | – | – | (4,393) | – | – | (4,393) | (11) | (4,404) |
| Total comprehensive income for the year | – | – | 6,270 | (4,393) | – | – | 1,877 | 95 | 1,972 |
| Contributions by and distributions to owners | | | | | | | | | |
| Dividends on ordinary shares (Note 37) | – | – | (3,473) | – | – | – | (3,473) | – | (3,473) |
| Total contributions by and distributions to owners | – | – | (3,473) | – | – | – | (3,473) | – | (3,473) |
| Others | | | | | | | | | |
| Transfer from revenue reserves | – | – | (703) | – | 703 | – | – | – | – |
| **Total others** | – | – | (703) | – | 703 | – | – | – | – |
| **At 31 December 2016** | 57,808 | (1,441) | 51,176 | (6,222) | 10,035 | (714) | 54,275 | 191 | 110,833 |
| **At 1 January 2017** | 57,808 | (1,441) | 51,176 | (6,222) | 10,035 | (714) | 54,275 | 191 | 110,833 |
| Profit for the year | – | – | 14,125 | – | – | – | 14,125 | 118 | 14,243 |
| Other comprehensive income for the year | – | – | – | 4,748 | – | – | 4,748 | 17 | 4,765 |
| Total comprehensive income for the year | – | – | 14,125 | 4,748 | – | – | 18,873 | 135 | 19,008 |
| Contributions by and distributions to owners | | | | | | | | | |
| Dividends on ordinary shares (Note 37) | – | – | (2,523) | – | – | – | (2,523) | – | (2,523) |
| Total contributions by and distributions to owners | – | – | (2,523) | – | – | – | (2,523) | – | (2,523) |
| Others | | | | | | | | | |
| Transfer from revenue reserves | – | – | (422) | – | 422 | – | – | – | – |
| **Total others** | – | – | (422) | – | 422 | – | – | – | – |
| **At 31 December 2017** | 57,808 | (1,441) | 62,356 | (1,474) | 10,457 | (714) | 70,625 | 326 | 127,318 |

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

| | Share capital (Note 27(a)) | Treasury shares (Note 27(b)) | Revenue reserves | Currency translation reserve | Total reserves | Total equity |
|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **Company** | | | | | | |
| **At 1 January 2016** | 57,808 | (1,441) | 31,123 | – | 31,123 | 87,490 |
| Net loss for the year | – | – | (1,776) | – | (1,776) | (1,776) |
| Total comprehensive income for the year | – | – | (1,776) | – | (1,776) | (1,776) |
| Contributions by and distributions to owners | | | | | | |
| Dividends on ordinary shares (Note 37) | – | – | (3,473) | – | (3,473) | (3,473) |
| Total contributions by and distributions to owners | – | – | (3,473) | – | (3,473) | (3,473) |
| **At 31 December 2016 and 1 January 2017** | 57,808 | (1,441) | 25,874 | – | 25,874 | 82,241 |
| Net loss for the year | – | – | (736) | – | (736) | (736) |
| Total comprehensive income for the year | – | – | (736) | – | (736) | (736) |
| Contributions by and distributions to owners | | | | | | |
| Dividends on ordinary shares (Note 37) | – | – | (2,523) | – | (2,523) | (2,523) |
| Total contributions by and distributions to owners | – | – | (2,523) | – | (2,523) | (2,523) |
| **At 31 December 2017** | 57,808 | (1,441) | 22,615 | – | 22,615 | 78,982 |

*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 2017

| | 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit before tax | 15,705 | 7,022 |
| *Adjustments for:* | | |
| Depreciation of property, plant and equipment | 8,464 | 7,910 |
| Amortisation of intangible assets | 10 | 25 |
| Interest expense | 296 | 146 |
| Interest income | (107) | (161) |
| Allowance for/(write-back of) doubtful receivables, trade | 346 | (49) |
| Allowance for stock obsolescence | 43 | 758 |
| Impairment loss on goodwill | – | 205 |
| Net gain on disposal of property, plant and equipment | (132) | (58) |
| Net gain on disposal of non-current asset held for sale | (3,167) | – |
| Unrealised exchange loss/(gain), net | 167 | (341) |
| Total adjustments | 5,920 | 8,435 |
| **Operating cash flows before changes in working capital** | 21,625 | 15,457 |
| *Changes in working capital* | | |
| Increase in trade and other receivables | (4,576) | (11,549) |
| Increase in inventories | (4,742) | (5,042) |
| Increase in trade and other payables | 2,589 | 15,911 |
| Total changes in working capital | (6,729) | (680) |
| **Cash flows generated from operations** | 14,896 | 14,777 |
| Interest income received | 118 | 173 |
| Interest paid | (296) | (146) |
| Income taxes paid | (2,167) | (356) |
| **Net cash flows generated from operating activities** | 12,551 | 14,448 |
| **Cash flows used in investing activities:** | | |
| Purchase of property, plant and equipment | (10,147) | (11,259) |
| Proceeds from disposal of property, plant and equipment | 384 | 247 |
| Proceeds from disposal of non-current asset held for sale (Note 21) | 5,057 | – |
| **Net cash flows used in investing activities** | (4,706) | (11,012) |
| **Cash flows used in financing activities:** | | |
| Proceeds from loans and borrowings | 1,161 | 5,114 |
| Dividends paid on ordinary shares | (2,523) | (3,473) |
| Repayments of loans and borrowings | (1,185) | (2,766) |
| Bank deposits received/(pledged) | 441 | (51) |
| **Net cash flows used in financing activities** | (2,106) | (1,176) |
| **Net increase in cash and cash equivalents** | 5,739 | 2,260 |
| Effects of exchange rate changes on cash and cash equivalents | 1,804 | (1,674) |
| **Cash and cash equivalents at the beginning of the year** | 27,353 | 26,767 |
| **Cash and cash equivalents at the end of the year** | 34,896 | 27,353 |

During the year, the Group acquired property, plant and equipment with an aggregate cost of US$9,990,000 (2016: US$11,527,000) paid using cash of US$9,733,000 (2016: US$11,259,000), while the remaining balance remained outstanding at the end of the reporting period. The remaining cash payment of US$414,000 is for property, plant and equipment acquired in 2016.

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

## 1. Corporate information

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

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

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

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

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

Convergence with International Reporting Standards

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

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

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

| *Description* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendments to FRS 110 & FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to FRS 40 Transfers of Investment Property | 1 January 2018 |
| Amendments to FRS 109: *Prepayment Features with Negative Compensation* | 1 January 2019 |
| Amendments to FRS 28 Long-tern interests in Associates and Joint Ventures | 1 January 2019 |
| INT FRS 122 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| INT FRS 123 Uncertainty over Income Tax Treatments | 1 January 2019 |
| FRS 109 Financial Instruments | 1 January 2018 |
| FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| FRS 116 Leases | 1 January 2019 |
| Improvements to FRSs (December 2016) | |
| - Amendments to FRS 28 Investments in Associates and Joint Ventures | 1 January 2018 |
| Improvements to FRSs (March 2018) | |
| - Amendments to FRS 103 *Business Combinations* | 1 January 2019 |
| - Amendments to FRS 111 *Joint Arrangements* | 1 January 2019 |
| - Amendments to FRS 12 *Income Taxes* | 1 January 2019 |
| - Amendments to FRS 23 *Borrowing Costs* | 1 January 2019 |

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard effective for annual periods beginning or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on the current available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group is in a business of manufacturing and sale of mold, rubber and plastic components relating to automotive, industrial & medical, mobile communications and consumer digital products. The Group expects the following impact upon adoption of FRS 115:

Allocating transaction price to performance obligations

The Group enters into bundle contracts with the customers. Under FRS 115, the Group has to allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract. The Group does not expect the application of the new methodology to have material impact on the Group's financial performance upon adoption of FRS 115.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented using the full retrospective approach.

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

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

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expects a significant impact on its equity as the Group's historical credit loss experience has been minimal.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and do not expect any significant difference between the previous carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITS and gearing ratio.

The Group plans to adopt the new standard on the required date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption

### 2.4 *Basis of consolidation and business combinations*

#### (a) Basis of consolidation

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

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

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

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

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

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

#### (a) Basis of consolidation (cont'd)

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

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

#### (b) Business combinations and goodwill

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

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

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

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

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

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

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

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

### 2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

### 2.6 *Foreign currency*

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

(a) **Consolidated financial statements**

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

(b) **Transactions and balances**

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

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

### 2.7 *Property, plant and equipment*

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

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

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

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

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

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

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

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

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

### 2.8 *Intangible assets*

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

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

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

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

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

(a) **Club memberships**

Club memberships are measured at cost less any impairment in value. The useful life of the Group's freehold club membership is considered indefinite. Club membership is reviewed for impairment, annually or more frequently if events or circumstances indicate that the carrying amount may be impaired.

(b) **Technical know- how**

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

### 2.9 *Impairment of non-financial assets*

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

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

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

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

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

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

### 2.10 *Subsidiaries*

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

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

### 2.11 *Associates*

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

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

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

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

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

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

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

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

### 2.12 *Financial instruments*

#### (a) Financial assets

**Initial recognition and remeasurement**

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

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

**Subsequent measurement**

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

(i) *Loans and receivables*

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

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

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

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

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

**De-recognition**

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

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

2.12 ***Financial instruments (cont'd)***

(b) **Financial liabilities**

**Initial recognition and measurement**

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

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

**Subsequent measurement**

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

**De-recognition**

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

2.13 ***Impairment of financial assets***

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

(a) **Financial assets carried at amortised cost**

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

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

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

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.

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

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

#### (a) Financial assets carried at amortised cost

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

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

#### (b) Financial assets carried at cost

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

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

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

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

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

### 2.14 *Cash and cash equivalents*

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

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

### 2.15 *Inventories*

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

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

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

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

### 2.16 *Provisions*

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

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

### 2.17 *Borrowing costs*

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

### 2.18 *Employee benefits*

#### (a) Defined contribution plans

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

##### (i) *Singapore*

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

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

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

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

### 2.19 *Leases*

**As lessee**

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

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

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

### 2.20 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) **Sale of goods**

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

(b) **Interest income**

Interest income is recognised using the effective interest method.

(c) **Dividend income**

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

(d) **Sale of scrap and materials**

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

### 2.21 *Taxes*

(a) **Current income tax**

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

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

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

2.21 ***Taxes (cont'd)***

(b) **Deferred tax**

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

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

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

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

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

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

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

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

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

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

(c) **Sales tax**

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

### 2.22 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.23 *Share capital and share issue expenses*

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

### 2.24 *Treasury shares*

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

### 2.25 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

### 2.26 *Government grants and subsidies*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

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

### 2.27 *Non-current assets held for sale*

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

## 3 Significant accounting judgements and estimates

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

### 3.1 *Judgements made in applying accounting policies*

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

#### (a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

### 3.2 *Key sources of estimation uncertainty*

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

#### (a) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers the age of the outstanding balances, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers in estimating allowance for doubtful debt.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of each reporting period is disclosed in Note 29 to the financial statements.

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

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

**(b) Allowance for obsolete inventories**

Inventories are stated at the lower of cost and net realisable value. Significant judgement is required for the estimation of allowance for obsolete inventories as the estimation is subject to factors such as future market demand, pricing competition and technological advances. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 20 to the financial statements.

## 4. Revenue

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Breakdown by segment | | |
| Sale of automotive products | 79,583 | 69,681 |
| Sale of telecommunication products | 19,985 | 24,492 |
| Sale of consumer electronic products | 58,559 | 55,291 |
| Sale of industrial & medical products | 11,886 | 9,541 |
| | 170,013 | 159,005 |

## 5. Other income

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Fixed deposits interest income | 107 | 161 |
| Scrap sales | 117 | 202 |
| Government grants and subsidies | 1,744 | 841 |
| Gain on disposal of non-current asset held for sale (Note 21) | 3,167 | – |

## 6. Finance costs

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Interest expense on: | | |
| - Bank loans and borrowings | 296 | 146 |

## 7. Profit before tax

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

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| Depreciation of property, plant and equipment * | 8,464 | 7,910 |
| Fees paid to firms related to Directors | 8 | 19 |
| Allowance for stock obsolescence | 43 | 758 |
| Rental expense – operating leases | 901 | 870 |
| Packaging costs | 2,515 | 2,265 |
| Transportation costs | 2,668 | 2,732 |
| Net foreign exchange loss/(gain) | 767 | (770) |
| Staff costs | | |
| – Salaries, bonus and other costs | 49,467 | 44,900 |
| – Defined contribution plans | 4,568 | 4,415 |
| Allowance for/(write-back of) doubtful receivables, trade | 346 | (49) |
| Impairment loss of goodwill | – | 205 |
| Audit fees: | | |
| – Auditors of the Company | 158 | 158 |
| – Other auditors | 26 | 22 |
| Non-audit fees: | | |
| – Auditors of the Company | 4 | 4 |
| – Other auditors | 28 | 26 |
| Total audit and non-audit fees | 216 | 210 |

* Included in depreciation expense is an amount of US$7,863,000 (2016: US$7,016,000) charged under cost of sales.

## 8. Taxation

### (a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| **Consolidated profit or loss:** | | |
| Current income tax : | | |
| - Current income taxation | 974 | 294 |
| Deferred income tax : | | |
| - Origination and reversal of temporary differences | 488 | 352 |
| Income tax expense recognised in profit or loss | 1,462 | 646 |

## 8. Taxation (cont'd)

### (b) Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Profit before tax | 15,705 | 7,022 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 3,285 | 2,268 |
| Adjustments: | | |
| Non-deductible expenses | 477 | 732 |
| Non-taxable income | (681) | (898) |
| Effect of partial tax exemption and tax relief | (2,107) | (1,587) |
| Withholding tax on undistributed profits | 488 | 352 |
| Benefits from previously unrecognised tax losses | – | (221) |
| Income tax expense recognised in profit or loss | 1,462 | 646 |

The corporate income tax rates applicable to PRC subsidiaries of the Group were 15% (2016: 15%).

Certain subsidiary companies incorporated in PRC were granted the High and New Technology Enterprise status for duration of 3 years in 2015, 2016 and 2017 and hence, is subjected to an incentive tax rate of 15%.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

*Unrecognised tax losses*

The Group has tax losses of approximately US$2,439,000 (2016: US$5,828,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which the companies operate.

## 9. Earnings per share

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

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share | 14,125 | 6,270 |

| | **2017** | **2016** |
|---|---|---|
| | '000 | '000 |
| Weighted average number of ordinary shares for basic and diluted earnings per share computation | 140,881 | 140,881 |

## 10. Property, plant and equipment

| Group | Leasehold land and buildings | Plant and equipment | Office equipment | Motor vehicles | Renovation | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **Cost:** | | | | | | | |
| At 1 January 2016 | 26,362 | 74,810 | 5,029 | 1,462 | 2,028 | 84 | 109,775 |
| Additions | – | 9,639 | 962 | 94 | 791 | 41 | 11,527 |
| Disposals | – | (3,649) | (171) | (140) | – | – | (3,960) |
| Reclassification | – | – | 13 | – | – | (13) | – |
| Transfer to non-current assets held for sale (Note 21) | (4,249) | – | – | – | – | – | (4,249) |
| Translation difference | (1,649) | (4,954) | (352) | (88) | (163) | (6) | (7,212) |
| At 31 December 2016 and 1 January 2017 | 20,464 | 75,846 | 5,481 | 1,328 | 2,656 | 106 | 105,881 |
| Additions | 464 | 7,270 | 795 | 297 | 876 | 288 | 9,990 |
| Disposals | – | (3,112) | (118) | (161) | (237) | – | (3,628) |
| Reclassification | 36 | – | – | – | 24 | (60) | – |
| Translation difference | 1,369 | 5,175 | 390 | 93 | 202 | 16 | 7,245 |
| At 31 December 2017 | 22,333 | 85,179 | 6,548 | 1,557 | 3,521 | 350 | 119,488 |

## 10. Property, plant and equipment (cont'd)

| Group | Leasehold land and buildings | Plant and equipment | Office equipment | Motor vehicles | Renovation | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **Accumulated depreciation:** | | | | | | | |
| At 1 January 2016 | 6,942 | 54,536 | 4,411 | 1,230 | 1,006 | – | 68,125 |
| Depreciation charge for the year | 1,194 | 5,405 | 515 | 140 | 656 | – | 7,910 |
| Disposals | – | (3,460) | (171) | (140) | – | – | (3,771) |
| Transfer to non-current assets held for sale (Note 21) | (1,768) | – | – | – | – | – | (1,768) |
| Translation difference | (489) | (3,500) | (292) | (77) | (93) | – | (4,451) |
| At 31 December 2016 and 1 January 2017 | 5,879 | 52,981 | 4,463 | 1,153 | 1,569 | – | 66,045 |
| Depreciation charge for the year | 993 | 5,958 | 643 | 149 | 721 | – | 8,464 |
| Disposals | – | (2,860) | (118) | (161) | (237) | – | (3,376) |
| Translation difference | 427 | 3,622 | 317 | 76 | 123 | – | 4,565 |
| At 31 December 2017 | 7,299 | 59,701 | 5,305 | 1,217 | 2,176 | – | 75,698 |
| **Net carrying amount:** | | | | | | | |
| At 31 December 2017 | 15,034 | 25,478 | 1,243 | 340 | 1,345 | 350 | 43,790 |
| At 31 December 2016 | 14,585 | 22,865 | 1,018 | 175 | 1,087 | 106 | 39,836 |

## 11. Investment in subsidiaries

| | Company 2017 | Company 2016 |
|---|---|---|
| | US$'000 | US$'000 |
| Unquoted shares, at cost as at 1 January | 77,921 | 81,921 |
| Reduction during the year * | – | (4,000) |
| Unquoted shares, at cost as at 31 December | 77,921 | 77,921 |
| Accumulated impairment loss as at 1 January | (2,814) | (1,714) |
| Impairment during the year | – | (1,100) |
| Accumulated impairment loss as 31 December | (2,814) | (2,814) |
| Carrying amount of investment | 75,107 | 75,107 |

* Capital reduction in investment in Huzhou Memtech Electronic Industries Co., Ltd ("MTH") in 2016.

## 11. Investment in subsidiaries (cont'd)

| Name | Country of incorporation | Principal activities | Proportion (%) of ownership interest | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| ***Held by the Company*** | | | | |
| Memtech Development (HK) Co., Ltd. (i) | Hong Kong | Trading of electronic products | 100 | 100 |
| Dongguan Memtech Electronic Products Co., Ltd (i) | People's Republic of China ("PRC") | Manufacture and sale of keypads | 100 | 100 |
| Huzhou Memtech Electronic Industries Co., Ltd (i) | PRC | Manufacture and sale of precision tools, moulds and keypads | 100 | 100 |
| Nantong Memtech Technologies Co., Ltd (i) | PRC | Manufacture and sale of keypads | 100 | 100 |
| Taitech Precision Electronic (Kunshan) Co., Ltd (i) | PRC | Manufacture and sale of plastic components and casings | 100 | 100 |
| ***Held through a subsidiary Company*** | | | | |
| Dongguan Memtech Optical Co., Ltd ("MTDO" ) (i)@ | PRC | Manufacture of high quality transiucent lens for flash light in moble phone | 61 | 51 |

(i) A member firm of EY Global had performed the audit of the subsidiary's financial statements for the financial years ended 31 December 2017 and 2016 for Group reporting purposes.

@ During the year, MTD contributed RMB 300,000 to MTDO. This amount represents the remaining 10% which the non-controlling interest ("NCI") was supposed to contribute as part of the share capital injection into MTDO. There is no material NCI.

## 12. Investment in associates

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| **Unquoted shares, at cost** | | | | |
| At 1 January and 31 December | 939 | 939 | 1,000 | 1,000 |
| Less: Accumulated impairment loss | (939) | (939) | (1,000) | (1,000) |
| Carrying amount of investment | – | – | – | – |

## 12. Investment in associates (cont'd)

| Name | Country of incorporation | Principal activities | Proportion (%) of ownership interest | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| ***Held by the Company*** | | | | |
| VLU Corporation Limited# | South Korea | Design, manufacture and sales of magnesium alloy products | 25.0 | 25.0 |

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

Information about the Group's investment in associate that is not material is as follows:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| Profit or loss after tax from continuing operations | – | – |

## 13. Long term investment

| | Group and Company | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| **Available-for-sale financial asset:** | | |
| Equity instruments (unquoted), at cost | 2,296 | 2,296 |
| Less: Accumulated impairment loss | (2,296) | (2,296) |
| | – | – |

## 14. Intangible assets

| Group | Technical Know-how | Goodwill | Club memberships | Total |
|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 |
| **Cost and carrying amount:** | | | | |
| At1 January 2016 | 36 | 615 | 158 | 809 |
| Amortisation | (25) | – | – | (25) |
| Impairment | – | (205) | – | (205) |
| Translation difference | (1) | (29) | (2) | (32) |
| At 31 December 2016 and 1 January 2017 | 10 | 381 | 156 | 547 |
| Amortisation | (10) | – | – | (10) |
| Translation difference | – | 25 | 2 | 27 |
| At 31 December 2017 | – | 406 | 158 | 564 |

## 14. Intangible assets (cont'd)

*Impairment testing of goodwill*

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The post-tax discount rate applied to the cash flow projections is 13.5% (2016: 13%). The average growth rate used to extrapolate the cash flows projections beyond the five-year period is 2% (2016: 4%).

Key assumptions used in the value in use calculations

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

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

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

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

Sensitivity to changes in assumptions

With regard to the assessment of value in use for the plastics business unit, management believe that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount.

Impairment loss recognised

During the financial year, no impairment loss was recognised to the carrying amount of goodwill attributable to plastic business unit in a subsidiary.

## 15. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Cash at banks and on hand | 35,649 | 28,331 | 611 | 3,870 |
| Short-term deposits | 858 | 964 | – | – |
| Cash and short term deposits | 36,507 | 29,295 | 611 | 3,870 |
| Less: Bank deposits pledged (Note 16) | (1,611) | (1,942) | – | – |
| Cash and cash equivalents | 34,896 | 27,353 | 611 | 3,870 |

## 15. Cash and cash equivalents (cont'd)

Cash at banks earn interest at floating rates based on daily deposit rates of up to 0.3% (2016: 0.3%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits as at 31 December 2017 was 2.5% (2016: 2.7%) per annum.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Renminbi (RMB) | 23 | 22 | 22 | 21 |
| United States Dollar (USD) | 9,425 | 4,508 | – | – |
| Hong Kong Dollar (HKD) | 169 | 125 | – | – |
| Singapore Dollar (SGD) | 323 | 327 | 109 | 228 |
| Other currencies | 327 | 118 | – | – |

## 16. Bank deposits pledged

Bank deposits pledged relate to deposits of cash held in designated bank accounts as security for bills payables facilities as disclosed in Note 23 to the financial statements.

The weighted average effective interest rate on bank deposits pledged for bills payables, with a maturity of 90 days to 180 days, was 1.1% per annum (2016: 1.1%) as at 31 December 2017.

Bank deposits pledged are denominated in RMB in the China subsidiaries.

## 17. Trade receivables

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| Trade receivables | 71,881 | 63,253 |
| Less: Allowance for doubtful trade receivables | (1,219) | (870) |
| | 70,662 | 62,383 |

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

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

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| United States Dollar (USD) | 9,927 | 11,327 |
| Hong Kong Dollar (HKD) | 195 | 195 |
| Euro Dollar (EUR) | 309 | 21 |

## 17. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$7,432,000 (2016: US$8,851,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| Trade receivables past due but not impaired: | | |
| Less than 60 days | 5,763 | 6,601 |
| 60 to 120 days | 573 | 1,073 |
| More than 120 days | 1,096 | 1,177 |
| | 7,432 | 8,851 |

Receivables that are impaired

| | Group | | | |
|---|---|---|---|---|
| | Individually impaired | | Collectively impaired | |
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Impaired trade receivables | 1,219 | 870 | – | – |
| Less: Allowance for impairment | (1,219) | (870) | – | – |
| | – | – | – | – |

Movement in allowance accounts

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| At 1 January | 870 | 1,119 |
| Charge/(written-back) for the year, net | 346 | (49) |
| Written-off against allowance | (63) | (139) |
| Translation difference | 66 | (61) |
| At 31 December | 1,219 | 870 |

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

## 18. Bills and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Bills receivables | 5,913 | 6,296 | – | – |
| Deposits | 377 | 335 | – | – |
| Other receivables | 401 | 715 | 3 | 23 |
| | 6,691 | 7,346 | 3 | 23 |
| Less: VAT receivable | – | (216) | – | – |
| | 6,691 | 7,130 | 3 | 23 |

*Bills receivables*

Included in bills receivables is an amount of US$1,142,000 (2016: US$577,000) pledged as security for bills payables facilities as disclosed in Note 23 to the financial statements.

Bills receivables have an average maturity of 119 days (2016: 133 days) from the end of the reporting period and interest-free unless encashment is made before due dates.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Renminbi (RMB) | 24 | 23 | – | – |
| Singapore Dollar (SGD) | 3 | 23 | 3 | 23 |
| New Taiwan Dollar (NTD) | – | 2 | – | – |

## 19. Amounts due from/(to) subsidiaries

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

Amounts due from subsidiaries denominated in foreign currency as at 31 December are as follows:

| | Company | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| **Amounts due from subsidiaries** | | |
| Renminbi (RMB) | 792 | 743 |

## 20. Inventories

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| **Balance sheet:** | | |
| Raw materials | 4,603 | 4,064 |
| Work-in-progress | 7,122 | 4,383 |
| Finished goods | 11,266 | 9,596 |
| Sundry consumables | 1,588 | 1,408 |
| Total inventories at lower of cost and net realisable value | 24,579 | 19,451 |
| **Profit and loss account:** | | |
| Inventories recognised as an expense in cost of sales | 139,076 | 133,610 |
| Inclusive of the following charge | | |
| - Allowance for stock obsolescence | 43 | 758 |

## 21. Non-current assets held for sale

The Group has entered into a sale and purchase agreement with Zhejiang Add Auto-Parts Co., Ltd., an independent third party on 29 December 2016, for the sale of two pieces of its land located at No. 328 Guangyuan Road and No. 161 Chuangye Avenue respectively with a carrying value of US$ 2,481,000.

The purchase consideration of the building and the land use rights is approximately US$5,910,000 and is inclusive of value added taxes on land and property of approximately US$262,000. Advance from sale of building and land use, amounting to US$591,000 received in 2016.

The sale of the building and land use rights was completed on August 2017.

## 22. Trade payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Trade payables | 30,612 | 28,754 | – | – |
| Accrued operating expenses | 9,064 | 7,080 | 516 | 371 |
| | 39,676 | 35,834 | 516 | 371 |

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| United States Dollar (USD) | 1,090 | 2,614 | – | – |
| Singapore Dollar (SGD) | 536 | 481 | 356 | 329 |
| New Taiwan Dollar (NTD) | 33 | 25 | – | – |

## 23. Bills and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Bills payables | 3,266 | 4,054 | – | – |
| Other payables | 6,233 | 4,522 | 15 | 20 |
| | 9,499 | 8,576 | 15 | 20 |
| Less: VAT payable | (1,153) | – | – | – |
| Less: Advances from sale of building and land use rights (Note 21) | – | (591) | – | – |
| | 8,346 | 7,985 | 15 | 20 |

Bills and other payables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Singapore Dollar (SGD) | 15 | 20 | 15 | 20 |

*Bills payables*

Bills payables have an average maturity of 126 days (2016: 124 days) and are interest-free unless encashment is made before due dates.

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

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| Bank deposits pledged (Note 16) | 1,611 | 1,942 |
| Bills receivables pledged (Note 18) | 1,142 | 577 |
| | 2,753 | 2,519 |

Other payables

Included in other payables are US$2,100,000 (2016: US$1,500,000) of staff expenses.

## 24. Other liabilities

Other liabilities relate to advances from customers.

## 25. Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Term loans: | | | | |
| – Due within 12 months | 1,498 | 1,169 | – | 1,111 |
| – Due after 12 months | 3,342 | 3,402 | – | – |
| | 4,840 | 4,571 | – | 1,111 |

Term loans

(a) The term loan of US$871,000 was obtained from a China bank during the year (2016: US$ 3,460,000) and is repayable over 6 half-yearly instalments commencing July 2017 and bears interest at 4.75% per annum and is unsecured. The term loan is denominated in RMB in a China subsidiary.

(b) The term loan of US$290,000 was obtained from a China bank during the year and is repayable within one year, commencing from June 2017 and bear interest at 4.57% per annum and is unsecured. The term loan is denominated in RMB in a China subsidiary.

A reconciliation of liabilities arising from financing activities is as follows:

| | 2016 | Non-cash changes | | | | | | 2017 |
|---|---|---|---|---|---|---|---|---|
| | | Cash flows | Acquisition | Reclassified as part of disposal group | Foreign exchange movement | Accretion of interests | Other | |
| | U$'000 | U$'000 | U$'000 | U$'000 | U$'000 | U$'000 | U$'000 | U$'000 |
| Loans and bonds | | | | | | | | |
| - current | 1,169 | (1,185) | – | – | 60 | – | 1,454 | 1,498 |
| - non-current | 3,402 | 1,161 | – | – | 233 | – | (1,454) | 3,342 |
| Total | 4,571 | (24) | – | – | 293 | – | – | 4,840 |

The 'other' column relates to reclassification of non-current portion of loans and borrowings due to passage of time.

## 26. Deferred tax liabilities

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| Balance at beginning of year | 3,573 | 3,510 |
| Charge for the year | 488 | 352 |
| Reversal of deferred taxation | (458) | (56) |
| Translation difference | 237 | (233) |
| Balance at end of year | 3,840 | 3,573 |

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

## 26. Deferred tax liabilities (cont'd)

Tax consequences of proposed dividends

There are no income tax consequences (2016: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 37).

## 27. Share capital and treasury shares

(a) ***Share capital***

| | Group and Company | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | No. of shares | | No. of shares | |
| | '000 | US$'000 | '000 * | US$'000 |
| Issued and fully paid ordinary shares: | | | | |
| At 1 January and31 December | 144,000 | 57,808 | 144,000 | 57,808 |

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

(b) ***Treasury shares***

| | Group and Company | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | No. of shares | | No. of shares | |
| | '000 | US$'000 | '000 * | US$'000 |
| At 1 January | 3,119 | 1,441 | 3,119 | 1,441 |
| Acquired during the financial year | – | – | – | – |
| At 31 December | 3,119 | 1,441 | 3,119 | 1,441 |

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

## 28. Other reserves

(a) ***Currency translation reserve***

Group

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

(b) ***Statutory reserve fund***

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

## 28. Other reserves (cont'd)

(c) ***Acquisition reserve***

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

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

## 29. Classification of loans and receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| ***Current*** | | | | |
| Trade receivables (Note 17) | 70,662 | 62,383 | – | – |
| Bills and other receivables (Note 18) | 6,691 | 7,130 | 3 | 23 |
| Amounts due from subsidiaries (Note 19) | – | – | 8,792 | 9,743 |
| Total trade and other receivables | 77,353 | 69,513 | 8,795 | 9,766 |
| Add: Cash and short term deposits (Note 15) | 36,507 | 29,295 | 611 | 3,870 |
| Total loans and receivables | 113,860 | 98,808 | 9,406 | 13,636 |

## 30. Classification of financial liabilities carried at amortised cost

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| ***Current*** | | | | |
| Trade payables and accruals (Note 22) | 39,676 | 35,834 | 516 | 371 |
| Bills and other payables (Note 23) | 8,346 | 7,985 | 15 | 20 |
| Amounts due to subsidiaries (Note 19) | – | – | 5,000 | 5,000 |
| Loans and borrowings (Note 25) | 1,498 | 1,169 | – | 1,111 |
| ***Non-current*** | | | | |
| Loans and borrowings (Note 25) | 3,342 | 3,402 | – | – |
| | 52,862 | 48,390 | 5,531 | 6,502 |

## 31. Commitments

(a) ***Capital commitments***

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Capital commitments in respect ofproperty, plant and equipment | 6,080 | 2,277 |

(b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 4 years (2016: 5 years), with options to renew at the end of the lease terms. There are no restrictions placed upon the Group by entering into these leases and no contingent rent provision included in the contracts.

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Not later than one year | 939 | 956 |
| Later than one year but not later than five years | 2,258 | 3,000 |
| | 3,197 | 3,956 |

## 32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

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

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments, as disclosed in Notes 15, 16, 17 and 18 to the financial statements.

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

(a) ***Credit risk (cont'd)***

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As at 31 December 2017, there were no significant concentrations of credit risk.

*Financial assets that are neither past due nor impaired*

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

*Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 to the financial statements.

(b) ***Liquidity risk***

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

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Directors to finance the Group's operations and mitigate the effect of fluctuations in cash flow.

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

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

(b) ***Liquidity risk (cont'd)***

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

| Group | One year or less | One to five years | Total |
|---|---|---|---|
| | US$'000 | US$'000 | US$'000 |
| **2017** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents (Note 15) | 34,896 | – | 34,896 |
| Bank deposits pledged (Note 16) | 1,611 | – | 1,611 |
| Trade receivables (Note 17) | 70,662 | – | 70,662 |
| Bills and other receivables (Note 18) | 6,691 | – | 6,691 |
| Total undiscounted financial assets | 113,860 | – | 113,860 |
| **Financial liabilities** | | | |
| Trade payable and accruals (Note 22) | 39,676 | – | 39,676 |
| Bills and other payables (Note 23) | 8,346 | – | 8,346 |
| Interest-bearing loans and borrowings | 1,657 | 3,416 | 5,073 |
| Total undiscounted financial liabilities | 49,679 | 3,416 | 53,095 |
| Total net undiscounted financial assets/(liabilities) | 64,181 | (3,416) | 60,765 |
| **2016** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents (Note 15) | 27,353 | – | 27,353 |
| Bank deposits pledged (Note 16) | 1,942 | – | 1,942 |
| Trade receivables (Note 17) | 62,383 | – | 62,383 |
| Bills and other receivables (Note 18) | 7,130 | – | 7,130 |
| Total undiscounted financial assets | 98,808 | – | 98,808 |
| **Financial liabilities** | | | |
| Trade payable and accruals (Note 22) | 35,834 | – | 35,834 |
| Bills and other payables (Note 23) | 7,985 | – | 7,985 |
| Interest-bearing loans and borrowings | 1,362 | 3,604 | 4,966 |
| Total undiscounted financial liabilities | 45,181 | 3,604 | 48,785 |
| Total net undiscounted financial assets/(liabilities) | 53,627 | (3,604) | 50,023 |

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

(b) ***Liquidity risk (cont'd)***

| Company | One year or less | One to five years | Total |
|---|---|---|---|
| | US$'000 | US$'000 | US$'000 |
| **2017** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents (Note 15) | 611 | – | 611 |
| Bills and other receivables (Note 18) | 3 | – | 3 |
| Amounts due from subsidiaries (Note 19) | 8,792 | – | 8,792 |
| Total undiscounted financial assets | 9,406 | – | 9,406 |
| **Financial liabilities** | | | |
| Trade payable and accruals (Note 22) | 516 | – | 516 |
| Bills and other payables (Note 23) | 15 | – | 15 |
| Amounts due to subsidiaries (Note 19) | 5,000 | – | 5,000 |
| Total undiscounted financial liabilities | 5,531 | – | 5,531 |
| Total net undiscounted financial assets | 3,875 | – | 3,875 |
| **2016** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents (Note 15) | 3,870 | – | 3,870 |
| Bills and other receivables (Note 18) | 23 | – | 23 |
| Amounts due from subsidiaries (Note 19) | 9,743 | – | 9,743 |
| Total undiscounted financial assets | 13,636 | – | 13,636 |
| **Financial liabilities** | | | |
| Trade payable and accruals (Note 22) | 371 | – | 371 |
| Bills and other payables (Note 23) | 20 | – | 20 |
| Amounts due to subsidiaries (Note 19) | 5,000 | – | 5,000 |
| Interest-bearing loans and borrowings | 1,139 | – | 1,139 |
| Total undiscounted financial liabilities | 6,530 | – | 6,530 |
| Total net undiscounted financial assets | 7,106 | – | 7,106 |

(c) ***Interest rate risk***

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

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

Surplus funds are placed with reputable banks.

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

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

(c) ***Interest rate risk (cont'd)***

Sensitivity analysis for interest rate risk

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

| | Profit before tax | |
|---|---|---|
| | **1% increase** | **1% decrease** |
| | US$'000 | US$'000 |
| **Group** | | |
| **2017** | | |
| Floating rate interest-bearing loans and borrowings | – | – |
| **2016** | | |
| Floating rate interest-bearing loans and borrowings | (7) | 7 |
| **Company** | | |
| **2017** | | |
| Floating rate interest-bearing loans and borrowings | – | – |
| **2016** | | |
| Floating rate interest-bearing loans and borrowings | (7) | 7 |

(d) ***Foreign currency risk***

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

The Group also has transactional currency exposures arising from sales or purchases by an operating units in currencies other than the units' respective functional currencies. Approximately 52% (2016: 53%) of the Group's sales are denominated in the respective functional currencies of the operating units making the sales whilst almost 84% (2016: 84%) of costs are denominated in the units' respective functional currencies. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and short term deposits denominated in foreign currencies for working capital purposes. The foreign currency balances at the balance sheet date is disclosed in Note 16 to the financial statements.

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

(d) ***Foreign currency risk***

Sensitivity analysis for foreign currency risk

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

| | | Group | |
|---|---|---|---|
| | | **Profit before tax** | |
| | | **2017** | **2016** |
| | | US$'000 | US$'000 |
| USD/RMB | strengthened 3% (2016: 3%) | 564 | 408 |
| | weakened 3% (2016: 3%) | (564) | (408) |
| USD/SGD | strengthened 3% (2016: 3%) | (7) | (5) |
| | weakened 3% (2016: 3%) | 7 | 5 |

## 33. Fair value of assets and liabilities

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

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

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

- Level 3 – Unobservable inputs for the asset or liability

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

Fair value and carrying amount of the Group's assets and liabilities not measured at fair value, for which fair value is disclosed

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

## 34. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

## 34. Capital management (cont'd)

As disclosed in Note 28(b), the subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by its subsidiaries for the financial years ended 31 December 2017 and 2016.

The Group finances its capital requirements mainly using internally generated cash flows, and using gearing as and when management deems appropriate. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to owners of the Company, less the abovementioned restricted statutory reserve fund.

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Trade payable and accruals (Note 22) | 39,676 | 35,834 |
| Bills and other payables (Note 23) | 9,499 | 8,576 |
| Interest-bearing loans and borrowings (Note 25) | 4,840 | 4,571 |
| Less: Cash and short term deposits (Note 15) | (36,507) | (29,295) |
| Net cash | 17,508 | 19,686 |
| Equity attributable to equity holders of the Company | 126,992 | 110,642 |
| Less: Statutory reserve fund | (10,457) | (10,035) |
| Total capital | 116,535 | 100,607 |
| Capital and net debt | 134,043 | 120,293 |
| Gearing ratio | 13.1% | 16.4% |

## 35. Related party transactions

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

### (a) Sale and purchase of goods and services

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Purchase of corporate secretarial and legal services from firms related to Directors | 8 | 19 |

## 35. Related party transactions (cont'd)

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

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | US$'000 | US$'000 |
| Short-term employment benefits | 2,707 | 2,339 |
| Directors' fees | 130 | 131 |
| Total compensation paid to key management personnel | 2,837 | 2,470 |
| Comprise amounts paid to: | | |
| • Directors of the Group | 1,583 | 1,306 |
| • Other key management personnel | 1,254 | 1,164 |
| | 2,837 | 2,470 |

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

## 36. Segment information

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

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

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

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

## 36. Segment information (cont'd)

| | Automotive | | Telecommunication | | Consumer Electronic | | Industrial & Medical | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **Segment revenue** | 79,583 | 69,681 | 19,985 | 24,492 | 58,559 | 55,291 | 11,886 | 9,541 | 170,013 | 159,005 |
| **Results:** | | | | | | | | | | |
| Interest income | 68 | 67 | 16 | 19 | 47 | 61 | 9 | 14 | 140 | 161 |
| Depreciation and amortisation | (3,808) | (3,542) | (1,152) | (1,314) | (2,977) | (2,666) | (537) | (413) | (8,474) | (7,935) |
| Finance costs | (196) | (70) | (6) | (5) | (78) | (55) | (17) | (16) | (297) | (146) |
| Other non-cash (expenses)/ income | (387) | (80) | 119 | (221) | (52) | (354) | (69) | (54) | (389) | (709) |
| Taxation | (877) | (397) | (82) | (16) | (419) | (185) | (84) | (48) | (1,462) | (646) |
| Segment profit | 5,019 | 3,200 | 725 | 752 | 4,494 | 2,040 | 838 | 384 | 11,076 | 6,376 |
| Net gain on disposal of non-current asset held for sale* | | | | | | | | | 3,167 | – |
| Total profit | | | | | | | | | 14,243 | 6,376 |

* The net gain of disposal of non-current asset held for sale (note 21) is not allocated to the business segments disclosed above.

Geographical information

Revenue information based on the geographical location of customers are as follows:

| | Revenue | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| People's Republic of China | 137,233 | 131,452 |
| United States | 11,261 | 13,365 |
| Japan | 5,502 | 2,471 |
| Others | 16,017 | 11,717 |
| | 170,013 | 159,005 |

Information about a major customer

Revenue from one major customer amount to US$30,355,000 (2016: US$27,375,000), of which arises from the automotive segment.

## 37. Dividends

| | Group and Company | |
|---|---|---|
| | 2017 | 2016 |
| | US$'000 | US$'000 |
| ***Declared and paid during the financial year:*** | | |
| *Dividends on ordinary shares:* | | |
| Final exempt (one-tier) dividend for 2017: S$0.025 (2016: S$0.033 for 2015) per share | 2,523 | 3,473 |
| ***Proposed but not recognised as a liability as at 31 December:*** | | |
| Dividends on ordinary shares, subject to shareholders' approval at the AGM : | | |
| Final exempt (one-tier) dividend for 2017: S$0.055 (2016: S$0.025) per share | 5,798 | 2,478 |

## 38. Event occurring after the reporting period

On 2 March 2018, the Company established and incorporated a wholly-owned subsidiary, Kunshan Memtech Medical Equipment Industry Co., Ltd. with a registered share capital of USD 1,000,000.

On 15 March 2018, the Company established and incorporated a wholly-owned subsidiary, Kunshan Taitech Automation Co., Ltd. with a registered share capital of USD 2,100,000.

## 39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 29 March 2018.

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

# SHAREHOLDING STATISTICS

AS AT 29 MARCH 2018

| | | |
|---|---|---|
| No. of Issued Shares | - | 143,999,998 |
| No. of Treasury Shares Held | - | 3,119,120 |
| Class of shares | - | Ordinary shares |
| Voting rights | - | 1 vote per ordinary share (no vote for treasury shares) |

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 29 March 2018, 43.61% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

## ANALYSIS OF SHAREHOLDINGS

| Range of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 13 | 0.78 | 527 | 0.00 |
| 100 – 1,000 | 306 | 18.32 | 152,130 | 0.11 |
| 1,001 - 10,000 | 947 | 56.71 | 4,639,540 | 3.22 |
| 10,001 - 1,000,000 | 386 | 23.11 | 25,380,360 | 17.63 |
| 1,000,001 and above | 18 | 1.08 | 113,827,441 | 79.05 |
| | 1,670 | 100.00 | 143,999,998 | 100.00 |

## TOP 20 SHAREHOLDERS

| No. | Name of Shareholder | No. of Shares | %** |
|---|---|---|---|
| 1 | Keytech Investment Pte Ltd | 61,678,400 | 43.78 |
| 2 | DBS Nominees Pte Ltd | 5,818,800 | 4.13 |
| 3 | Chuang Wen Fu | 5,542,800 | 3.93 |
| 4 | Citibank Nominees Singapore Pte Ltd | 4,928,060 | 3.50 |
| 5 | DB Nominees (S) Pte Ltd | 4,907,300 | 3.48 |
| 6 | Chuang Tze Dey (Zhuang Zidi) | 4,504,400 | 3.20 |
| 7 | Chuang Tze Mon (Zhuang Zimeng) | 3,983,200 | 2.83 |
| 8 | BPSS Nominees Spore (Pte.) Ltd. | 3,811,100 | 2.71 |
| 9 | HSBC (Singapore) Nominees Pte Ltd | 2,999,100 | 2.21 |
| 10 | Raffles Nominees (Pte) Ltd | 2,561,280 | 2.13 |
| 11 | CGS-CIMB Securities (S) Pte Ltd | 1,999,981 | 1.82 |
| 12 | UOB Kay Hian Pte Ltd | 1,709,480 | 1.42 |
| 13 | Gu Chenghua | 1,445,800 | 1.21 |
| 14 | OCBC Securities Private Ltd | 1,343,780 | 1.03 |
| 15 | United Overseas Bank Nominees Pte Ltd | 1,207,800 | 0.95 |
| 16 | Goh Guan Siong (Wu Yuanxiang) | 1,181,900 | 0.86 |
| 17 | Phillip Securities Pte Ltd | 1,085,140 | 0.84 |
| 18 | Heng Ngee Boon | 995,500 | 0.77 |
| 19 | DBSN Services Pte Ltd | 992,420 | 0.71 |
| 20 | Morgan Stanley Asia (Singapore) Securities Pte Ltd | 844,660 | 0.70 |
| | | 113,540,901 | 80.59 |

## SUBSTANTIAL SHAREHOLDERS

| | No. of Shares | | |
|---|---|---|---|
| | Direct Interests | Deemed Interests | %** |
| Keytech Investment Pte Ltd | 61,678,400 | – | 43.78 |

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 29 March 2018, excluding 3,119,120 ordinary shares held as treasury shares as at that date.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at M Hotel Singapore, Shenton, Lower Level, 81 Anson Road, Singapore 079908 on Wednesday, 25 April 2018 at 2.00 p.m. to transact the following business:-

**As Ordinary Business**

1 To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final tax exempt dividend of 5.5 Singapore cents per share for the financial year ended 31 December 2017. **[Resolution 2]**

3 To approve the payment of S$189,000 as Directors' fees for the financial year ended 31 December 2017. [Year 2016: S$180,000]. **[Resolution 3]**

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

(b) To re-elect Mr Teng Cheong Kwee who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company.
**[See Explanatory Note (i)]** **[Resolution 4(b)]**

(c) To re-elect Mr Chuang Wen Fu who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company. **[Resolution 4(c)]**

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

**As Special Business**

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

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

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

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

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to such authority (including shares issued pursuant to any Instrument but excluding shares which may be issued pursuant to any adjustments ("Adjustments") effected under any relevant Instrument, which Adjustment shall be made in compliance with the provisions of Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST and the Constitution for the time being of the Company), shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this resolution, and provided that the aggregate number of such shares to be issued other than on a pro rata basis in pursuance to such authority (including shares issued pursuant to any Instrument but excluding shares which may be issued pursuant to any Adjustment effected under any relevant Instrument) to the existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury

shares) in the capital of the Company and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
**[See Explanatory Note (ii)]** **[Resolution 6(a)]**

(b) Renewal of Shares Purchase Mandate

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

7 To transact such other business as can be transacted at the Annual General Meeting of the Company.
**[Resolution 7]**

By Order of the Board

Teo Chin Kee
Company Secretary

Singapore
9 April 2018

## Notice of Books Closure Date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed on 5 May 2018 for the purpose of determining members' entitlements to the first and final tax exempt dividend to be approved by members at the Company's Annual General Meeting to be held on 25 April 2018.

Duly completed transfers received by the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on 4 May 2018 will be registered before entitlements to the dividend are determined.

Members whose Securities Accounts with the Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 4 May 2018 will be entitled to the dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 18 May 2018.

**Explanatory Notes:**

(i) Mr Teng Cheong Kwee, if elected, will remain as the Chairman of the Nominating Committee, a member of Audit Committee and the Remuneration Committee and will be considered as an independent director.

(ii) Resolution 6(a) is to authorize the Directors of the Company to allot and issue shares and Instruments up to 50% of the Company's total number of issued shares (excluding treasury shares) with an aggregate sub-limit of 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company for any allotments and issues of shares and Instruments not made on a pro rata basis to shareholders of the Company.

(iii) Resolution no. 6(b) if passed, will renew the Shares Purchase Mandate and will authorize the Directors to purchase or otherwise acquire shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition of shares by the Company pursuant to the Shares Purchase Mandate on the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2017, are set out in greater detail in the Appendices attached.

**Proxies:**

A member who is not a relevant intermediary is not entitled to appoint more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the nomination shall be deemed to be alternative.

A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap 50.

A proxy need not be a member of the Company.

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

**Personal Data Privacy:**

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

## MEMTECH INTERNATIONAL LTD.

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

**IMPORTANT**

1 Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the annual general meeting.
2 For CPF/SRS investors who have used their CPF monies to buy shares in Memtech International Ltd., this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3 By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 9 April 2018.

## PROXY FORM

I/We ______________________________ NRIC/Passport/Co. Reg. No. ________________

of ______________________________________________________________

being a member/members of MEMTECH INTERNATIONAL LTD. (the "Company") hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at M Hotel Singapore, Shenton, Lower Level, 81 Anson Road, Singapore 079908 on Wednesday, 25 April 2018 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the Annual General Meeting.

| NO | ORDINARY RESOLUTIONS | No. of Votes For* | No. of Votes Against* |
|---|---|---|---|
| | <u>Ordinary Business</u> | | |
| 1. | To receive and consider Directors' Statement and Audited Financial Statements for the year ended 31 December 2017 and Auditors' Report thereon | | |
| 2. | To declare a first and final tax exempt dividend | | |
| 3. | To approve Directors' fees | | |
| 4. | To re-elect Directors : | | |
| | (a) Mr Teow Joo Hwa | | |
| | (b) Mr Teng Cheong Kwee | | |
| | (c) Mr Chuang Wen Fu | | |
| 5. | To re-appoint Ernst & Young LLP as Auditors | | |
| | <u>Special Business</u> | | |
| 6. | (a) To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50 | | |
| | (b) Renewal of Share Purchase Mandate | | |

*Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (√) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this ____________ day of __________________ 2018.

| Total Number of Shares Held: |
|---|
| |

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

**IMPORTANT:-**
**PLEASE READ NOTES OVERLEAF**

**Notes:-**

1 If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that 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, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2 (a) A member who is not a relevant intermediary is not entitled to appoint more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy failing which the nomination shall be deemed to be alternative.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

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

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

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

6 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney. 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 a duly authorised officer of the corporation.

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

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

**General:**

The Company shall be entitled to reject the instrument appointing a proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for the holding of the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

## SUMMARY SHEET FOR RENEWAL OF SHARES PURCHASE MANDATE

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix. If you are in doubt as to the action that you should take, you should consult your stockbroker or other professional adviser immediately.

### (A) Shares Purchased In The Previous Twelve Months

As at the Latest Practicable Date (as defined below), the Company had not bought back any ordinary shares of the Company (the "**Shares**") in the previous twelve months pursuant to the general mandate to authorize the Directors to purchase shares of up to ten per cent. (10%) of the Shares (excluding any treasury shares and subsidiary holdings of the Company) at the price of up to but not exceeding the Maximum Price (as defined in Section F) (the "**Shares Purchase Mandate**") obtained at the AGM on 27 April 2017.

### (B) Renewal of The Shares Purchase Mandate

The Ordinary Resolution No. 6(b) if passed at the AGM, will renew the Shares Purchase Mandate and shall, unless revoked or varied by the Company in a general meeting, continue in force until the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier.

### (C) Rationale For The Shares Purchase Mandate

1. Short-term speculation may at times cause the market price of the Company's Shares to be depressed below the true value of the Company and the Group. The proposed Shares Purchase Mandate will provide the Directors with the means to restore investors' confidence and to protect existing shareholders' investments in the Company in a depressed share-price situation through judicious Shares purchases to enhance the earnings per Share and/or the net asset value per Share. The Shares purchases will enhance the net asset value per Share if the Shares purchases are made at a price below the net asset value per Share.

2. The proposed Shares Purchase Mandate will also provide the Company with an expedient and cost-effective mechanism to facilitate the return of surplus cash reserves to the shareholders, as and when the Directors are of the view that this would be in the best interests of the Company and shareholders.

3. The Directors will only make a Shares purchase as and when the circumstances permit and only if the Directors are of the view that such purchases are in the best interests of the Company and shareholders. The Directors will decide whether to purchase Shares only after taking into account, among other things, the market conditions at such time, the Company's financial condition and whether such purchases will cause the Company to become insolvent (i.e. the Company is unable to pay its debts as they become due in the ordinary course of business, or the value of the Company's assets is less than the value of its liabilities including contingent liabilities), and whether such purchases represent the most efficient and cost-effective approach to enhance Share value. Shares purchases will only be made if the Directors believe that such purchases are likely to benefit the Company and increase economic value for shareholders.

4. The Directors will ensure that the Shares purchases will not have any effect on the listing of the Company's securities including the Shares listed on the SGX-ST. Rule 723 of the Listing Manual of the SGX-ST requires a listed company to ensure that at least ten per cent. (10%) of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. The Directors shall safeguard the interests of public shareholders before undertaking any Shares purchases.

   Before exercising the Shares Purchase Mandate, the Directors shall at all times take due cognisance of (a) the then shareholding spread of the Company in respect of the number of Shares held by substantial shareholders and by non-substantial shareholders and (b) the volume of trading on the SGX-ST in respect of the Shares immediately before the exercise of any Shares purchase.

5. As at 29 March 2018 (the "**Latest Practicable Date**"), 61,444,238 Shares (43.61%) of a total of 140,880,878 Shares issued by the Company (excluding treasury shares and subsidiary holdings of the Company) are held by 1,670 public shareholders. The Company is of the view that there is a sufficient number of Shares in issue held by public shareholders which would permit the Company to undertake Shares purchases of up to ten per cent. (10%) of its issued ordinary share capital (excluding treasury shares and subsidiary holdings of the Company) without affecting the listing status of the Shares on the SGX-ST. The Company will ensure that the Shares purchases will not cause market illiquidity or affect orderly trade.

**(D) Financial Impact Of The Proposed Shares Purchases**

1. The purchased Shares shall be cancelled immediately on purchase or acquisition unless held in treasury in accordance with Section 76H of the Companies Act (Chapter 50) of Singapore (the "Act"). Section 76H of the Act allows purchased Shares to be:

   (i) held by the Company; or

   (ii) dealt with, at any time, in accordance with Section 76K of the Act, as treasury shares.

   Section 76K of the Act allows the Company to:

   (i) sell the Shares (or any of them) for cash;

   (ii) transfer the Shares (or any of them) for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

   (iii) transfer the Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

   (iv) cancel the Shares (or any of them); or

   (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

   The aggregate number of Shares held as treasury shares shall not at any time exceed ten per cent. (10%) of the total number of Shares at that time. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Act within six (6) months.

   Any Shares purchase will:

   (i) reduce the amount of the Company's share capital where the Shares were purchased or acquired out of the capital of the Company;

   (ii) reduce the amount of the Company's profits where the Shares were purchased or acquired out of the profits of the Company; or

   (iii) reduce the amount of the Company's share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

   by the total amount of the purchase price paid by the Company for the Shares cancelled.

   The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares will be treated as having no voting rights.

2. The financial effects on the Company and the Group arising from the proposed purchases of the Company's Shares which may be made pursuant to the proposed Shares Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased and the consideration paid at the relevant time.

3. Based on the existing issued and paid-up share capital of the Company (excluding treasury shares and subsidiary holdings of the Company) as at the Latest Practicable Date of 140,880,878 Shares, the proposed purchases by the Company of up to a maximum of ten per cent. (10%) of its issued share capital (excluding treasury shares and subsidiary holdings of the Company) under the Shares Purchase Mandate will result in the purchase of 14,088,087 Shares. As at the Latest Practicable Date, the Company has 3,119,120 treasury shares and does not have any subsidiary holdings.

4. An illustration of the impact of Shares purchases by the Company pursuant to the Shares Purchase Mandate on the Group's and the Company's financial position is set out below based on the following assumptions:

   (a) audited accounts of the Group and the Company as at 31 December 2017;

   (b) in full exercise of the Shares Purchase Mandate, 14,088,087 Shares were purchased;

   (c) the Maximum Price (as defined in Section F) for the market and off-market purchases is $1.8123 respectively, which is five 5 per cent. (5%) above the average closing prices of the Shares over the last five market days preceding the Latest Practicable Date on which transactions in the Shares were recorded on the SGX-ST;

   (d) the maximum amount of funds required for the Shares purchases in the aggregate is US$ 19,092,881; and

   (e) an exchange rate of US$1 to S$ 1.3373[1].

<u>Market Purchases and Off-Market Purchases (as the case may be) and held as treasury shares or cancelled (as the case may be)</u>

| **As at 31 December 2017** | **Group before Shares purchase (US$'000)** | **Group after Shares purchase (US$'000)** | **Company before Shares purchase (US$'000)** | **Company after Shares purchase (US$'000)** |
|---|---|---|---|---|
| Shareholders' funds | 127,318 | 108,226 | 78,982 | 59,890 |
| Net assets value | 127,318 | 108,226 | 78,982 | 59,890 |
| Current assets | 143,064 | 123,972 | 9,406 | (9,686) |
| Current liabilities | 52,164 | 52,164 | 5,531 | 5,531 |
| Cash and cash equivalents | 34,896 | 15,804 | 611 | (18,481) |
| Number of shares ('000) (excluding treasury shares and subsidiary holdings) | 140,881 | 126,793 | 140,881 | 126,793 |
| **Financial Ratios** | | | | |
| Net assets value per Share (US cents) | 90.1 | 85.1 | 56.1 | 47.2 |
| Earnings per Share (US cents) | 10.0 | 11.1 | (0.5) | (0.6) |
| Gearing (%) | 13.6 | 27.7 | 5.9 | 28.6 |
| Current ratio | 2.7 | 2.4 | 1.7 | (1.8) |

**Note:**

(1) Any discrepancies in this table between the listed amounts and the totals thereof are due to rounding.

1 Any discrepancies in this Appendix between the listed amounts and the equivalent foreign exchange amounts thereof are due to rounding.

5. Shareholders should note that the financial effects set out above are based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2017 and are for illustration only. The results of the Group and the Company for the financial year ended 31 December 2017 may not be representative of future performance.

6. The Company intends to use its internal sources of funds to finance its purchases of the Shares. The Company does not intend to obtain or incur any borrowings to finance its purchases of the Shares. The Directors do not propose to exercise the Shares Purchase Mandate in a manner and to such extent that the working capital requirements of the Group would be materially affected.

7. The Company will take into account both financial and non-financial factors, among other things, the market conditions at such time, the Company's financial condition, the performance of the Shares and whether such Shares purchases would represent the most efficient and cost-effective approach to enhance the Share value. Shares purchases will only be made if the Board believes that such purchases are likely to benefit the Company and increase economic value for shareholders. No purchase of Shares will be made in circumstances which the Directors believe or have reason to believe will have or may have a material adverse effect on the liquidity and the capital of the Company.

## (E) Consequences of Shares Purchases Under The Singapore Code on Take-overs and Mergers

1. In accordance with The Singapore Code on Take-overs and Mergers (the "**Take-over Code**"), a person will be required to make a general offer for a public company if:

   (a) he acquires 30 per cent. (30%) or more of the voting rights of the company; or

   (b) he, together with persons acting in concert with him, already holds between 30 per cent. (30%) and 50 per cent. (50%) of the voting rights of the company, and he, or any person acting in concert with him, increases his voting rights in the company by more than one per cent. (1%) in any six-month period.

2. As at the Latest Practicable Date and before the proposed Shares Purchase Mandate, the substantial shareholders' and Directors' interests are as follows:

| | **Direct Interest** | | **Deemed Interest** | | **Total Interest** | |
|---|---|---|---|---|---|---|
| **Directors** | **Number of Shares** | **%** | **Number of Shares** | **%** | **Number of Shares** | **%** |
| Chuang Wen Fu(1) | 5,542,800 | 3.93 | – | – | 5,542,800 | 3.93 |
| Gu Cheng Hua | 1,445,800 | 1.03 | – | – | 1,445,800 | 1.03 |
| Yap Chin Kuan | 400,000 | 0.28 | 592,000(2) | 0.42 | 992,000 | 0.70 |
| Teow Joo Hwa | 70,000 | 0.05 | 40(3) | 0.00 | 70,040 | 0.05 |
| Chua Keng Hiang | 1,200,000(4) | 0.85 | – | – | 1,200,000 | 0.85 |
| Teo Kiang Kok | – | – | – | – | – | – |
| Teng Cheong Kwee | 20,000 | 0.01 | – | – | 20,000 | 0.01 |
| Chuang Tze Mon(1) | 3,983,200 | 2.83 | – | – | 3,983,200 | 2.83 |
| Holders of 5% or more | | | | | | |
| Keytech Investment Pte Ltd(5) | 61,678,400 | 43.78 | – | – | 61,678,400 | 43.78 |
| Others | | | | | | |
| Chuang Tze Dey(1) | 4,504,400 | 3. 20 | – | – | 4,504,400 | 3. 20 |

**Notes:**

(1) Mr. Chuang Wen Fu is the father of Mr. Chuang Tze Mon and Ms. Chuang Tze Dey.

(2) Mr. Yap Chin Kuan has a deemed interest in 592,000 Shares which is being held directly by his spouse.

(3) Mr. Teow Joo Hwa has a deemed interest in 40 Shares which is being held directly by his spouse.

(4) The Shares held by Mr. Chua Keng Hiang are registered in the name of a nominee, Raffles Nominees (Pte.) Ltd..

(5) Keytech Investment Pte Ltd ("Keytech") is an investment holding company incorporated in the Republic of Singapore as a limited liability company on 25 February 2004. Its shareholders are 24 individuals including the Company's Executive Directors, Messrs Chuang Wen Fu (19.9%), Gu Cheng Hua (5.4%), Yap Chin Kuan ( 10.9%) and Teow Joo Hwa (12.2%) and the Company's Executive Officers, Heng Ngee Boon (5.6%), Wang Jian (5.4%) , Bai Yi Song (0.5%), Zhang Liuqing (0.3%) and Koh Kok Boon (0.2%). Mr. Chuang Tze Mon, the son of Mr. Chuang Wen Fu has a 16.8% interest in Keytech. Ms. Chuang Tze Dey, the daughter of Mr. Chuang Wen Fu, has a 10.1% interest in Keytech and Mrs. Chuang-Kao Jung Mi, the wife of Mr. Chuang Wen Fu, also has a 2.5% interest in Keytech. The directors of Keytech are Messrs Chuang Wen Fu, Yap Chin Kuan, Wang Jian, Gu Chenghua, Chuang Tze Mon, Heng Ngee Boon, Bai Yi Song, Teow Joo Hwa and Zhang Liuqing.

(6) The percentage of issued Shares is calculated based on the number of issued Shares (excluding treasury shares and subsidiary holdings of the Company) as at the Latest Practicable Date.

Keytech, Mr. Chuang Wen Fu, Ms. Chuang Tze Dey and Mr. Chuang Tze Mon are presumed persons acting in concert under definition 1(b) of the Take-over Code (the "**Concert Parties**").

As at the Latest Practicable Date, the aggregate shareholdings and voting rights of the Concert Parties is above fifty per cent (50%) at approximately 53.74%. In the event the Company undertakes Shares purchases of up to ten per cent. (10%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company as permitted by the Shares Purchase Mandate, assuming the total number of the Shares held by the Concert Parties remains unchanged, the aggregate shareholdings and voting rights of the Concert Parties will remain above fifty per cent (50%) at approximately 59.71%. Accordingly, no general offer is required to be made by the Concert Parties pursuant to the Take-Over Code.

Based on the substantial shareholders' and Directors' interests as at the Latest Practicable Date and before the proposed Shares Purchase Mandate, the Directors are not aware of any other shareholder who may become obligated to make a mandatory offer in the event the Company purchases up to ten per cent. (10%) of the issued Shares of the Company as permitted by the Shares Purchase Mandate.

## (F) Miscellaneous

1. Any Shares purchases undertaken by the Company shall be at a price of up to but not exceeding the sum constituting five per cent. (5%) above the average closing price of the Shares over the period of five (5) trading days in which transactions in the Shares on the SGX-ST were recorded, in the case of a market purchase, before the day on which such purchase is made, and, in the case of an off-market purchase, immediately preceding the date of offer by the Company, as the case may be, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) day period (the "**Maximum Price**").

2. In making Shares purchases, the Company will comply with the requirements of the SGX-ST Listing Manual, in particular, Rule 886 with respect to notification to the SGX-ST of any Shares purchases. Rule 886 is reproduced below:

"(1) An issuer must notify the Exchange of any share buy-back as follows:

(a) In the case of a market acquisition, by 9.00 am on the market day following the day on which it purchased shares,

(b) In the case of an off market acquisition under an equal access scheme, by 9.00 am on the second market day after the close of acceptances of the offer.

(2) Notification must be in the form of Appendix 8.3.1 (or 8.3.2 for an issuer with a dual listing on another stock exchange)."

3. Shares purchases will be made in accordance with the "Guidelines on Shares Purchases" as set out in Appendix I of the Company's Circular to Shareholders dated 10 April 2006, an updated[2] copy of which is annexed. All information required under the Act and the SGX-ST Listing Manual relating to the Shares Purchase Mandate is contained in the said Guidelines.

4. The SGX-ST Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times. However, as a listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its Shares, the Company will undertake not to purchase or acquire Shares pursuant to the proposed Shares Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares during the period of two (2) weeks immediately preceding the announcement of the Company's results for each of the first three (3) quarters of the financial year, and during the period of one (1) month immediately preceding the announcement of the Company's annual results.

**(G) Directors' Responsibility Statement**

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the renewal of the proposed Shares Purchase Mandate, the Company and its subsidiaries, and the Directors of the Company are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors of the Company has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

**(H) Directors' Recommendation**

The Directors of the Company are of the opinion that the proposed renewal of the proposed Shares Purchase Mandate is in the best interests of the Company. Accordingly, the Directors of the Company recommend that shareholders vote in favour of Ordinary Resolution 6(b).

**(I) Taxation**

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional tax advisers.

**(J) Documents For Inspection**

Copies of the following documents may be inspected at the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 during normal business hours up to and including the date of the Annual General Meeting:

(a) the Constitution of the Company; and

(b) the audited financial statements of the Company for the financial year ended 31 December 2017.

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2 Appendix I of the Company's Circular to Shareholders dated 10 April 2006 is updated pursuant to, *inter alia*, amendments made to the SGX-ST Listing Manual and certain amendments made to the Act since the last version of the Appendix I.

## GUIDELINES ON SHARES PURCHASES

### 1. Shareholders' Approval

(a) Purchases of Shares by the Company must be approved in advance by the shareholders at a general meeting of the Company, by way of a general mandate.

(b) A general mandate authorising the purchase of Shares by the Company representing up to ten per cent. (10%) of the Company's issued ordinary share capital (excluding any Shares held as treasury shares and subsidiary holdings of the Company) will expire on the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

(c) The authority conferred on the Directors by the Shares Purchase Mandate to purchase Shares shall be renewed at the next annual general meeting of the Company.

(d) When seeking shareholders' approval for the renewal of the Shares Purchase Mandate, the Company shall disclose details pertaining to the purchases of Shares made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest price for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

### 2. Mode Of Purchase

Shares purchases can be effected by the Company in either one of the following two ways or both:

(a) by way of market purchases of Shares, which means a purchase transacted through the SGX-ST's trading system or on another stock exchange on which the Company's equity securities are listed; or

(b) by way of off-market acquisitions on an equal access scheme in accordance with Section 76C of the Act.

### 3. Funding Of Shares Purchases

(a) In purchasing the Shares, the Company may only apply funds legally permitted for such purchase in accordance with its Constitution, and the relevant laws and regulations enacted or prescribed by the relevant competent authorities in Singapore.

(b) Any purchase by the Company may be made out of capital or profits that are available for distribution as dividends, so long as the Company is solvent (as defined in Section 76F(4) of the Act) .

(c) The Company may not purchase its Shares on the Official List of the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

### 4. Trading Restrictions

The number of Shares which can be purchased pursuant to the Shares Purchase Mandate is such number of Shares which represents up to a maximum of ten per cent. (10%) of the issued ordinary shares in the capital of the Company (excluding treasury shares and subsidiary holdings of the Company) ascertained as at the date of the resolution passed by shareholders authorising the proposed renewal of the Shares Purchase Mandate.

### 5. Price Restrictions

Any Shares purchase undertaken by the Company, whether by way of market purchase or off-market purchase, shall be at the price of up to but not exceeding the Maximum Price.

"**Maximum Price**" means the maximum price at which the Shares can be purchased pursuant to the Shares Purchase Mandate, which shall not exceed the sum constituting five per cent. (5%) above the average closing price of the Shares over the period of five (5) trading days in which transactions in the Shares on the SGX-ST were recorded, in the case of a market purchase, before the day on which such purchase is made, and, in the case of an off-market purchase, immediately preceding the date of offer by the Company, as the case may be, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) day period.

### 6. Off-Market Purchases

(a) For purchases of Shares made by way of an off-market purchase, the Company shall issue an offer document to all shareholders. The offer document shall contain, *inter alia*, the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed Shares purchase;

(iv) the consequences, if any, of Shares purchased by the Company that will arise under the Singapore Code on Take-overs and Mergers or any other applicable take-over rules;

(v) whether the purchase of Shares, if made, would have any effect on the listing of the Company's securities on the Official List of the SGX-ST;

(vi) details of any purchase of Shares made by the Company in the previous twelve (12) months whether through market purchases or off-market purchases, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases; and

(vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(b) All offeree shareholders shall be given a reasonable opportunity to accept any offer made by the Company to purchase their Shares under the Shares Purchase Mandate.

(c) The Company may offer to purchase Shares from time to time under the Shares Purchase Mandate subject to the requirement that the terms of any offer to purchase Shares by the Company shall be *pari passu* in respect of all offeree shareholders save under the following circumstances:

(i) where there are differences in consideration attributable to the fact that an offer relates to Shares with different dividend entitlements;

(ii) where there are differences in consideration attributable to the fact that an offer relates to Shares with different amounts remaining unpaid; and

(iii) where there are differences in an offer introduced solely to ensure that every shareholder is left with a whole number of Shares in board lots of 100 Shares after the Shares purchases, in the event there are offeree shareholders holding odd numbers of Shares.

## 7. Status Of Purchased Shares

The purchased Shares shall be cancelled immediately on purchase or acquisition unless held in treasury in accordance with Section 76H of the Act. Section 76H of the Act allows purchased Shares to be:

(i) held by the Company; or

(ii) dealt with, at any time, in accordance with Section 76K of the Act, as treasury shares.

Section 76K of the Act allows the Company to:

(i) sell the Shares (or any of them) for cash;

(ii) transfer the Shares (or any of them) for the purposes of or pursuant to any share scheme, whether for employees, directors or other person;

(iii) transfer the Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the Shares (or any of them); or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

The aggregate number of Shares held as treasury shares shall not at any time exceed ten per cent. (10%) of the total number of Shares at that time. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Act within six (6) months.

Any Shares purchase will:

(i) reduce the amount of the Company's share capital where the Shares were purchased or acquired out of the capital of the Company;

(ii) reduce the amount of the Company's profits where the Shares were purchased or acquired out of the profits of the Company; or

(iii) reduce the amount of the Company's share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares will be treated as having no voting rights.

## 8. Notification To Accounting And Corporate Regulatory Authority ("ACRA")

(a) Within thirty (30) days of the passing of a shareholders' resolution to approve any purchase of Shares, the Company shall lodge a copy of such resolution with ACRA.

(b) The Company shall notify ACRA within thirty (30) days of a purchase of Shares. Such notification shall include details of the date of the purchases, the total number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's total number of issued Shares as at the date of the shareholders' resolution approving the purchase of the Shares and after the purchase of Shares, the amount of consideration paid by the Company for the purchases, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required in the prescribed form.

**9. Notification To The SGX-ST**

(a) For purchases of Shares made by way of an off-market purchase, the Company shall notify the SGX-ST in respect of any acquisition or purchase of Shares in the relevant form prescribed by the SGX-ST from time to time, not later than 9.00 a.m. on the second trading day after the close of acceptances of an offer, or within such time period that may be prescribed by the SGX-ST from time to time.

(b) For purchases of Shares made by way of a market purchase, the Company shall notify the SGX-ST in respect of any acquisition or purchase of Shares in the relevant form prescribed by the SGX-ST from time to time, not later than 9.00 a.m. on the trading day following the date of market acquisition by the Company, or within such time period that may be prescribed by the SGX-ST from time to time.

**10. Suspension Of Purchase**

(a) The Company may not undertake any Shares purchase prior to the announcement of any price-sensitive information by the Company, until such time as the price sensitive information has been publicly announced or disseminated in accordance with the requirements of the SGX-ST Listing Manual.

(b) The Company will not purchase or acquire any Shares during the period of two (2) weeks immediately preceding the announcement of the Company's results for each of the first three (3) quarters of the financial year, and during the period of one (1) month immediately preceding the announcement of the Company's annual results.

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