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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, Lear, Magna, and Kostal. We are also providing solutions to major car manufacturers including BMW, VW, McLaren, Hyundai-Kia and Tesla ; At the same time, leading manufacturers including Foxconn and Celestica, along with reknowned brands such as Amazon, Beats by Dr Dre, Samsung, and Netgear which are also our long-term customers.



# Our Business Segment

## 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.





# Our Business Segment

## 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, Plastic Housings and Antennas



## Consumer Digitals

By combining our strong capabilities 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.





# Chairman's Message

“ I am happy to report that Memtech International Ltd's annual sales increased slightly to US\$142.2 million. Our continuous efforts to transform our markets and the strengthening of our internal controls have produced positive results. ”



**Chuang Wen Fu**  
Executive Chairman



## DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present an overview for the performance of Memtech International Ltd. (“the Group”) for the financial year ended 31 December 2015 (“FY2015”).

## 2015 WORLD REVIEW

According to the Netherlands Bureau of Economic Policy Analysis published by the World Trade Monitor, the total global merchandise trade in 2015 decreased by 13.64% compared to 2014, the first decline since the gradual recovery from the 2009 global financial crisis.

Contraction in global trade was primarily attributed to slower economic growth in China and other emerging nations, coupled with volatility in commodity prices and the impact of exchange rate, which caused the import and export in all global areas to decline. The report also showed that America's total export last year fell by 6.34%, while the export to Africa and the Middle East plunged by 41.4% and the emerging countries' exports declined by 5.2%. The Financial Times reported that the economic growth rate of emerging economies, excluding China, fell below 2% last year. It was the first time since 1999 that the growth rate of the emerging economies was lower than that of the developed economies. Similar data from the International Monetary Fund (IMF) also showed that the economic growth rate for emerging economies, excluding China, for the same period was only 1.92%, while that for developed economies was 1.98%.

Looking ahead to 2016, Ms Lagarde, IMF President, predicted that the 2014's “New Normal” would become the “New Abnormal”. According to a survey by The Business Times, the percentage of entrepreneurs who were not optimistic about the financial outlook had risen from 22% last year to 41% this year. The Purchasing Managers' Index (PMI) in January for the leading economies underscored the sluggishness in the world economy. The PMI for both China and the European Union (EU) were between 49% and 49.5%, while that for the US and Japan was barely above 50%, at between 50% and 50.5%. More worrying was China's PMI for February which fell to under 49%, the lowest in 7 years.

## OPERATIONS OVERVIEW

The Group weathered the difficult economic conditions to perform satisfactorily in 2015. After three years of efforts in transforming our strategy by focusing on automotive components and consumer electronics markets, we have seen significant results. Building on this strong foundation, we accomplished more positive results in 2015. We have worked hard to carve out competitive advantages in four areas. These competitive advantages have given us reasons to feel hopeful in times of uncertainty:

- Stable and solid client base (Current customer base is Memtech's strongest in 16 years)
- Successful transition from more volatile markets into more stable & bigger markets
- Integration of different materials and technology (Hybrid Molding, Total upgrade of our tooling capabilities)
- Stable and experienced management team dedicated to implementing the strategies of the Group.

## FINANCIAL REVIEW

Despite the challenging economic environment in 2015, I am happy to report that Memtech International Ltd's annual sales increased slightly to US\$142.2 million. Our continuous efforts to transform our markets and the strengthening of our internal controls have produced positive results.

Our gross profit grew from US\$24.0 million in 2014 to US\$24.8 million in 2015, with gross margin remaining at 17.5%.

As at 31 December 2015, the Group's financial position and cash flow were in a healthy situation with a current ratio of 3.2 times and cash and cash equivalents amounting to US\$26.8 million. Earnings per share (EPS) increased from 0.9 US cents per share in FY2014 to 1.2 US cents per share in FY2015. The Group's net profit before tax was US\$8.6 million, while after-tax profit was US\$8.1 million, net profit margin increased from 4.7% in FY2014 to 5.7% in FY2015. In our endeavor to improve our operating performance and profitability, we will continue to maintain steady and prudent financial policy.

## OUTLOOK FOR 2016

The current pessimistic global economic environment must necessarily temper our optimism for the future. Nevertheless, given our experience in overcoming the severe difficulties we faced in 2012 and 2013 and successfully turning our businesses around, we are confident that Memtech International is well positioned to ride through the current year. We will exercise greater prudence and avoid excessive capital expenditure for capacity expansion. We will strengthen control over the inventory management of raw materials and semi-finished products, as well as tighten control of cash flow and speed up collection of receivables.

We will continue our efforts in market repositioning and transformation, and in upgrading our products in the market and securing more world-class customers. We believe that with this solid foundation, the Group's involvement in the automotive and consumer electronics segments will bring richer returns in the years to come. The issues of labour shortage and rising labour costs in China are challenges which we will need to monitor closely and manage. Barring unforeseen circumstances, the Group is hopeful of seeing better operating performance for 2016.

## IN APPRECIATION

On behalf of all the Directors and colleagues of the Group, we would like to thank our shareholders for their support. We would also like to thank our customers, suppliers and business partners for their long-term support. Your confidence in Memtech provides us with the strength and will to overcome any adversity that we may find in our way. Lastly, I would like to thank Memtech's Directors, management and employees for a year of diligence and dedication. Here's to a better future in 2016!

## CHUANG WEN FU

Executive Chairman

April 2016

## 主席致辞

“本人仍然乐于报告, 万德集团的全年销售略增达到了1亿 4221万美元, 我们持续全力进行的, 在外部市场的转型与内部管控的升级, 多方面的努力, 已稳健的达到了效益。”

庄文甫



敬爱的股东们:

我谨代表万德国际的董事会, 向您汇报集团在2015年的业绩与业务报告

回顾2015年:

据荷兰经济政策分析局 (Netherlands Bureau of Economic Policy Analysis) 发布的世界贸易监测指出, 2015年的全球商品贸易总额较2014年减少13.64%, 是2009年来全球财经危机后, 逐步复苏趋势下的首次的衰退。全球贸易萎缩主要归咎于中国与其他新兴国家经济成长减缓, 加上汇率大幅波动与商品价格猛跌的冲击, 使全球所有地区的进出口额均呈现下滑。该报告显示美洲去年出口总额减少6.34%, 非洲与中东则重摔41.4%, 新兴经济体则下滑5.2%。同时伦敦金融时报报导, 不含中国在内的全球新兴经济体, 去年的经济成长率已跌破2%, 甚至于比已开发的国家的经济成长率还低, 是1999年首见, 另根据IMF的资料也是同样的说法, 扣除中国的全球新兴市场, 2015年经济成长率仅1.92%, 已开发国家经济体的成长率则是1.98%。

营运概况:

对2016年的展望, IMF的总裁拉加德女士, 预言将由2014年的新常态 (New Normal) 变成为新异常 (New Abnormal), 另据新加坡商业时报的问卷调查, 对新年度财经展望, 表示不乐观的企业家由去年的22%增加到41%。元月份世界主要经济体PMI指数的公告, 更突显出经济疲乏, 的确是已发生的事实 (中国与欧盟都在荣枯线以下的49%~49.5%, 而美国与日本也只有50%~50.5%, 令人担心的2月份, 中国的PMI指数又降到49%以下, 是7年来的最低水平。)

历经过去三年来的市场深耕及产品往汽车配件与消费性数据电子市场转型的策略, 已发挥了显著的成效, 而于2015年也在此坚实的基础上, 取得更正面的结果。综合来讲, 我们的努力打造以下四大竞争优势, 这四大优势, 也让我们在不确定的关键时刻, 看到了希望。



- 稳定强大的客户群（客户基础是万德成立16年来最好的）。
- 市场成功的转型（由波动大的市场转入产业链更大，也相当平稳的市场）。
- 综合技术产生的竞争力（不同材料结合Hybrid Moulding成型技术与模具技术的全面提升）。
- 经营管理层，旺盛的企图心（稳健而且经营的管理团队，充满高昂的战斗意志）。

## 财务概况：

面对2015年的种种经济急速变动的挑战，本人仍然乐于报告，万德集团的全年销售略增达到了1亿4221万美元，我们持续全力进行的，在外部市场的转型与内部管控的升级，多方面的努力，已稳健的达到了效益。

集团毛利健康的维稳在去年的同一水平，由2014年的2404万美元同步增长到2482万美元，也就是毛利率仍然保持在17.5%。

截止2015年12月31日，集团的财务状况与资金流都属健康状态，流动比率为3.2倍。现金及现金等价物总和为2677万美元，每股EPS由正0.9美分，提高到 1.2美分。集团2015年税前净利润为863万美元，而税后为812万美元，净利润率由4.7%，略升为5.7%。稳健的财务政策会是我们持续管控的要项。

## 展望2016年：

虽在全球经济大环境充满悲观的情绪中，难免我们也不能过度乐观来看待，但基于我们刚由2012与2013这二年艰苦的经营困境中，成功的走过来，我们有了面对挑战的成熟经验，深信万德集团应该可以稳健的克服困难度很高的一年。我们当然要格外谨慎保守，不作过度的资本性能扩张，加紧管理原材料与半成品或半成品的库存数量，严控现金流量，加快贷款回收这些基本工作，要确实做到位，不容丝毫懈怠。

我们持续努力对市场重新定位与产品的市场升级转型，开发世界级的客户，深信这种扎实的基础建设，将会为集团的发展无论是在汽车零部件或消费性数码电子市场，走向更丰硕的未来。面对中国地区劳动力的短缺和持续上涨的劳力成本的严峻挑战，我们仍会时刻高度关注，持续尽方方面面的努力去克服。除非有不可预见的状况发生，我们对2016年度，集团整体营运的较好表现，有所期待。

## 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。

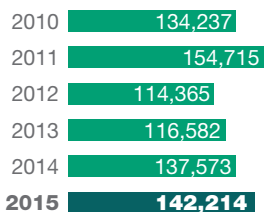
让我们一起在2016年展望美好的未来！

庄文甫  
2016年4月

# Financial Highlights

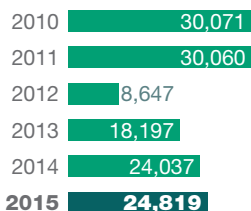
## REVENUE

(US\$'000)



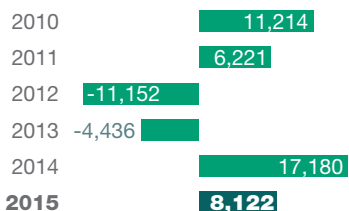
## GROSS PROFIT

(US\$'000)



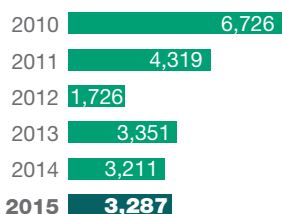
## NET PROFIT AFTER TAX

(US\$'000)



## DIVIDEND PAID

(US\$'000)



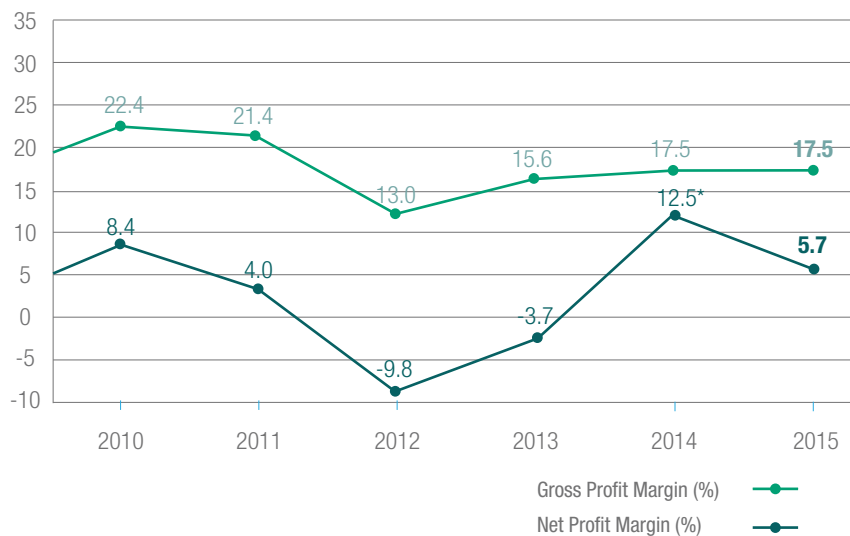
## FINANCIAL POSITION (US\$'000)

	2010	2011	2012	2013	2014	2015
Total Shareholders Equity	120,006	128,124	110,461	109,783	112,116	112,238
Total Assets	161,832	182,167	143,738	147,251	152,900	151,428
Total Liabilities	41,826	54,043	33,277	37,468	40,774	39,049
Net Current Assets	76,865	78,598	67,475	71,416	71,609	74,496
Cash and Cash Equivalents	39,100	34,576	34,912	37,094	32,433	26,767
Debt to Equity Ratio %	-	8.0%	4.5%	4.0%	3%	2%

## FINANCIAL INDICATORS

	2010	2011	2012	2013	2014	2015
Return on Shareholders Equity	9.3%	4.8%	-10%	-3.5%	15.3%	7.2%
Earnings Per Share (EPS)	1.6	0.9	-1.6	-0.5	2.4	1.2
Price-Earnings Ratio	6.8	8.6	-4.0	-11.2	3.1	8.0
Dividend Paid USD 000s	6,726	4,379	1,726	3,351	3,211	3,287
Dividend Paid Per Share S\$ cents	1.1	0.8	0.3	0.6	0.6	0.66
Dividend Payout Ratio	59.98%	70.49%	-15.48%	-88.09%	18.82%	40.47%
Market Capitalisation SG\$'000	99,700	68,913	54,587	53,650	70,592	91,573

## PROFIT MARGIN ANALYSIS



\* Excluding the US\$10.7 million gain from the liquidation of subsidiary, the FY2014 Net Profit Margin was 4.7% (US\$6.46 million).

# Group Structure



Memtech International Ltd





# Sales Network

## ASIA

### PRC

#### BEIJING OFFICE

No 9-8-303, Huaibaishu Road south, Xicheng Zone,  
Beijing City, China  
Phone: +86-13701065273

#### SHANGHAI OFFICE

Room 102, NO.38, Lane 4178, West Tianshan Road,  
Minhang District, Shanghai, P.R.China  
Phone: +13773606722

#### WUHAN OFFICE

Room 203, Unit 2, Building 3, Golden Harbour,  
No.68 Dongfeng Road,  
Wuhan Economic Development Zone,  
Wuhan Hubei Province, China  
Phone: +86-18030011828

#### NANTONG OFFICE

No. 1 Building A, South Yongxing Ave.,  
Gangzha Economic Development Zone,  
Nantong City, Jiangsu Province, China  
Tel: +86-513-80593895  
Fax: +86-513-85601149

#### KUNSHAN OFFICE

(Plastic Operations)  
No. 455 JinDong Road, Jin Xi Town,  
Kunshan City, Jiangsu Province, China  
Tel: +86-512-86188688  
Fax: +86-512-88848399

#### DONGGUAN OFFICE

Zao Yi (1) Village Wentang Industrial Dongchen,  
Dongguan, Guangdong Province, China  
Tel: +86-769-88775555  
Fax: +86-769-88775900



# Sales Network



## TAIWAN OFFICE

5F-2 No.191, Sec 2 Zhongyang Rd.,  
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## NORTH AMERICA

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Plymouth, MI, 48170, USA  
Phone: +1-2486055408

Global Contact: [memtech@memtechchina.com](mailto:memtech@memtechchina.com)

## JAPAN OFFICE

1-30-131 Edobukuro, Kawaguchi-Shi  
Saitama 334-0075, Japan  
Tel: +81-48-2280522  
Fax: +81-48-2280525

## EUROPE

Europe Rep Office  
(Automotive Products)  
Viehkamp 17, 38179 Gross Schwuelper  
Germany  
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Fax: +49-5303-959428



## Board of Directors



**Mr Chuang Wen Fu** is our Executive Chairman. He was appointed to the Board on 27 November 2003. With more than 30 years of experience in the component manufacturing 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 component manufacturing 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** is our Executive Director and President of Nantong Memtech Technologies Co., Ltd. He was appointed to the Board on 1 April 2004. Mr Gu has more than 25 years of experience in the component 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** 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 more than 25 years of experience in the component manufacturing industry, of which more than 20 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 the Group manufacturing activities, from production, marketing operations, factory operations to overseas expansion.

**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 25 years of experience, Mr Teow has a strong background in precision mechanical engineering and designing machine tools.



## Board of Directors

**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. Currently he also leads the business development movement for our European & North American Region. He has 15 years of working experience covering product & 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 Economics & Management, JiaTong University(PRC).



**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** 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, Jadason Enterprises Ltd, and Wilton Resources Corporation Limited.



**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 Ng Kien Siong** is our Chief Financial Officer. Mr. Ng is responsible for the financial stewardship of our Group. He has been with the Group since August 2013. Mr. Ng holds a Bachelor of Arts degree (Economics) from University of Malaya. He is also a member of Chartered Professional Accountants of Canada (CPA, CGA). He has more than 18 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 component manufacturing industry. He graduated with a Bachelor of Science (Mechanical Engineering) from Jiang Su Technological University (now known as Jiang Su University), PRC.



# Key Management



**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 component 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 component manufacturing 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 Koh Kok Boon** is the Director for Global Business Development & Sales. 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 more than 20 years of experience in the industry with background in Tooling Design & Manufacturing.

**Mr. Edwin(Kilho) Jung** is the Vice-Director for Global Business Development. He is responsible for serving our Korean customers and leads the business development operation for the Korean market. At the same time, he also takes care of specific Japanese key customers. Mr. Jung graduated from Chung-Ang University in Korea. He is a fluent in his native Korean, Mandarin and English. He has worked in electronic component industry for many years before joining Memtech in 2008



# 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

M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902

## INVESTOR RELATIONS

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ir@memtechchina.com  
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## AUDITORS

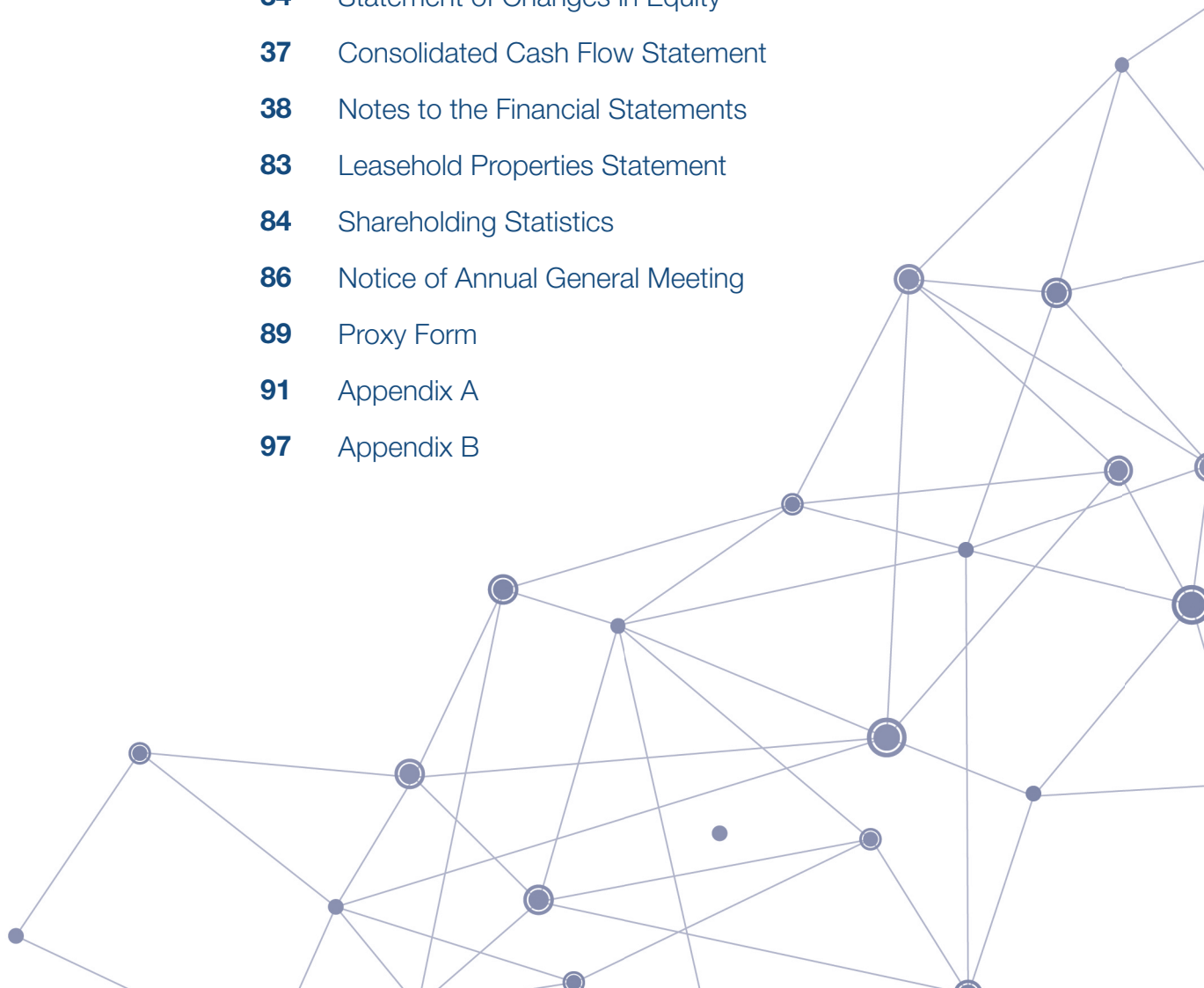
Ernst & Young LLP  
Partner-in-charge: Mr. Ang Chuen Beng  
(Appointed from the financial year ended  
31 December 2014)

## BANKERS

The Hong Kong and Shanghai Banking Corporation  
Bank of China  
China Merchant Bank  
Shanghai Pudong Development Bank  
Industrial and Commercial Bank of China  
Oversea-Chinese Banking Corporation Limited

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# Report on Corporate Governance

## 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 2015 are as follows:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	a	b	a	b	a	b	a	b
<b>Executive Directors</b>								
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	3	3	–	–	–	–	–	–
<b>Independent Directors</b>								
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, chief financial officer, head of departments, general managers and deputy general managers of major subsidiaries.



# Report on Corporate Governance

- 1.6 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.
- 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 (Executive), 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.
- 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 The Board is of the view that the size of the current board, comprising eight directors and taking into account the experience and core competencies of the directors, is appropriate for the Group given its current scope and scale of business. 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 with effect from 1 April 2016, while Mr. Chuang Wen Fu will remain as the Group Executive Chairman.
- 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;

# Report on Corporate Governance

- 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 Chief Financial Officer (“CFO”) 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, the NC will identify and consider each candidate’s suitability and make recommendation to the Board, after taking into consideration the qualification and experience of such candidate against the selection criteria agreed with the Board, and his ability to contribute to the effectiveness of the Board.

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:

- the NEIDs had participated actively and provided objective 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.

# Report on Corporate Governance

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 Chuang Wen Fu, Gu Cheng Hua and Teng Cheong Kwee will retire by rotation and they have indicated their willingness to seek re-election at the forthcoming Annual General Meeting ("AGM"). Separately, the term of Mr Chuang Tze Mon's appointment as Director will expire at the forthcoming AGM, having been appointed a Director during the financial year. Mr Chuang Tze Mon has indicated his willingness to seek re-election at the forthcoming 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 reelection
Chuang Wen Fu (Chairman)	27/11/2003	29/4/2014	28/4/2016
Yap Chin Kuan	27/11/2003	29/4/2014	
Gu Cheng Hua	1/4/2004	26/4/2013	28/4/2016
Teow Joo Hwa	26/2/2005	29/4/2015	
Chuang Tze Mon	11/5/2015	N.A	28/4/2016
Chua Keng Hiang	6/6/2004	29/4/2015	
Teo Kiang Kok	6/6/2004	29/4/2015	
Teng Cheong Kwee	6/6/2004	29/4/2014	28/4/2016

## 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. 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.

# Report on Corporate Governance

## 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 to the Board.
- 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 package 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.



# Report on Corporate Governance

- 7.5 Executive Directors do not receive directors' fees for the financial year ended 31 December 2015. 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 2015 is as follows:

	Remuneration				Total %
	Fee <sup>1</sup> %	Basic %	Variable %	Benefits in kind %	
<b>S\$250,000 to S\$499,999</b>					
Chuang Wen Fu	–	74	18	8	100
Gu Cheng Hua	–	67	19	14	100
Yap Chin Kuan	–	65	31	4	100
Teow Joo Hwa	–	53	41	6	100
<b>Below S\$250,000</b>					
Chuang Tze Mon		85	7	8	100
Chua Keng Hiang	100	–	–	–	100
Teo Kiang Kok	100	–	–	–	100
Teng Cheong Kwee	100	–	–	–	100

<sup>1</sup> These fees are subject to approval by shareholders at the AGM for the financial year ended 31 December 2015.

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

	2015	2014
Above S\$500,000	–	–
S\$250,000 to S\$499,999	4	3
Below S\$250,000	4	4
	<b>8</b>	<b>7</b>

- 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 %	Bonus %	Benefits in kind %	Total %
<b>S\$250,000 to S\$499,999</b>				
Heng Ngee Boon	53	43	4	100
<b>Below S\$250,000</b>				
Wang Jian	74	19	7	100
Bai Yi Song	55	38	7	100
Ng Kien Siong	92	–	8	100
Jung Kil Ho	91	6	3	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) for competitive reasons.

# Report on Corporate Governance

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 %	Bonus %	Benefits in kind %	Total %
<b>S\$100,000-S\$150,000</b>				
Chuang Tze Mon (Son of Executive Chairman Mr. Chuang Wen Fu)	85	7	8	100

## 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 kept abreast 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 and financial statements.

# Report on Corporate Governance

- 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\$6,000. 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 prejudiced the independence and objectivity of the external auditors. The AC recognizes the need to maintain a balance between the 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 matters arising from their audits.
- 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 acknowledges that it is responsible for the overall internal control and risk management systems. 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 Board and the CFO, 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 During the financial year, KPMG Services Pte Ltd was engaged to conduct an internal audit on several key areas of operations of one of the Group's principal subsidiaries, namely Nantong Memtech Technologies Co. Ltd. The findings and recommendations from the internal audit were presented to the AC and the Board.
- 9.13 In FY2012, the Group engaged an international accounting firm to facilitate its risk management review exercise to identify and prioritize the significant risks affecting the Group. The exercise, which covered strategic, operational, financial and compliance risks, also deliberated on the existing and required internal controls to address the identified significant risks. Following the exercise, the Group has established a risk management framework for the identification, assessment, monitoring and reporting of significant risks. Under the framework, the Group has set up a team comprising senior executives, headed by the Executive Chairman, to carry out regular risk management review. The results of such reviews were reported to the AC and the Board.
- 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, update and maintenance of an adequate and effective risk management framework and internal control systems.
- 9.16 For FY2015, the Board has received written assurance from the CEO and CFO that:
- the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2015 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.

# Report on Corporate Governance

The CEO and CFO have obtained similar assurance from the various business general managers 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 CFO, 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, CFO, 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. 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 CFO 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 be given the opportunity to air their views and ask directors, the Management or the external auditors questions regarding the Company. Directors, external auditors and the company secretary will be present at the AGM.

## 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).

# Director's Statement

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 2015.

## Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheets 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 2015 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 report, 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.



# Director's Statement

## Directors' interests in shares and debentures

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

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b><u>The Company</u></b>				
<b>Memtech International Ltd.</b>				
<b>(Ordinary shares)</b>				
Chuang Wen Fu	27,714,000	27,714,000	–	–
Gu Cheng Hua	7,229,000	7,229,000	–	–
Yap Chin Kuan	2,000,000	2,000,000	–	2,960,000
Teow Joo Hwa	350,000	350,000	862,000	1,394,700
Chuang Tze Mon	19,916,000	19,916,000	–	–
Chua Keng Hiang	6,000,000	6,000,000	–	–
Teng Cheong Kwee	100,000	100,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2016.

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

## 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, Cap. 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, 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;
- 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.

# Director's Statement

## **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

31 March 2016

# Independent Auditor's Report

## Report on the financial statements

We have audited the accompanying financial statements of Memtech International Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 32 to 82, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 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 on that date.

## 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.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

31 March 2016

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

	Note	Group	
		2015	2014
		US\$'000	US\$'000
<b>Revenue</b>	4	142,214	137,573
Cost of sales		(117,395)	(113,536)
<b>Gross profit</b>		24,819	24,037
Other income	5	1,400	1,554
Sales and marketing expenses		(7,253)	(6,890)
General and administrative expenses		(10,745)	(11,460)
Exchange gain		670	441
Other operating expenses		(146)	(427)
Net gain from liquidation of subsidiary	6	–	10,721
Finance costs	7	(94)	(129)
Share of results of associates		(19)	(4)
<b>Profit before tax</b>	8	8,632	17,843
Taxation	9	(479)	(783)
<b>Profit for the year</b>		8,153	17,060
<b>Attributable to:</b>			
Owners of the Company		8,122	17,180
Non-controlling interests		31	(120)
<b>Total comprehensive income for the year</b>		8,153	17,060
<b>Earnings per share</b>			
Basic and fully diluted profit per share attributable to owners of the Company (in US cents)	10	1.2	2.4
Profit for the year		8,153	17,060
<b>Other comprehensive income for the year, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(4,655)	(700)
<b>Total comprehensive income for the year</b>		3,498	16,360
<b>Attributable to:</b>			
<b>Owners of the Company</b>		3,471	16,480
<b>Non-controlling interests</b>		27	(120)
<b>Total comprehensive income for the year</b>		3,498	16,360

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

# Balance Sheets

As at 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-Current Assets</b>					
Property, plant and equipment	11	41,650	44,720	–	–
Investment in subsidiaries	12	–	–	80,207	78,707
Investment in associates	13	–	713	–	859
Long term investment	14	–	–	–	–
Intangible assets	15	809	880	–	–
		42,459	46,313	80,207	79,566
<b>Current Assets</b>					
Cash and cash equivalents	16	26,767	32,433	3,562	2,498
Bank deposits pledged	17	2,018	1,395	–	–
Trade receivables	18	51,023	51,589	–	–
Bills and other receivables	19	10,008	5,746	580	3
Amounts due from subsidiaries	20	–	–	10,793	13,459
Prepayments		3,416	2,022	–	–
Inventories	21	15,737	13,402	–	–
		108,969	106,587	14,935	15,960
<b>Total Assets</b>		151,428	152,900	95,142	95,526
<b>Current Liabilities</b>					
Trade payables and accruals	22	26,357	27,859	372	405
Bills and other payables	23	6,320	4,750	8	4
Amounts due to subsidiaries	20	–	–	5,050	580
Provision for taxation		238	369	–	–
Other liabilities	24	447	889	–	–
Loans and borrowings	25	1,111	1,111	1,111	1,111
		34,473	34,978	6,541	2,100
<b>Net Current Assets</b>		74,496	71,609	8,394	13,860
<b>Non-Current Liabilities</b>					
Loans and borrowings	25	1,111	2,222	1,111	2,222
Deferred tax liabilities	26	3,510	3,574	–	–
		4,621	5,796	1,111	2,222
Total Liabilities		39,094	40,774	7,652	4,322
<b>Net Assets</b>		112,334	112,126	87,490	91,204
<b>Equity attributable to owners of the Company</b>					
Share capital	27(a)	57,808	57,808	57,808	57,808
Treasury shares	27(b)	(1,441)	(1,311)	(1,441)	(1,311)
Currency translation reserve	28(a)	(1,829)	2,822	–	–
Statutory reserve fund	28(b)	9,332	9,065	–	–
Acquisition reserve	28(c)	(714)	(714)	–	–
Revenue reserves		49,082	44,446	31,123	34,707
		112,238	112,116	87,490	91,204
Non-controlling interests		96	10	–	–
<b>Total Equity</b>		112,334	112,126	87,490	91,204

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 2015

	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 (Note 28(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
<b>Group</b>									
<b>At 1 January 2014</b>	42,971	(1,222)	31,444	28,757	8,547	(714)	68,034	–	109,783
Effect of change in functional currency*	14,837	(89)	(234)	(14,514)	–	–	(14,748)	–	–
Profit for the year	–	–	17,180	–	–	–	17,180	(120)	17,060
Other comprehensive income for the year	–	–	–	(700)	–	–	(700)	–	(700)
Total comprehensive income for the year	–	–	17,180	(700)	–	–	16,480	(120)	16,360
<u>Contributions by and distributions to owners</u>									
Dividends on ordinary shares (Note 37)	–	–	(3,426)	–	–	–	(3,426)	–	(3,426)
Purchase of treasury shares	–	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	(3,426)	–	–	–	(3,426)	–	(3,426)
<u>Others</u>									
Transfer from revenue reserves	–	–	(518)	–	518	–	–	–	–
Issuance of ordinary shares to minority shareholders	–	–	–	–	–	–	–	130	130
Liquidation of subsidiary	–	–	–	(10,721)	–	–	(10,721)	–	(10,721)
<b>Total others</b>	–	–	(518)	(10,721)	518	–	(10,721)	130	(10,591)
<b>At 31 December 2014</b>	<b>57,808</b>	<b>(1,311)</b>	<b>44,446</b>	<b>2,822</b>	<b>9,065</b>	<b>(714)</b>	<b>55,619</b>	<b>10</b>	<b>112,126</b>

\* Due to the change in functional currency as set out in Note 2.5(a), the translation reserve from prior years was reclassified to share capital (Note 27(a)), treasury shares (Note 27(b)) and revenue reserves.

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 2015

	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 (Note 28(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
<b>Group</b>									
<b>At 1 January 2015</b>	57,808	(1,311)	44,446	2,822	9,065	(714)	55,619	10	112,126
Profit for the year	-	-	8,122	-	-	-	8,122	31	8,153
Other comprehensive income for the year	-	-	-	(4,651)	-	-	(4,651)	(4)	(4,655)
Total comprehensive income for the year	-	-	8,122	(4,651)	-	-	3,471	27	3,498
<u>Contributions by and distributions to owners</u>									
Dividends on ordinary shares (Note 37)	-	-	(3,219)	-	-	-	(3,219)	-	(3,219)
Purchase of treasury shares	-	(130)	-	-	-	-	-	-	(130)
Total contributions by and distributions to owners	-	(130)	(3,219)	-	-	-	(3,219)	-	(3,349)
<u>Others</u>									
Transfer from revenue reserves	-	-	(267)	-	267	-	-	-	-
Issuance of ordinary shares to minority shareholders	-	-	-	-	-	-	-	59	59
<b>Total others</b>	-	-	(267)	-	267	-	-	59	59
<b>At 31 December 2015</b>	<b>57,808</b>	<b>(1,441)</b>	<b>49,082</b>	<b>(1,829)</b>	<b>9,332</b>	<b>(714)</b>	<b>55,871</b>	<b>96</b>	<b>112,334</b>

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 2015

	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
<b>Company</b>						
<b>At 1 January 2014</b>	42,971	(1,222)	(9,650)	14,000	4,350	46,099
Effect of change in functional currency*	14,837	(89)	(748)	(14,000)	(14,748)	–
Net profit for the year	–	–	48,531	–	48,531	48,531
Total comprehensive income for the year	–	–	48,531	–	48,531	48,531
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares (Note 37)	–	–	(3,426)	–	(3,426)	(3,426)
Total contributions by and distributions to owners	–	–	(3,426)	–	(3,426)	(3,426)
<b>At 31 December 2014 and 1 January 2015</b>	57,808	(1,311)	34,707	–	34,707	91,204
Net profit for the year	–	–	135	–	135	135
Total comprehensive income for the year	–	–	135	–	135	135
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares (Note 37)	–	–	(3,719)	–	(3,719)	(3,719)
Purchase of treasury shares	–	(130)	–	–	–	(130)
Total contributions by and distributions to owners	–	(130)	(3,719)	–	(3,219)	(3,849)
<b>At 31 December 2015</b>	57,808	(1,441)	31,123	–	31,123	87,490

\* Due to the change in functional currency as set out in Note 2.5(a), the translation reserve from prior years was reclassified to share capital (Note 27(a)), treasury shares (Note 27(b)) and revenue reserves.

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 2015

	2015 US\$'000	2014 US\$'000
<b>Cash flows from operating activities:</b>		
Profit before tax	8,632	17,843
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	7,884	8,513
Amortisation of intangible assets	27	–
Interest expense	94	129
Interest income	(421)	(641)
(Write-back of)/allowance for doubtful receivables, trade	(1,189)	514
Allowance for stock obsolescence	880	66
Net gain on disposal of property, plant and equipment	–	(233)
Net gain from liquidation of subsidiary	–	(10,721)
Share of results of associates	19	4
Total adjustments	7,294	(2,369)
<b>Operating cash flows before changes in working capital</b>	15,926	15,474
<i>Changes in working capital</i>		
Trade and other receivables	(5,991)	(6,930)
Inventories	(3,423)	(3,934)
Trade and other payables	2,175	3,900
Total changes in working capital	(7,239)	(6,964)
<b>Cash flows generated from operations</b>	8,687	8,510
Interest income received	459	591
Interest paid	(111)	(143)
Income taxes paid	(420)	(919)
<b>Net cash flows generated from operating activities</b>	8,615	8,039
<b>Cash flows used in investing activities:</b>		
Purchase of property, plant and equipment	(7,609)	(8,962)
Proceeds from disposal of property, plant and equipment	229	35
Proceeds from sale of associated company	122	–
<b>Net cash flows used in investing activities</b>	(7,258)	(8,927)
<b>Cash flows used in financing activities:</b>		
Dividends paid on ordinary shares	(3,219)	(3,426)
Repayments of loans and borrowings	(1,112)	(1,112)
Purchase of treasury shares	(130)	–
Bank deposits pledged	(705)	850
Proceeds from issuance of shares by subsidiary company to non-controlling interests	59	49
<b>Net cash flows used in financing activities</b>	(5,107)	(3,639)
<b>Net decrease in cash and cash equivalents</b>	(3,750)	(4,527)
Effects of exchange rate changes on cash and cash equivalents	(1,916)	(134)
<b>Cash and cash equivalents at the beginning of the year</b>	32,433	37,094
<b>Cash and cash equivalents at the end of the year</b>	26,767	32,433

During the year, the Group acquired property, plant and equipment with an aggregate cost of US\$7,666,000 (2014: US\$9,642,000). Whereby payments of US\$7,609,000 (2014: US\$8,962,000) (inclusive of payments made for the prior year purchases) was made using cash and the remaining balance remained outstanding at the end of the reporting period.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 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 12 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

The financial statements have been prepared on 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.

### 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 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

### 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
FRS 114 Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 16 and FRS 41 Agriculture - Bearer Plants	1 January 2016
Amendments to FRS 27 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 111: Accounting for Acquisitions of Interest in Joint Operations	1 January 2016
Improvements to FRSs (November 2014)	
- Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
- Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
- Amendments to FRS 19 Employee Benefits	1 January 2016
- Amendments to FRS 34 Interim Financial Reporting	1 January 2016
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 109 Financial Instruments	1 January 2018

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

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

Except for FRS 115 and FRS 109, 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 115 and FRS 109 are described below.

#### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

#### 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. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

### 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.



# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 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 acquiree 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.5 Foreign currency

#### (a) Functional and presentation currency

The Company changed its functional currency from Singapore dollars (“S\$”) to United States dollars (“US\$”) at the beginning of the financial year (with effect from 1 January 2014). The reason for the change is due to the change in the primary economic environment where majority of the financing activities are transacted in US\$. Accordingly, the Company changed its functional currency from S\$ to US\$ and this change has been applied prospectively.

The consolidated financial statements continued to be presented in US\$ as the business environment in which the Group operates, uses US\$ as the main reference for strategic purposes.

#### (b) 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.

#### (c) 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.

### 2.6 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.

The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.16. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.6 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.

### 2.7 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.

### 2.8 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. When the carrying amount of an asset on cash-generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.8 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.

### 2.9 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.

### 2.10 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.11 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

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

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

#### (ii) 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.

#### (iii) Held-to-maturity investments

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

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.11 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### Subsequent measurement (cont'd)

##### (iv) 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.

##### Regular way purchase or sale of a financial asset

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

#### (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.



# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.11 Financial instruments (cont'd)

#### (b) Financial liabilities (cont'd)

##### Initial recognition and measurement (cont'd)

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.

#### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

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

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

#### (ii) Financial liabilities at amortised cost

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 rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.12 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.

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.

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.12 Impairment of financial assets (cont'd)

#### (c) Available-for-sale financial assets (cont'd)

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.

### 2.13 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.

### 2.14 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.

### 2.15 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.16 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.

### 2.17 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.

#### (b) Employee share options plans

Employees of the Group may in the future receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.18 Leases

#### a) 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.

### 2.19 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, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

#### (a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the 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 collectibility of the related receivables is reasonably assured.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.20 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.

#### (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.



# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.20 Taxes (cont'd)

#### (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.

### 2.21 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 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.22 Share capital and share issue expenses

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

### 2.23 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.

### 2.24 Contingencies

A contingent liability is:

- 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
- a present obligation that arises from past events but is not recognised because:
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 2.25 Government grants and subsidies

Government grants and subsidies are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with as a credit in profit or loss. Government grants and subsidies received are presented in profit or loss under "Other income".

## 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) Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of the Group's tax payable and deferred tax liabilities as at 31 December 2015 were US\$238,000 (2014: US\$369,000) and US\$3,510,000 (2014: US\$3,574,000) respectively.

#### (b) 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.

#### (c) Impairment of long term investment

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, operating results of the investee and the duration and extent to which the fair value of an investment is less than its cost.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### 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) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of each reporting period is disclosed in Note 11 to the financial statements.

#### (b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Further details of the key assumptions applied in the impairment assessment of goodwill, are given in Note 15 to the financial statements. The carrying amount of the Group's non-financial assets as at the end of the reporting period is disclosed in Notes 11, 12, 13 and 15 to the financial statements.

#### (c) 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 whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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.

#### (d) Estimation of net realisable value for inventories

Inventories are stated at the lower of cost and net realisable value. Management determines the net realisable value of inventories by using prevailing market data such as most recent sale transactions. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 21 to the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 4. Revenue

	Group	
	2015	2014
	US\$'000	US\$'000
<u>Breakdown by segment</u>		
Sale of automotive products	56,868	45,485
Sale of telecommunication products	34,222	42,950
Sale of consumer electronic products	39,150	38,623
Sale of industrial & medical products	11,974	10,515
	<u>142,214</u>	<u>137,573</u>

## 5. Other income

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

	Group	
	2015	2014
	US\$'000	US\$'000
Fixed deposits interest income	421	641
Scrap sales	97	48
Government grants and subsidies	732	374
Gain on write-off of payables	–	107

## 6. Net gain from liquidation of subsidiary

As at 29 August 2014, the Group had announced its voluntary liquidation of the Company's wholly-owned Hong Kong subsidiary, Memtech Electronic Products Company Limited.

In relation to liquidation of the subsidiary, the Group had recorded a net gain of US\$10,721,000 in financial year ended 31 December 2014.

## 7. Finance costs

	Group	
	2015	2014
	US\$'000	US\$'000
Interest expense on:		
- Bank loans and borrowings	<u>94</u>	<u>129</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 8. Profit before tax

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

	Group	
	2015	2014
	US\$'000	US\$'000
Depreciation of property, plant and equipment *	7,884	8,513
Fees paid to firms related to Directors	2	5
Allowance for stock obsolescence	880	66
Net gain on disposal of property, plant and equipment	–	(233)
Rental expense – operating leases	894	842
Packaging costs	2,050	1,997
Transportation costs	1,902	2,160
Staff costs		
– Salaries, bonus and other costs	40,449	39,880
– Defined contribution plans	4,459	2,979
(Writeback of)/allowance for doubtful receivables, trade	(1,189)	514
General and administrative expenses	10,891	11,887
Audit fees:		
– Auditors of the Company	159	170
– Other auditors	25	27
Non-audit fees:		
– Auditors of the Company	4	5
– Other auditors	21	13
Total audit and non-audit fees	209	215

\* Included in depreciation expense is an amount of US\$6,758,000 (2014: US\$7,025,000) charged under cost of sales.

## 9. Taxation

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

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	2014
	US\$'000	US\$'000
<b>Consolidated profit or loss:</b>		
Current income tax:		
- Current income taxation	445	857
- Over provision in respect of previous years	(113)	(315)
Deferred income tax:		
Origination and reversal of temporary differences	147	241
Income tax expense recognised in profit or loss	479	783

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 9. 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 2015 and 2014 are as follows:

	Group	
	2015	2014
	US\$'000	US\$'000
Profit before tax	8,122	17,843
Tax at the domestic rates applicable to profits in the countries where the Group operates	2,082	3,542
Adjustments:		
Non-deductible expenses	932	1,305
Non-taxable income	(802)	(1,945)
Effect of partial tax exemption and tax relief	(880)	(380)
Withholding tax on undistributed profits	153	144
Deferred tax assets not recognised	–	101
Benefits from previously unrecognised tax losses	(897)	(1,670)
Overprovision in respect of previous years	(113)	(315)
Share of results of associates	4	1
Income tax expense recognised in profit or loss	479	783

The corporate income tax rates applicable to PRC subsidiaries of the Group were 15% (2014: 15% and 25%).

Certain subsidiary companies incorporated in PRC were granted the High and New Technology Enterprise status for duration of 3 years in 2013 and 2015 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\$9,380,000 (2014: US\$16,075,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 10. 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	
	2015	2014
	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	8,122	17,180
	<b>2015</b>	<b>2014</b>
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation *	704,404	705,920

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

## 11. 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
<b>Cost:</b>							
At 1 January 2014	26,248	77,554	4,881	1,802	3,920	62	114,467
Additions	358	7,032	530	138	455	1,129	9,642
Disposals	–	(8,207)	(440)	(445)	(2,379)	–	(11,471)
Reclassification	7	(9)	–	9	–	(7)	–
Translation difference	(93)	(197)	(17)	(7)	(21)	2	(333)
At 31 December 2014 and 1 January 2015	26,520	76,173	4,954	1,497	1,975	1,186	112,305
Additions	39	5,790	397	182	903	355	7,666
Disposals	–	(2,505)	(12)	(125)	(725)	–	(3,367)
Reclassification	1,436	–	–	–	–	(1,436)	–
Translation difference	(1,633)	(4,648)	(310)	(92)	(125)	(21)	(6,829)
At 31 December 2015	26,362	74,810	5,029	1,462	2,028	84	109,775



# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 11. 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
<b>Accumulated depreciation:</b>							
At 1 January 2014	4,958	57,000	4,430	1,442	3,092	–	70,922
Depreciation charge for the year	1,185	6,178	327	277	546	–	8,513
Disposals	–	(7,891)	(439)	(445)	(2,338)	–	(11,113)
Write-back of Impairment loss	–	(549)	–	–	–	–	(549)
Translation difference	(13)	(136)	(17)	(6)	(16)	–	(188)
At 31 December 2014 and 1 January 2015	6,130	54,602	4,301	1,268	1,284	–	67,585
Depreciation charge for the year	1,229	5,586	393	163	513	–	7,884
Disposals	–	(2,274)	(12)	(126)	(725)	–	(3,137)
Translation difference	(417)	(3,378)	(271)	(75)	(66)	–	(4,207)
At 31 December 2015	6,942	54,536	4,411	1,230	1,006	–	68,125
<b>Net carrying amount:</b>							
At 31 December 2015	19,420	20,274	618	232	1,022	84	41,650
At 31 December 2014	20,390	21,571	653	229	691	1,186	44,720

## 12. Investment in subsidiaries

	Company	
	2015	2014
	US\$'000	US\$'000
Unquoted shares, at cost	94,921	83,220
Effect of change in functional currency	–	11,828
	94,921	95,048
Addition during the year ^	2,000	–
Less: Liquidation of subsidiary (Note 6)	–	(127)
Less: Accumulated impairment loss	(16,714)	(16,214)
Translation difference	–	–
Carrying amount of investment	80,207	78,707

^ Additional investment in Dongguan Memtech Electronic Products Co., Ltd ("MTD") during the year.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2015	2014
<u>Held by the Company</u>				
Memtech Development (HK) Co., Ltd. <sup>(i)</sup>	Hong Kong	Trading of electronic products	100	100
Dongguan Memtech Electronic Products Co., Ltd <sup>(i)</sup>	People's Republic of China ("PRC")	Manufacture and sale of keypads	100	100
Dongguan Memtech Optical Co., Ltd ("MTDO") <sup>(i)@</sup>	PRC	Manufacture of high quality translucent lens for flash light in mobile phone	51	51
Huzhou Memtech Electronic Industries Co., Ltd <sup>(i)</sup>	PRC	Manufacture and sale of precision tools, moulds and keypads	100	100
Nantong Memtech Technologies Co., Ltd <sup>(i)</sup>	PRC	Manufacture and sale of keypads	100	100
Nantong Memtech TSP Solution Co., Ltd	PRC	Manufacture and sale of resistive and capacitive touch screen panels	-#	100
Taitech Precision Electronic (Kunshan) Co., Ltd <sup>(i)</sup>	PRC	Manufacture and sale of plastic components and casings	100	100

(i) A member firm of EY Global had performed the audit of the subsidiary's financial statements for the financial years ended 31 December 2015 and 2014 for Group reporting purposes.

# The subsidiary company has been de-registration during the financial year.

@ MTDO was 51% held by MTD. There is no material non- controlling interests.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 13. Investment in associates

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Unquoted shares, at cost</b>				
At 1 January	1,821	1,695	1,859	1,695
Effect of change in functional currency	–	126	–	164
	1,821	1,821	1,859	1,859
Decrease investment in associates				
Carrying amount as at 1 January	882	–	859	–
Share of post-acquisition reserves	(188)	–	–	–
Reversal of share of post- acquisition reserves	188	–	–	–
	(882)	–	(859)	–
At 31 December	939	1,821	1,000	1,859
Less: Accumulated impairment loss	(939)	(939)	(1,000)	(1,000)
Share of post-acquisition reserves	–	(169)	–	–
Carrying amount of investment	–	713	–	859

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2015	2014
<b><u>Held by the Company</u></b>				
Raytech Company Limited <sup>*,%</sup>	Hong Kong	Investment holding	–	30.8
VLU Corporation Limited <sup>#</sup>	South Korea	Design, manufacture and sales of magnesium alloy products	25.0	25.0
<b><u>Held by associated company, Raytech Company Limited</u></b>				
Raytech Technologies (Shenzhen) Co., Ltd <sup>**</sup>	PRC	Design, manufacture and sale of antennas	–	30.8

\* Audited by Lee, Sek, Chiu & Hui, Certified Public Accountants

\*\* Audited by Wongga Partners Certified Public Accountants (SZ)

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

% The Associate company has been disposal during the financial year.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 13. Investment in associates

- (a) The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2015	2014
	US\$'000	US\$'000
<b>Assets and liabilities</b>		
Current assets	145	3,864
Non-current assets	503	969
Total assets	648	4,833
Current liabilities	57	2,671
Non-current liabilities	-	-
Total liabilities	57	2,671
<b>Results</b>		
Revenue	3,946	5,722
Loss for the year	(83)	(14)

There are no significant associated companies in the Group.

- (b) Disposal of Associate

On 27 November 2015, the Group completed its disposal of 30.8% of its interest in its associate, Raytech Company Ltd for approximately US\$694,000. As at 31 December 2015, approximately US\$572,000 remained outstanding and it is included in "Bills and other receivables".

## 14. Long term investment

	Group and Company	
	2015	2014
	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)
	-	-

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 15. Intangible assets

Group	Technical Know-how	Goodwill	Club memberships	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cost and carrying amount:				
At 1 January 2014	–	655	161	816
Addition	82	–	–	82
Amortisation	(16)	–	–	(16)
Translation difference	–	(2)	–	(2)
At 31 December 2014 and 1 January 2015	66	653	161	880
Amortisation	(27)	–	–	(27)
Translation difference	(3)	(38)	(3)	(44)
At 31 December 2015	36	615	158	809

### Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to two individual cash-generating units ("CGU"), for impairment testing as follows:

- Keypads business unit in a subsidiary
- Plastics business unit in a subsidiary

The carrying amounts of goodwill allocated to each CGU are as follows:

	Keypads		Plastics		Total	
	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Goodwill	209	222	406	431	615	653

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 pre-tax discount rate applied to the cash flow projections is 7% (2014: 8.4%). The average growth rate used to extrapolate the cash flows projections beyond the five-year period is 4% (2014: 3%).

### 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.

**Pre-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

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 16. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at banks and on hand	19,372	24,017	3,562	2,498
Short-term deposits	9,413	9,811	–	–
Cash and short term deposits	28,785	33,828	3,562	2,498
Less: Bank deposits pledged (Note 17)	(2,018)	(1,395)	–	–
Cash and cash equivalents	26,767	32,433	3,562	2,498

Cash at banks earn interest at floating rates based on daily deposit rates of up to 0.4% (2014: 0.4%) 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 2015 was 4.2% (2014: 4.7%) per annum.

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

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Renminbi (RMB)	3,856	2,464	2,025	2,064
United States Dollar (USD)	3,656	456	–	–
Hong Kong Dollar (HKD)	171	635	–	–
Singapore Dollar (SGD)	1,485	328	1,175	182
Other currencies	87	98	–	–

## 17. 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 (2014: 2.6%) as at 31 December 2015.

Bank deposits pledged are denominated in RMB.

## 18. Trade receivables

	Group	
	2015	2014
	US\$'000	US\$'000
Trade receivables	52,142	54,358
Less: Allowance for doubtful trade receivables	(1,119)	(2,769)
	51,023	51,589

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 18. Trade receivables (cont'd)

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

	Group	
	2015	2014
	US\$'000	US\$'000
United States Dollar (USD)	10,611	6,307
Hong Kong Dollar (HKD)	297	544
Euro Dollar (EUR)	62	16

### Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$ 4,228,000 (2014: US\$4,474,000) 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	
	2015	2014
	US\$'000	US\$'000
Trade receivables past due but not impaired:		
Less than 60 days	2,943	3,841
60 to 120 days	603	407
More than 120 days	682	226
	4,228	4,474

### Receivables that are impaired

	Group			
	Individually impaired		Collectively impaired	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Impaired trade receivables	1,119	2,769	–	–
Less: Allowance for impairment	(1,119)	(2,769)	–	–
	–	–	–	–

### Movement in allowance accounts

	Group	
	2015	2014
	US\$'000	US\$'000
At 1 January	2,769	2,281
(Written-back)/charge for the year, net	(1,189)	514
Written-off against allowance	(388)	(22)
Translation difference	(73)	(4)
At 31 December	1,119	2,769

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.



# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 19. Bills and other receivables

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Bills receivables	8,105	4,575	–	–
Deposits	276	520	–	–
Other receivables	1,627	651	580	3
	10,008	5,746	580	3

Bills receivables

Included in bills receivables is an amount of US\$1,576,000 (2014: US\$294,000) pledged as security for bills payables facilities as disclosed in Note 24 to the financial statements.

Bills receivables have an average maturity of 101 days (2014: 94 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	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Renminbi (RMB)	361	–	–	–
Singapore Dollar (SGD)	2	3	2	3
New Taiwan Dollar (NTD)	4	4	–	–

## 20. 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/(to) subsidiaries are denominated in foreign currency:

	Company	
	2015	2014
	US\$'000	US\$'000
Amounts due from subsidiaries		
Renminbi (RMB)	793	3,271

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 21. Inventories

	Group	
	2015 US\$'000	2014 US\$'000
<b>Balance sheet:</b>		
Raw materials	3,314	4,291
Work-in-progress	2,630	2,004
Finished goods	8,830	6,138
Sundry consumables	963	969
Total inventories at lower of cost and net realisable value	15,737	13,402
<b>Profit and loss account:</b>		
Inventories recognised as an expense in cost of sales	117,395	113,536
Inclusive of the following charge		
- Allowance for stock obsolescence	880	66

## 22. Trade payables and accruals

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Trade payables	21,354	22,449	-	-
Amounts due to related companies (trade)	-	104	-	-
Accrued operating expenses	5,003	5,306	372	405
	26,357	27,859	372	405

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

Amounts due to related companies (trade) are unsecured, non-interest bearing and are repayable on demand.

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

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
United States Dollar (USD)	1,952	1,623	-	-
Singapore Dollar (SGD)	485	504	324	350
New Taiwan Dollar (NTD)	28	30	-	-
Hong Kong Dollar (HKD)	6	-	-	-

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 23. Bills and other payables

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Bills payables	2,293	1,228	–	–
Other payables	4,027	3,522	8	4
	<u>6,320</u>	<u>4,750</u>	<u>8</u>	<u>4</u>

Bills and other payables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Renminbi (RMB)	11	12	–	–
Singapore Dollar (SGD)	8	4	8	4

Bills payables

Bills payables have an average maturity of 108 days (2014: 110 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	
	2015	2014
	US\$'000	US\$'000
Bank deposits pledged (Note 17)	2,018	1,395
Bills receivables pledged (Note 19)	1,576	294
	<u>4,594</u>	<u>1,689</u>

Other payables

Included in other payables is an amount of US\$700,000 (2014: US\$1,053,000) relating to purchase of plant and equipment.

## 24. Other liabilities

Other liabilities relate to advances from customers.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 25. Loans and borrowings

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Term loans:				
– Due within 12 months	1,111	1,111	1,111	1,111
– Due after 12 months	1,111	2,222	1,111	2,222
	<u>2,222</u>	<u>3,333</u>	<u>2,222</u>	<u>3,333</u>

The term loan of US\$5,000,000 (2014: US\$5,000,000) is repayable over 18 quarterly instalments commencing August 2014 and bears interest at 3% per annum over SIBOR and is unsecured.

The term loan is denominated in USD.

## 26. Deferred tax liabilities

	Group	
	2015	2014
	US\$'000	US\$'000
Balance at beginning of year	3,574	3,379
Charge for the year	147	500
Reversal of deferred taxation	–	(293)
Translation difference	(211)	(12)
Balance at end of year	<u>3,510</u>	<u>3,574</u>

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.

## 27. Share capital and treasury shares

### (a) Share capital

	Group and Company			
	2015		2014	
	No. of shares	US\$'000	No. of shares	US\$'000
	'000		'000	
Issued and fully paid ordinary shares:				
At 1 January and 31 December	<u>720,000</u>	<u>57,808</u>	<u>720,000</u>	<u>57,808</u>

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 27. Share capital and treasury shares (cont'd)

### (b) Treasury shares

	Group and Company			
	2015		2014	
	No. of shares		No. of shares	
	'000	US\$'000	'000	US\$'000
At 1 January	14,080	1,311	14,080	1,222
Acquired during the financial year	1,516	130	–	–
Effect of change in functional currency	–	–	–	89
At 31 December	15,596	1,441	14,080	1,311

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

The Company acquired 1,515,600 (2014: Nil) ordinary shares in the Company through open market purchases on the Singapore Exchange during the year. The total amount paid to acquire the ordinary shares was US\$130,000 (2014: US\$Nil) and this was presented as a component within shareholders' equity.

The movement during the year ended 31 December 2014 is due to the change in functional currency as set out in Note 2.5(a).

## 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 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	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Trade receivables (Note 18)	51,023	51,589	–	–
Bills and other receivables (Note 19)	10,008	5,746	580	3
Amounts due from subsidiaries (Note 20)	–	–	10,793	13,459
Total trade and other receivables	61,031	57,335	11,373	13,462
Add: Cash and short term deposits (Note 16)	28,785	33,828	3,562	2,498
Total loans and receivables	89,816	91,163	14,935	15,960

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

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Current</b>				
Trade payables and accruals (Note 22)	26,357	27,859	372	405
Bills and other payables (Note 23)	6,320	4,750	8	4
Amounts due to subsidiaries (Note 20)	–	–	5,050	580
Loans and borrowings (Note 25)	1,111	1,111	1,111	1,111
<b>Non-current</b>				
Loans and borrowings (Note 25)	1,111	2,222	1,111	2,222
	34,899	35,942	7,652	4,322

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 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	
	2015	2014
	US\$'000	US\$'000
Capital commitments in respect of property, plant and equipment	3,342	1,363

### (b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 3 years (2014: 3 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	
	2015	2014
	US\$'000	US\$'000
Not later than one year	819	820
Later than one year but not later than five years	221	614
	1,040	1,434

## 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.



# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### (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 16, 17, 18 and 19 to the financial statements.

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 2015, 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 18 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 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
<b>2015</b>			
<b>Financial assets</b>			
Cash and cash equivalents (Note 16)	26,767	–	26,767
Bank deposits pledged (Note 17)	2,018	–	2,018
Trade receivables (Note 18)	51,023	–	51,023
Bills and other receivables (Note 19)	10,008	–	10,008
Total undiscounted financial assets	89,816	–	89,816
<b>Financial liabilities</b>			
Trade payable and accruals (Note 22)	26,357	–	26,357
Bills and other payables (Note 23)	6,320	–	6,320
Interest-bearing loans and borrowings	1,171	1,134	2,305
Total undiscounted financial liabilities	33,848	1,134	34,982
<b>Total net undiscounted financial assets/(liabilities)</b>	55,968	(1,134)	54,834
<b>2014</b>			
<b>Financial assets</b>			
Cash and cash equivalents (Note 16)	32,433	–	32,433
Bank deposits pledged (Note 17)	1,395	–	1,395
Trade receivables (Note 18)	51,589	–	51,589
Bills and other receivables (Note 19)	5,746	–	5,746
Total undiscounted financial assets	91,163	–	91,163
<b>Financial liabilities</b>			
Trade payable and accruals (Note 22)	27,859	–	27,859
Bills and other payables (Note 23)	4,750	–	4,750
Interest-bearing loans and borrowings	1,189	2,305	3,494
Total undiscounted financial liabilities	33,798	2,305	36,103
<b>Total net undiscounted financial assets/(liabilities)</b>	57,365	(2,305)	55,060

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 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
<b>2015</b>			
<b>Financial assets</b>			
Cash and cash equivalents (Note 16)	3,562	–	3,562
Bills and other receivables (Note 19)	580	–	580
Amounts due from subsidiaries (Note 20)	10,793	–	10,793
Total undiscounted financial assets	14,935	–	14,935
<b>Financial liabilities</b>			
Trade payable and accruals (Note 22)	372	–	372
Bills and other payables (Note 23)	8	–	8
Amounts due to subsidiaries (Note 20)	5,050	–	5,050
Interest-bearing loans and borrowings	1,171	1,134	2,305
Total undiscounted financial liabilities	6,601	1,134	7,735
<b>Total net undiscounted financial assets/(liabilities)</b>	8,334	(1,134)	7,200
<b>2014</b>			
<b>Financial assets</b>			
Cash and cash equivalents (Note 16)	2,498	–	2,498
Bills and other receivables (Note 19)	3	–	3
Amounts due from subsidiaries (Note 20)	13,459	–	13,459
Total undiscounted financial assets	15,960	–	15,960
<b>Financial liabilities</b>			
Trade payable and accruals (Note 22)	405	–	405
Bills and other payables (Note 23)	4	–	4
Amounts due to subsidiaries (Note 20)	580	–	580
Interest-bearing loans and borrowings	1,189	2,305	3,494
Total undiscounted financial liabilities	2,178	2,305	4,483
<b>Total net undiscounted financial assets/(liabilities)</b>	13,782	(2,305)	11,477

### (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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 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 or loss	
	1% increase	1% decrease
	US\$'000	US\$'000
<b>Group</b>		
<b>2015</b>		
Floating rate interest-bearing loans and borrowings	(25)	25
<b>2014</b>		
Floating rate interest-bearing loans and borrowings	(49)	49
<b>Company</b>		
<b>2015</b>		
Floating rate interest-bearing loans and borrowings	(25)	25
<b>2014</b>		
Floating rate interest-bearing loans and borrowings	(49)	49

### (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 53% (2014: 52%) of the Group's sales are denominated in the respective functional currencies of the operating units making the sales whilst almost 80% (2014: 90%) 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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

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

### (d) Foreign currency risk (cont'd)

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.

#### 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	
		2015	2014
		US\$'000	US\$'000
USD/RMB	strengthened 3% (2014: 3%)	(381)	(159)
	weakened 3% (2014: 3%)	381	159
USD/SGD	strengthened 3% (2014: 3%)	(31)	6
	weakened 3% (2014: 3%)	31	(6)

## 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.

### Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

#### Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 33. Fair value of assets and liabilities (cont'd)

### (a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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.

### (b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Fair value information has not been disclosed for the Group's and the Company's investment in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in a South Korean touch screen panel company that is not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future.

## 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 2015 and 31 December 2014.

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 2015 and 2014.

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 34. Capital management (cont'd)

	Group	
	2015	2014
	US\$'000	US\$'000
Trade payable and accruals (Note 22)	26,357	27,859
Bills and other payables (Note 23)	6,320	4,750
Other liabilities (Note 24)	447	889
Interest-bearing loans and borrowings (Note 25)	2,222	3,333
Less: Cash and short term deposits (Note 16)	(28,758)	(33,828)
Net cash	6,588	3,003
Equity attributable to equity holders of the Company	112,238	112,116
Less: Statutory reserve fund	(9,332)	(9,065)
Total capital	102,906	103,051
Capital and net debt	109,494	106,054
Gearing ratio	6.0%	2.8%

## 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	
	2015	2014
	US\$'000	US\$'000
Purchase of goods from associate	201	200
Purchase of corporate secretarial and legal services from firms related to Directors	2	5

### (b) Compensation of key management personnel

	Group	
	2015	2014
	US\$'000	US\$'000
Short-term employment benefits	2,004	2,130
Director's fees	132	143
Total compensation paid to key management personnel	2,136	2,273
Comprise amounts paid to:		
• Directors of the Group	1,142	1,014
• Other key management personnel	994	1,259
	2,136	2,273

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



# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 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.

As at 1 January 2015, the Group had reorganised their business units based on the segments as follows:

- The automotive segment is involved in the manufacture and sales of keypads and plastic components for automotive products.
- The telecommunication segment is involved in the manufacture and sales of keypads and plastic components for telecommunication devices.
- The consumer electronic segment is involved in the manufacture and sales of keypads and plastic components for consumer electronic products.
- The industrial & medical segment is involved in the manufacture and sales of keypads and plastic components for industrial & medical products.

The change in operating segments was made to reflect the management's plan to diversify into different market segments.

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.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 36. Segment information (cont'd)

	Automotive		Telecommunication		Consumer Electronic		Industrial & Medical		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Segment revenue</b>	56,868	45,485	34,222	42,950	39,150	38,623	11,974	10,515	142,214	137,573
<b>Segment results</b>	6,269	5,924	4,027	4,329	4,547	3,787	1,392	1,116	16,235	15,156
Interest income	191	219	93	326	105	54	32	13	421	612
Depreciation and amortisation	(3,331)	(2,748)	(2,034)	(3,287)	(1,998)	(2,063)	(548)	(415)	(7,911)	(8,513)
Other material expenses										
Finance costs	(28)	(30)	(4)	(13)	(42)	(56)	(20)	(30)	(94)	(129)
Net gain from liquidation of subsidiary	-	-	-	10,721	-	-	-	-	-	10,721
Share of results of associates	-	-	(19)	(4)	-	-	-	-	(19)	(4)
Profit before tax	3,101	3,365	2,063	12,072	2,612	1,722	856	684	8,632	17,843
Taxation	(316)	(308)	(105)	(320)	(54)	(155)	(4)	-	(479)	(783)
<b>Profit for the year</b>	<b>2,785</b>	<b>3,057</b>	<b>1,958</b>	<b>11,752</b>	<b>2,558</b>	<b>1,567</b>	<b>852</b>	<b>684</b>	<b>8,153</b>	<b>17,060</b>

### Currency information

The following table presents revenue information regarding the Group's currency segments:

	RMB		Other currencies *		Consolidated	
	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue:</b>						
<i>Segment revenue</i>						
Sales to external customers	75,461	71,226	66,753	66,347	142,214	137,573
As a percentage of sales	53.1%	51.8%	46.9%	48.2%	100.0%	100.0%

\* Other currencies mainly comprise USD.

### Information about a major customer

Revenue from one major customer amount to US\$26,169,000 (2014: US\$24,020,000), of which arises from the automotive segment.

# Notes to the Financial Statements

For the financial year ended 31 December 2015

## 37. Dividends

	Group and Company	
	2015	2014
	US\$'000	US\$'000
<b>Declared and paid during the financial year:</b>		
<i>Dividends on ordinary shares:</i>		
Final exempt (one-tier) dividend for 2014: S\$0.006 (2014: S\$0.006 for 2013) per share	3,219	3,426
<b>Proposed but not recognised as a liability as at 31 December:</b>		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM :</i>		
Final exempt (one-tier) dividend for 2015: S\$0.033* (2014: S\$0.006) per share	3,271	3,211

\* Based on post-consolidation share. With effect from 7 January 2016, the Company's shares have been consolidated on the basis of 5 pre-consolidation shares into 1 share.

## 38. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 31 Mar 2016.

# Leasehold Properties Statement

For the financial year ended 31 December 2015

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, Jiangsu Province, PRC	Industrial	50 years ending 23 January 2054	44,074/13,002	None
	Industrial	50 years ending 26 November 2046	25,486/30,256	None
No. 6 328 Guangyuan Road Phoenix W Area, Huzhou Economic Development Zone, Zhejiang Province, PRC	Industrial	50 years ending 14 July 2052	30,574/26,420	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 31 March 2016

## Shareholding Statistics as at 31 March 2016

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

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 31 March 2016, 43.42% 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	5	0.29	87	0.00
100 – 1,000	299	17.55	147,860	0.10
1,001 - 10,000	910	53.40	4,347,480	3.02
10,001 - 1,000,000	474	27.82	31,900,691	22.15
1,000,001 and above	16	0.94	107,603,880	74.73
	1,704	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	Phillip Securities Pte Ltd	5,592,300	3.97
3	Chuang Wen Fu	5,542,800	3.93
4	Chuang Tze Dey (Zhuang Zidi)	4,504,400	3.20
5	Citibank Nominees Singapore Pte Ltd	4,464,460	3.17
6	Chuang Tze Mon (Zhuang Zimeng)	3,983,200	2.83
7	UOB Kay Hian Pte Ltd	3,304,620	2.35
8	DBS Nominees Pte Ltd	2,989,460	2.12
9	Raffles Nominees (Pte) Ltd	2,654,120	1.88
10	Wang Jian	2,523,280	1.79
11	OCBC Securities Private Ltd	1,861,740	1.32
12	Gu Chenghua	1,445,800	1.03
13	Chen Zhengmao	1,426,600	1.01
14	Zhang Liuqing	1,271,780	0.90
15	Heng Ngee Boon	1,241,800	0.88
16	CIMB Securities (S) Pte Ltd	951,050	0.68
17	Xu Jianxin	787,800	0.56
18	United Overseas Bank Nominees Pte Ltd	724,800	0.51
19	HSBC (Singapore) Nominees Pte Ltd	618,400	0.44
20	Jen Shek Chuen	600,000	0.43
20	Lim Chai Hock Clive	600,000	0.43
		108,766,810	77.20

# Shareholding Statistics

As at 31 March 2016

## 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 31 March 2016, excluding 3,119,120 ordinary shares held as treasury shares as at that date.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at M Hotel Singapore, Anson 2, Level 2, 81 Anson Road, Singapore 079908 on Thursday, 28 April 2016 at 9.30 a.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 2015 and the Auditors' Report thereon. **[Resolution 1]**
- 2 To declare a first and final tax exempt dividend of 3.3 Singapore cents per share for the financial year ended 31 December 2015. **[Resolution 2]**
- 3 To approve the payment of S\$180,000 as Directors' fees for the financial year ended 31 December 2015. [Year 2014: S\$180,000]. **[Resolution 3]**
- 4
  - (a) To re-elect Mr Chuang Tze Mon who is retiring in accordance with Article 88 of the Company's Constitution, as Director of the Company. **[Resolution 4(a)]**
  - (b) To re-elect Mr Gu Cheng Hua who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company. **[Resolution 4(a)]**
  - (c) 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. **[Resolution 4(b)]**  
**[See Explanatory Note (i)]**
  - (d) 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



# Notice of Annual General Meeting

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) 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  
12 April 2016

## Notice of Books Closure Date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed on 7 May 2016 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 28 April 2016.

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 6 May 2016 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 6 May 2016 will be entitled to the dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 18 May 2016.

# Notice of Annual General Meeting

## 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 6(b) if passed, will renew the Shares Purchase Mandate and will authorise 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, including the amount of financing (if any) and the illustrative financial impact of the purchase or acquisition of shares by the Company pursuant to the Shares Purchase Mandate on the audited consolidated financial accounts of the Group and the Company for the financial year ended 31 December 2015, 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 12 April 2016.

## 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, Anson 2, Level 2, 81 Anson Road, Singapore 079908 on Thursday, 28 April 2016 at 9.30.a.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 2015 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 Chuang Tze Mon		
	(b) Mr Gu Cheng Hua		
	(c) Mr Teng Cheong Kwee		
	(d) 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 \_\_\_\_\_, 2016.

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.
  - (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

The Company had purchased 303,120 ordinary shares of the Company by way of market purchases during the last 12 months preceding 31 March 2016 (the "**Latest Practicable Date**"). The purchase price per share for such purchases of shares was approximately S\$0.58<sup>1</sup>. Accordingly, the total consideration paid by the Company for such purchases of shares was approximately S\$177,727.88.

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

The Ordinary Resolution No. 6(b) if passed at the AGM, will renew the general mandate to authorise the Directors to purchase shares of up to ten per cent. (10%) of the issued ordinary shares in the capital of the Company (the "**Shares**") (excluding any treasury shares) at the price of up to but not exceeding the Maximum Price (as defined in Section F) 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 (the "**Shares Purchase Mandate**").

### (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.

<sup>1</sup> The Company completed a share consolidation exercise of 5 existing ordinary shares into 1 ordinary share on 7 January 2016. The purchases of shares were carried out prior to the said share consolidation exercise. Accordingly, 1,515,600 pre-consolidated ordinary shares were purchased at the purchase price per pre-consolidated share of approximately S\$0.12.

# Appendix A

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 the Latest Practicable Date, 61,165,338 Shares (43.42%) of a total of 140,880,878 Shares issued by the Company (excluding treasury shares) are held by 1692 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) 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; or
- (iv) cancel the Shares (or any of them).
- (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.

# Appendix A

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) 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) 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
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 2015;
  - (b) in full exercise of the Shares Purchase Mandate, 14,088,087 Shares were purchased by cash only;
  - (c) the Maximum Price (as defined in Section F) for the market and off-market purchases is \$0.6741 respectively, which is five 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\$6,713,877; and
  - (e) an exchange rate of US\$1 to S\$1.4145<sup>2</sup>

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

	<b>Group before Shares purchase</b>	<b>Group after Shares purchase</b>	<b>Company before Shares purchase</b>	<b>Company after Shares purchase</b>
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
<b>As at 31 December 2015</b>				
Shareholders' funds	112,334	105,620	87,490	80,776
Net assets value	112,334	105,620	87,490	80,776
Current assets	108,969	102,255	14,935	8,221
Current liabilities	34,473	34,473	6,541	6,541
Cash and cash equivalents	26,767	20,053	3,562	-3,152
Number of shares ('000) (excluding treasury shares)	140,881	126,793	140,881	126,793
<b>Financial Ratios</b>				
Net assets value per Share (US cents)	79.7	83.3	62.1	63.7
Earnings per Share (US cents)	5.8	6.4	-0.3%	-0.3%
Gearing (%)	2%	2.1%	2.5%	2.8%
Current ratio	3.2	3	2.3	1.3

Note:

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

<sup>2</sup> Any discrepancies in this Appendix between the listed amounts and the equivalent foreign exchange amounts thereof are due to rounding.

# Appendix A

5. Shareholders should note that the financial effects set out above are based on the audited financial accounts of the Group and the Company for the financial year ended 31 December 2015 and are for illustration only. The results of the Group and the Company for the financial year ended 31 December 2015 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:

Directors	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Chuang Wen Fu <sup>(1)</sup>	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 <sup>(2)</sup>	0.42	992,000	0.70
Teow Joo Hwa	70,000	0.05	278,940 <sup>(3)</sup>	0.20	348,940	0.25
Chua Keng Hiang	1,200,000 <sup>(4)</sup>	0.85	–	–	1,200,000	0.85
Teo Kiang Kok	–	–	–	–	–	–
Teng Cheong Kwee	20,000	0.01	–	–	20,000	0.01
Chuang Tze Mon <sup>(1)</sup>	3,983,200	2.83	–	–	3,983,200	2.83
Holders of 5% or more						
Keytech Investment Pte Ltd <sup>(5)</sup>	61,678,400	43.78	–	–	61,678,400	43.78
Others						
Chuang Tze Dey <sup>(1)</sup>	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 Hua has a deemed interest in 278,940 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 J.S.A. Limited (“JSA”), a company incorporated in Hong Kong ( 3.7 %) and 23 individuals including the Company’s Executive Directors, Messrs Chuang Wen Fu (29.7 %), Gu Cheng Hua ( 5.4 %), Yap Chin Kuan ( 10.7 %) and Teow Joo Hwa ( 12.1 %) and the Company’s Executive Officers , Heng Ngee Boon ( 5.5 %), Wang Jian ( 5.40 % ) , Bai Yi Song ( 0.5 %) and Koh Kok Boon (0.2%). JSA is owned by three individuals, none of whom are related to the Company’s Directors or substantial shareholders. Mr. Chuang Tze Mon, the son of Mr. Chuang Wen Fu has a 16.6% interest in Keytech. The directors of Keytech are Messrs Chuang Wen Fu and Yap Chin Kuan.
- (6) The percentage of issued Shares is calculated based on the number of issued Shares (excluding treasury shares) 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) 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 60.0%. 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).”

# Appendix A

3. Shares purchases will be made in accordance with the “Guidelines on Shares Purchases” as set out in Appendix 1 of the Company’s Circular to Shareholders dated 10 April 2006, an updated<sup>3</sup> 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 2015.

<sup>3</sup> Appendix 1 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 1.

## 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) 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 the 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) ascertained as at the date of the resolution passed by Shareholders authorising the proposed renewal of the Shares Purchase Mandate.

# Appendix B

## 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.

# Appendix B

## 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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