



MEMTECH INTERNATIONAL LTD.

(Incorporated in the Republic of Singapore)
Company Registration Number: 200312032Z

**Third Quarter Financial Statements Announcement
For the period ended 30 September 2017**



1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year:

Income Statement

For the period ended 30 September 2017

	Group Third Quarter			Group Year to Date		
	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)
	30-Sep	30-Sep	(Decrease)	30-Sep	30-Sep	(Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	46,211	46,458	-0.5%	120,399	111,072	8.4%
Cost of sales	(37,718)	(38,223)	-1.3%	(98,768)	(94,868)	4.1%
Gross profit	8,493	8,235	3.1%	21,631	16,204	33.5%
Other operating income	954	508	87.8%	4,924	1,119	NM
Sales and marketing expenses	(2,018)	(2,492)	-19.0%	(5,808)	(6,179)	-6.0%
General and Administration expenses	(2,904)	(2,791)	4.0%	(8,445)	(8,340)	1.3%
Other operating expenses	(48)	(113)	NM	(172)	(143)	20.3%
Finance costs	(69)	(23)	NM	(243)	(58)	NM
Exchange (loss)/gain	(158)	11	NM	(402)	273	NM
Profit before tax	4,250	3,335	27.4%	11,485	2,876	NM
Income tax expenses, net	(305)	(240)	27.1%	(1,040)	(581)	79.0%
Profit for the period	3,945	3,095	27.5%	10,445	2,295	NM
Attributable to:						
Owners of the Company	3,898	3,081	26.5%	10,366	2,250	NM
Non-controlling interests	47	14	NM	79	45	75.6%



Statement of Comprehensive Income

For the period ended 30 September 2017

	Group Third Quarter			Group Year to Date		
	2017 30-Sep	2016 30-Sep	Increase/ (Decrease)	2017 30-Sep	2016 30-Sep	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Profit for the period	3,945	3,095	27.5%	10,445	2,295	NM
Other comprehensive income (net of tax)						
Items that may be reclassified to profit and loss:						
Currency translation differences	1,366	(305)	NM	2,989	(1,752)	NM
Total comprehensive income for the period	5,311	2,790	90.4%	13,434	543	NM
Attributable to:						
Owners of the company	5,258	2,776	89.4%	13,344	501	NM
Non-controlling interests	53	14	NM	90	42	NM
Total comprehensive income for the period attributable to Owners of the company	5,311	2,790	90.4%	13,434	543	NM

Notes

NM: Not meaningful

1 Profit from operating activities

Profit from operating activities is arrived at after charging / (crediting):

	Group Third Quarter			Group Year to Date		
	2017 30-Sep	2016 30-Sep	Increase/ (Decrease)	2017 30-Sep	2016 30-Sep	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Continuing Operations						
Depreciation	2,198	1,973	11.4%	6,251	5,859	6.7%
Allowance for/(write-back of) doubtful receivables, trade	62	(29)	NM	266	(21)	NM
Allowance for stock obsolescence	226	359	-37.0%	113	597	-81.1%
Net gain on disposal of property, plant and equipment	(35)	(49)	-28.6%	(3,218)	(52)	NM
Exchange loss/(gain)	158	(11)	NM	402	(273)	NM



1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statement of Financial Position

As at 30 September 2017

	Group		Company	
	2017 30-Sep	2016 31-Dec	2017 30-Sep	2016 31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets:				
Property, plant and equipment	42,583	39,836	-	-
Investment in subsidiaries	-	-	75,107	75,107
Intangible assets	554	547	-	-
	<u>43,137</u>	<u>40,383</u>	<u>75,107</u>	<u>75,107</u>
Current Assets:				
Cash and cash equivalents	33,247	27,353	921	3,870
Bank deposits pledged	1,696	1,942	-	-
Trade receivables	60,487	62,383	-	-
Bills and other receivables	7,651	7,346	25	23
Amounts due from subsidiaries	-	-	8,775	9,743
Prepayments	6,161	4,394	-	-
Inventories	24,020	19,451	-	-
Non-current assets held for sale	-	2,481	-	-
	<u>133,262</u>	<u>125,350</u>	<u>9,721</u>	<u>13,636</u>
Current Liabilities:				
Trade payables and accruals	35,593	35,834	237	371
Bills and other payables	8,298	8,576	9	20
Amounts due to subsidiaries	-	-	5,000	5,000
Provision for taxation	409	732	-	-
Other liabilities	641	825	-	-
Loans and borrowings	1,744	1,169	278	1,111
	<u>46,685</u>	<u>47,136</u>	<u>5,524</u>	<u>6,502</u>
Net Current Assets	86,577	78,214	4,197	7,134
Non-Current Liabilities:				
Loans and borrowings	3,271	3,402	-	-
Other liabilities	698	789	-	-
Deferred taxation	4,001	3,573	-	-
	<u>7,970</u>	<u>7,764</u>	<u>-</u>	<u>-</u>
Net Assets	121,744	110,833	79,304	82,241



Statement of Financial Position (Cont'd)

As at 30 September 2017

	Group		Company	
	2017	2016	2017	2016
	30-Sep	31-Dec	30-Sep	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Equity Attributable to Owners of the Company				
Share capital	57,808	57,808	57,808	57,808
Treasury shares	(1,441)	(1,441)	(1,441)	(1,441)
Currency translation reserve	(3,244)	(6,222)	-	-
Statutory reserve fund	10,035	10,035	-	-
Acquisition reserve	(714)	(714)	-	-
Revenue reserves	59,019	51,176	22,937	25,874
	<u>121,463</u>	<u>110,642</u>	<u>79,304</u>	<u>82,241</u>
Non-controlling interests	281	191	-	-
Total Equity	<u><u>121,744</u></u>	<u><u>110,833</u></u>	<u><u>79,304</u></u>	<u><u>82,241</u></u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	Group Secured		Group Unsecured	
	2017	2016	2017	2016
	30-Sep	31-Dec	30-Sep	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less or on demand	-	-	1,744	1,169
Amount repayable after one year	-	-	3,271	3,402
	<u>-</u>	<u>-</u>	<u>5,015</u>	<u>4,571</u>



1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cashflows

For the period ended 30 September 2017

	Group		Group	
	Third Quarter		Year to Date	
	2017	2016	2017	2016
	30-Sep	30-Sep	30-Sep	30-Sep
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit/(loss) before tax	4,250	3,335	11,485	2,876
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	2,198	1,973	6,251	5,859
Amortisation of intangible assets	-	6	10	19
Interest expense	69	23	243	58
Interest income	(9)	(64)	(32)	(121)
Allowance for/(write-back of) doubtful receivables, trade	62	(29)	266	(21)
Allowance for stock obsolescence	226	359	113	597
Net gain on disposal of property, plant and equipment	(35)	(49)	(3,218)	(52)
Unrealised exchange loss/(gain), net	69	(13)	167	(121)
Total adjustments	2,580	2,206	3,800	6,218
Operating cash flows before changes in working capital	6,830	5,541	15,285	9,094
<u>Changes in working capital</u>				
Trade and other receivables	(7,289)	(9,615)	1,531	(5,979)
Inventories	(2,136)	(3,229)	(4,646)	(4,016)
Trade and other payables	6,977	11,122	(1,933)	11,444
Total changes in working capital	(2,448)	(1,722)	(5,048)	1,449
Cash flows generated from operations	4,382	3,819	10,237	10,543
Interest received	9	63	43	132
Interest paid	(69)	(23)	(243)	(58)
Income taxes paid	(607)	(7)	(1,609)	(348)
Net cash flows generated from operating activities	3,715	3,852	8,428	10,269
Cash flows from investing activities:				
Purchases of property, plant and equipment	(3,184)	(4,561)	(7,748)	(8,928)
Proceeds from disposal of fixed assets	30	215	5,978	238
Net cash used in investing activities	(3,154)	(4,346)	(1,770)	(8,690)
Cash flows from financing activities:				
Proceeds from loans and borrowings	-	1,654	1,161	1,654
Dividends Paid	-	-	(2,523)	(3,473)
Repayments of loans and borrowings	(352)	(278)	(908)	(834)
Bank deposits pledged	411	(833)	322	(1,126)
Net cash generated from/(used in) financing activities	59	543	(1,948)	(3,779)
Net increase/(decrease) in cash and cash equivalents	620	49	4,710	(2,200)
Effects of exchange rate changes on opening cash and cash equivalents	539	(111)	1,184	(700)
Cash and cash equivalents at the beginning of the period	32,088	23,929	27,353	26,767
Cash and cash equivalents at the end of the period	33,247	23,867	33,247	23,867



1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity

As at 30 September 2017

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Issued Capital				
Balance at 1 January, 31 March, 30 June and September	57,808	57,808	57,808	57,808
Treasury Shares				
Balance at 1 January, 31 March, 30 June and September	(1,441)	(1,441)	(1,441)	(1,441)
Statutory Reserve Fund				
Balance at 1 January, 31 March and 30 June	10,035	9,332	-	-
Transfer from revenue reserve	-	12	-	-
Balance at 30 September	10,035	9,344	-	-
Acquisition reserve				
Balance at 1 January, 31 March, 30 June and September	(714)	(714)	-	-
Currency Translation Reserve				
Balance at 1 January	(6,222)	(1,829)	-	-
Net effect of exchange translation differences	362	596	-	-
Balance at 31 March	(5,860)	(1,233)	-	-
Net effect of exchange translation differences	1,256	(2,040)	-	-
Balance at 30 June	(4,604)	(3,273)	-	-
Net effect of exchange translation differences	1,360	(305)	-	-
Balance at 30 September	(3,244)	(3,578)	-	-
Revenue Reserves				
Balance at 1 January	51,176	49,082	25,874	31,123
Net profit/(loss) for the period	1,597	569	(136)	(127)
Balance at 31 March	52,773	49,651	25,738	30,996
Net profit/(loss) for the period	4,871	(1,400)	(158)	(170)
Dividend paid	(2,523)	(3,473)	(2,523)	(3,473)
Balance at 30 June	55,121	44,778	23,057	27,353
Net profit/(loss) for the period	3,898	3,081	(120)	(172)
Transfer to statutory reserve	-	(12)	-	-
Balance at 30 September	59,019	47,847	22,937	27,181
Non- controlling interests				
Balance at 1 January	191	96	-	-
Net profit for the period	14	27	-	-
Net effect of exchange translation differences	1	1	-	-
Balance at 31 March	206	124	-	-
Net profit for the period	18	4	-	-
Net effect of exchange translation differences	4	(4)	-	-
Balance at 30 June	228	124	-	-
Net profit for the period	47	14	-	-
Net effect of exchange translation differences	6	-	-	-
Balance at 30 September	281	138	-	-
Total Equity				
Balance at 1 January	110,833	112,334	82,241	87,490
Total for the period	1,974	1,193	(136)	(127)
Balance at 31 March	112,807	113,527	82,105	87,363
Total for the period	3,626	(6,913)	(2,681)	(3,643)
Balance at 30 June	116,433	106,614	79,424	83,720
Total for the period	5,311	2,790	(120)	(172)
Balance at 30 September	121,744	109,404	79,304	83,548



1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares, excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

	2017	2016
	30-Sep	31-Dec
	No. of shares	No. of shares
Ordinary shares	<u>143,999,998</u>	<u>143,999,998</u>

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	2017	2016
	30-Sep	31-Dec
	No. of shares	No. of shares
Issued ordinary shares excluding treasury shares	<u>140,880,878</u>	<u>140,880,878</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

	2017	2016
	30-Sep	31-Dec
	No. of shares	No. of shares
Balance as at beginning and end of the year	3,119,120	3,119,120



2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice

The above figures have not been audited or reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not Applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has adopted all the new/revised FRSs that are mandatory for financial year beginning on or after 1 January 2017. Except for the adoption of these new/revised FRSs, the Group has consistently adopted the same accounting policies and methods of computation as stated in the audited financial statements of the Group for the year ended 31 December 2016.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The adoption of the new/revised FRSs has no material financial impact on the Group's financial statements.



6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group		Group	
	Third Quarter		Year to Date	
	2017	2016	2017	2016
	30-Sep	30-Sep	30-Sep	30-Sep
	US cents	US cents	US cents	US cents
Earnings per ordinary share for the period after deducting any provision for preference dividends:				
(i) Based on weighted average number of ordinary shares on issue	2.8	2.2	7.4	1.6
(ii) On a fully diluted basis	2.8	2.2	7.4	1.6

	Group		Group	
	Third Quarter		Year to Date	
	2017	2016	2017	2016
	30-Sep	30-Sep	30-Sep	30-Sep
	'000	'000	'000	'000
Weighted average number of shares:				
(i) Based on weighted average number of ordinary shares on issue	140,881	140,881	140,881	140,881
(ii) On a fully diluted basis	140,881	140,881	140,881	140,881

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and
 (b) immediately preceding financial year

	Group		Company	
	2017	2016	2017	2016
	30-Sep	31-Dec	30-Sep	31-Dec
	US cents	US cents	US cents	US cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	86.2	78.5	56.3	58.4
Number of shares ('000)	140,881	140,881	140,881	140,881



8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Revenue and Profitability Analysis

3Q2017 vs. 3Q2016

The Group’s revenue decreased 0.5% year-on-year (“yoy”) to US\$46.2 million for 3Q2017. The growth in revenue was led by the Group’s Automotive segment which reported a 17.3% yoy increase to US\$20.3 million.

Segment (US\$’000)	3Q2017	3Q2016	Change (%)
Automotive	20,336	17,344	17.3
Consumer Electronics	17,078	18,720	(8.8)
Telecommunication	5,784	7,700	(24.9)
Industrial & Medical	3,013	2,694	11.8
Total	46,211	46,458	(0.5)

The Group’s gross profit increased 3.1% yoy to US\$8.5 million for 3Q2017 due mainly to a shift in product mix towards higher margin products and improved operational efficiency through automation. Correspondingly, the Group’s gross profit margin increased from 17.7% for 3Q2016 to 18.4% for 3Q2017.

Other operating income increased 87.8% yoy to US\$1.0 million for 3Q2017 as the Group receiving more government incentives and subsidies for its use of innovative manufacturing technologies.

Sales and marketing expenses declined 19.0% yoy to US\$2.0 million for 3Q2017 due mainly to the implementation of cost containment measures and lower freight costs.

General and Administration expenses increased 4.0% yoy to US\$2.9 million due mainly to higher staff costs.

The Group reported a 26.5% yoy increase in net profit attributable to owners of the Company of US\$3.9 million for 3Q2017.



Balance Sheet Analysis

The net book value of property, plant and equipment increased 6.9% from US\$39.8 million as at 31 December 2016 to US\$42.6 million as at 30 September 2017 due mainly to additions, partly offset by depreciation amounting to US\$6.3 million.

Inventories increased 23.5% from US\$19.5 million as at 31 December 2016 to US\$24.0 million as at 30 September 2017 as the Group expects an increase in sales for 4Q2017.

The Group's cash and cash equivalents increased from US\$27.4 million as at 31 December 2016 to US\$33.2 million as at 30 September 2017 due mainly to the proceeds from sale of our Huzhou plant and better profitability.

Cash Flow Analysis

The Group generated US\$3.7 million net cash from operating activities for 3Q2017 as compared to US\$3.9 million for 3Q2016. Net cash used in investing activities was US\$3.2 million for 3Q2017 as compared to US\$4.3 million for 3Q2016 as the Group continues to invest in capital expenditure to support growth initiatives.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The results are in line with the statement made in the 2Q2017 results announcement for the period ended 30 June 2017.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group's primary focus is on improving earnings quality as it positions itself for its next phase of growth. In this light, the Group has concentrated its efforts on the production of higher margin, complex engineering products by leveraging on its niche capabilities to secure new contract wins. Similarly, the Group has gradually eliminated the production of lower margin products which were previously outsourced.

In addition to improving its product mix, the Group continues to invest in new manufacturing technologies focused on increasing automation and operational efficiency. Against the backdrop of an



increasingly competitive and costly labour market, these initiatives are geared towards driving productivity and improving the Group's profitability margins.

The Group continues to identify its Automotive and Consumer Electronics segments as key growth drivers. To take advantage of growth opportunities within these segments, the Group continues to invest in the necessary capital expenditure as it prepares for potential project ramp-ups in the future. Furthermore, the Group is focused on diversifying its customer base while strengthening its relationships with existing customers by value-adding through innovative engineering capabilities.

The Group continues to generate strong positive operating cash flows which have contributed to an increasingly resilient balance sheet with a net cash position of US\$28.2 million. While the Group positions itself for its next phase of growth, the Group remains committed to enhancing shareholder value and rewarding shareholders. Barring any unforeseen circumstances, the Group remains cautiously optimistic of its performance for the financial year ended 31 December 2017.

11 Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not Applicable.

(d) Books closure date

Not Applicable.

12 If no dividend has been declared/recommended, a statement to that effect

Not Applicable.



13 If the Group has obtained a general mandate from shareholders for interested person transactions (“IPTs”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to the effect.

The Group has not obtained a general mandate from shareholders for IPTs.

14 Negative Confirmation of the Board pursuant to Rule 705 (5)

Chuang Wen Fu and Gu Chenghua, being two directors of Memtech International Limited (“the Company”), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the 3Q2017 financial results to be false or misleading in any material aspect.

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all the directors and executive officers under Rule 720(1).

BY ORDER OF THE BOARD

Chuang Wen Fu
Chairman

09 November 2017