

MEMTECH INTERNATIONAL LTD

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

First QuarterFinancial StatementsAnnouncement
For the period ended 31 March 2018

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 31 March 2018

	Group First Quarter		
	2018 31-Mar	**2017 31-Mar**	*Increase/ (Decrease)*
	US$'000	US$'000	
Revenue	41,613	36,438	*14.2%*
Cost of sales	(35,560)	(29,844)	*19.2%*
Gross profit	6,053	6,594	*-8.2%*
Other operating income	820	268	*206.0%*
Sales and marketing expenses	(1,826)	(2,114)	*-13.6%*
General and Administration expenses	(2,734)	(2,667)	*2.5%*
Exchange loss	(463)	(64)	*NM*
Other operating expenses	(197)	(10)	*NM*
Finance costs	(87)	(66)	*31.8%*
Profit before tax	1,566	1,941	*-19.3%*
Income tax expenses, net	(228)	(330)	*-30.9%*
Profit for the period	1,338	1,611	*-16.9%*
Attributable to:			
Owners of the Company	1,337	1,597	*-16.3%*
Non-controlling interests	1	14	*-92.9%*

Statement of Comprehensive Income

For the period ended 31 March2018

	Group First Quarter		
	2018 31-Mar	**2017 31-Mar**	***Increase/ (Decrease)***
	US$'000	US$'000	
Profit for the period	1,338	1,611	*-16.9%*
Other comprehensive income (net of tax)			
Items that may be reclassified to profit and loss:			
Currency translation differences	3,019	363	*731.7%*
Total comprehensive income for the period	4,357	1,974	*120.7%*
Attributable to:			
Owners of the company	4,344	1,959	*121.7%*
Non-controlling interests	13	15	*-13.3%*
Total comprehensive income for the period attributable to Owners of the company	4,357	1,974	*120.7%*

Notes

NM: Not meaningful

1 Profit from operating activities

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

	Group First Quarter		
	2018 31-Mar	**2017 31-Mar**	***Increase/ (Decrease)***
	US$'000	US$'000	
Depreciation	2,275	2,001	*13.7%*
(Write-back of)/allowance for doubtful receivables, trade	(236)	2	*NM*
Allowance for/(write-back of) stock obsolescence	99	(227)	*NM*
Net loss on disposal of property, plant and equipment	140	8	*NM*
Exchange loss	463	64	*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 31 March2018

	Group		Company	
	2018 31-Mar	**2017 31-Dec**	**2018 31-Mar**	**2017 31-Dec**
	US$'000	US$'000	US$'000	US$'000
Non-Current Assets:				
Property, plant and equipment	46,373	43,790	-	-
Investment in subsidiaries	-	-	75,107	75,107
Intangible assets	580	564	-	-
	46,953	44,354	75,107	75,107
Current Assets:				
Cash and cash equivalents	33,848	34,896	364	611
Bank deposits pledged	1,097	1,611	-	-
Trade receivables	64,163	70,662	-	-
Bills and other receivables	8,123	6,691	3	3
Amounts due from subsidiaries	-	-	8,821	8,792
Prepayments	6,516	4,625	-	-
Inventories	24,502	24,579	-	-
	138,249	143,064	9,188	9,406
Current Liabilities:				
Trade payables and accruals	35,078	39,676	477	516
Bills and other payables	7,581	9,499	8	15
Amounts due to subsidiaries	-	-	5,000	5,000
Provision for taxation	159	707	-	-
Other liabilities	1,005	784	-	-
Loans and borrowings	2,629	1,498	-	-
	46,452	52,164	5,485	5,531
Net Current Assets	91,797	90,900	3,703	3,875
Non-Current Liabilities:				
Loans and borrowings	2,310	3,342	-	-
Other liabilities	730	754	-	-
Deferred taxation	4,035	3,840	-	-
	7,075	7,936	-	-
Net Assets	131,675	127,318	78,810	78,982

Statement of Financial Position (Cont'd)

As at 31 March2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	31-Mar	**31-Dec**	**31-Mar**	**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	1,533	(1,474)	-	-
Statutory reserve fund	10,457	10,457	-	-
Acquisition reserve	(714)	(714)	-	-
Revenue reserves	63,693	62,356	22,443	22,615
	131,336	126,992	78,810	78,982
Non-controlling interests	339	326	-	-
Total Equity	131,675	127,318	78,810	78,982

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

	Group Secured		Group Unsecured	
	2018	**2017**	**2018**	**2017**
	31-Mar	**31-Dec**	**31-Mar**	**31-Dec**
	US$'000	US$'000	US$'000	US$'000
Amount repayable in one year or less or on demand	-	-	2,629	1,498
Amount repayable after one year	-	-	2,310	3,342
	-	-	4,939	4,840

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 ofCashflows

For the period ended 31 March2018

	Group First Quarter	
	2018 31-Mar	**2017 31-Mar**
	US$'000	US$'000
Cash flows from operating activities:		
Profit before tax	1,566	1,941
Adjustments for:		
Depreciation of property, plant and equipment	2,275	2,001
Amortisation of intangible assets	-	6
Interest expense	87	66
Interest income	(99)	(10)
(Write-back of)/allowance for doubtful receivables, trade	(236)	2
Allowance for/(write-back of) stock obsolescence	99	(227)
Net loss/(gain) on disposal of property, plant and equipment	140	(8)
Unrealised exchange loss/(gain), net	98	(3)
Total adjustments	2,364	1,827
Operating cash flows before changes in working capital	3,930	3,768
Changes in working capital		
Trade and other receivables	5,437	7,157
Inventories	767	(1,523)
Trade and other payables	(8,500)	(3,667)
Total changes in working capital	(2,296)	1,967
Cash flows generated from operations	1,634	5,735
Interest received	111	21
Interest paid	(87)	(66)
Income taxes paid	(739)	(658)
Net cash flows generated from operating activities	919	5,032
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,790)	(1,862)
Proceeds from disposal of fixed assets	49	8
Net cash used in investing activities	(3,741)	(1,854)
Cash flows from financing activities:		
Repayments of loans and borrowings	(77)	(278)
Bank deposits received/(pledged)	564	(657)
Net cash generated from/(used in) financing activities	487	(935)
Net (decrease)/increase in cash and cash equivalents	(2,335)	2,243
Effects of exchange rate changes on opening cash and cash equivalents	1,287	150
Cash and cash equivalents at the beginning of the period	34,896	27,353
Cash and cash equivalents at the end of the period	33,848	29,746

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 31 March 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Issued Capital				
Balance at 1 January and 31 March	57,808	57,808	57,808	57,808
Treasury Shares				
Balance at 1 January and 31 March	(1,441)	(1,441)	(1,441)	(1,441)
Statutory Reserve Fund				
Balance at 1 January and 31 March	10,457	10,035	-	-
Acquisition reserve				
Balance at 1 January and 31 March	(714)	(714)	-	-
Currency Translation Reserve				
Balance at 1 January	(1,474)	(6,222)	-	-
Net effect of exchange translation differences	3,007	362	-	-
Balance at 31 March	1,533	(5,860)	-	-
Revenue Reserves				
Balance at 1 January	62,356	51,176	22,615	25,874
Net profit/(loss) for the period	1,337	1,597	(172)	(136)
Balance at 31 March	63,693	52,773	22,443	25,738
Non- controlling interests				
Balance at 1 January	326	191	-	-
Net profit for the period	1	14	-	-
Net effect of exchange translation differences	12	1		
Balance at 31 March	339	206	-	-
Total Equity				
Balance at 1 January	127,318	110,833	78,982	82,241
Total for the period	4,357	1,974	(172)	(136)
Balance at 31 March	131,675	112,807	78,810	82,105

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

	2018 31-Mar	2017 31-Dec
	No. of shares	No. of shares
Ordinary shares	143,999,998	143,999,998

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.

	2018 31-Mar	2017 31-Dec
	No. of shares	No. of shares
Issued ordinary shares excluding treasury shares	140,880,878	140,880,878

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.

	2018 31-Mar	2017 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 1January 2018. 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 2017.

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 thecorresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group First Quarter	
	2018	**2017**
	31-Mar	**31-Mar**
	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	0.9	1.1
(ii) On a fully diluted basis	0.9	1.1

	Group First Quarter	
	2018	**2017**
	31-Mar	**31-Mar**
	'000	'000
Weighted average number of shares:		
(i) Based on weighted average number of ordinary shares on issue	140,881	140,881
(ii) On a fully diluted basis	140,881	140,881

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

(a) current financial period reported on; and

(b) immediately preceding financial year

	Group		Company	
	2018	**2017**	**2018**	**2017**
	31-Mar	**31-Dec**	**31-Mar**	**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	93.2	90.1	55.9	56.1
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

1Q2018 vs. 1Q2017

The Group's revenue increased 14.2% year-on-year ("yoy") to US$41.6 million for 1Q2018. The growth in revenue was led by the Group's Automotive segment which reported a 25.5% yoy increase to US$22.6 million. Similarly, the Group's Industrial & Medical segment increased 103.2% yoy to US$3.7 million. Conversely, the Group's Consumer Electronics and Telco segments declined 5.3% yoy and 14.1% yoy to US$11.4 million and US$4.0 million respectively. The decline in the Group's Consumer Electronics segment can be attributed to (1) the Group's strategy to shift its focus towards the production of high-margin, complex engineering parts, (2) lower demand from certain customers as they refresh product lines transitioning to newer models and new products

Segment (US$'000)	1Q2018	1Q2017	Change (%)
Automotive	22,607	18,018	25.5
Consumer Electronics	11,356	11,998	(5.3)
Telco	3,955	4,603	(14.1)
Industrial & Medical	3,695	1,818	103.2
Total	41,613	36,437	14.2

The Group's gross profit declined 8.2% yoy to US$6.1 million. This was mainly attributed to more pronounced labour shortage, reduced labour efficiency and lower manufacturing yield. The lower manufacturing yield was the result of the allocation of resources for a key customer as the Group undergoes the preparation phase of testing and small batch production for an expected mass production in 2H2018. Correspondingly, the Group's gross profit margin declined from 18.1% to 14.5%.

Other operating income increased 206.0% yoy to US$0.8 million for 1Q2018 as the Group received government incentives and subsidies due to its use of innovative manufacturing technologies.

Sales and marketing expenses declined 13.6% yoy to US$1.8 million for 1Q2018 mainly due to a decrease in marketing cost and the restructure of sales incentives.

The Group's General and Administration expenses increased 2.5% yoy to US$2.7 million for 1Q2018 mainly due to higher staff costs arising from annual salary adjustments.

The Group reported foreign exchanges losses amounting to US$0.5 million for 1Q2018 due primarily to the depreciation of the US Dollar against the Chinese Renminbi.

As a result, the Group reported a 16.3% yoy decline in net profit attributable to owners of the Company amounting to US$1.3 million for 1Q2018. Excluding the impact of foreign exchange loss of US$0.5 million, the Group's net profit would be comparable to 1Q2017.

Balance Sheet Analysis

The net book value of property, plant and equipment increased from US$43.8 million as at 31 December 2017 to US$46.4 million as at 31 March 2018 mainly due to additions for expected new projects along with upgrading and replacement of machinery.

The Group's inventories remained stable at US$24.5 million as at 31 March 2018.

The Group's cash and cash equivalents declined marginally from US$34.9 million as at 31 December 2017 to US$33.8 million as at 31 March 2018 while the Group's borrowings amounted to US$4.9 million. This resulted in a net cash position of US$28.9 million as at 31 March 2018 (31 December 2017: US$30.1 million).

Cash Flow Analysis

The Group generated US$0.9 million net cash from operating activities for 1Q2018 as compared to US$5.0 million for 1Q2017. The decline was due to more payments to trade and other payables in 1Q2018. Net cash used in investing activities was US$3.7 million for 1Q2018 as compared to US$1.9 million for 1Q2017 to meet the requirements of new key customers. Net cash generated from financing activities increased to US$0.5 million for 1Q2018 as compared to net cash used in financing of US$0.9 million for 1Q2017.

Overall, the Group maintained a healthy financial position as at 31 March 2018. The Group's current ratio was 3.0 times with cash and cash equivalents amounting US$33.8 million or approximately 24 US cents per share.

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

These results are in line with the statement made in the full year financial statements announcement for the period ended 31 December 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 overall business landscape remains challenging due to rising competition, foreign exchange rate volatility and rising labour costs. Nevertheless, the Group continues to leverage on its material science know-how and niche capabilities in plastic and rubber to develop new business avenues from both new and existing customers.

While charting steady growth, the Group has made a conscious effort to streamline operations and boost productivity by investing into automation to sharpen its competitive edge. Concurrently, the Group's focus on improving earnings quality through the gradual elimination of lower-margin processes while taking on projects producing high-margin complex engineering parts has gained momentum.

In terms of business development, the Group has identified its Automotive and Consumer Electronics segments as key drivers of growth. Within the Consumer Electronics segment, the Group has commenced the necessary preparations with a major US multinational customer for projects that are expected to enter the ramp up phase in the second half of FY2018. In preparation for this expected ramp up, the Group's capital expenditure increased to US$3.8 million for 1Q2018. The Group is also looking to capture additional opportunities with new customers in areas such as electric vehicles, smart home devices and audio-related products.
Heading into the remainder of the year, the Group remains confident of its economic prospects barring any unforeseen circumstances. A resilient balance sheet with a net cash position of US$28.9 million will enable the Group to execute its growth strategies within each business segment.

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 toRule 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 hascome to the attention of the board of directors which may render the 1Q2018 financial results to be false ormisleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Chuang Wen Fu

Chairman

25 April2018