MEMTECH INTERNATIONAL LTD.

STAYING THE COURSE

ANNUAL REPORT 2018

CONTENTS

CORPORATE **PROFILE**

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

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

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.

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.

MOBILE COMMUNICATIONS

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

CONSUMER DIGITALS

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

CHAIRMAN'S **MESSAGE**

MR CHUANG WEN FU
Executive Chairman

Internally, in order to align the interests of management and all staff, we adopted the slogan – "Adopting innovation, spearheading change, securing our future". This slogan embodies our spirit in the year ahead as we remain vigilant and strive to overcome the challenges in the year ahead. In the face of continuing uncertainties, we are adopting a more prudent approach while implementing measures to improve certain operational aspects.

Dear Shareholders,

On behalf of the board of directors ("the Board") of Memtech International Ltd. ("Memtech" or "the Group), I am pleased to present the annual report for the financial year ended 31 December 2018 ("FY2018").

A Review of FY2018

10 years ago, the global financial crisis significantly impacted the world. In the last 10 years, and especially in 2018, the global economic, political and technological developments and the social environment have undergone a drastic transformation. With global growth expected to slow down, the International Monetary Fund ("IMF") has cautioned governments of the need to prepare for the increasing economic risks. These risks, articulated by IMF Managing Director, Christine Lagarde, include tariff risks arising from US-China trade tensions, the uncertainties surrounding Brexit and China's slowing economy. The world economic order continues to be reshaped and FY2019 will be a critical year.

Despite the uncertainties in the macroeconomic environment, we reported strong revenue growth for FY2018 as revenue rose 13.2% year-on-year ("yoy") to US$192.5 million, a new record. This rising revenue trend has continued for the last seven consecutive years following the successful business transformation we underwent in 2012. However, we reported a decline in gross profit margin to 16.2% while our net profit margin declined to 5.0%. This was due to various factors, including delays in certain projects with a key client as well as a sudden reduction in orders at our Dongguan plant. The impact was mitigated by improved operating performance at our Kunshan and Nantong plants which continued to receive stable orders. This allowed us to report a net profit of US$9.6 million for FY2018.

We have three manufacturing sites in China located in Dongguan, Nantong and Kunshan. As we all know, the pressure from severe labour shortages, difficulty in the recruitment of workers and the continued rise in wages, raw materials, utilities and transportation costs have made business conditions more challenging. These pressures have increased over the last three years. Thus, we are looking into setting up another production base outside of China in FY2019.

Since FY2016, our business development strategy of shifting towards major multinational clients has achieved success. However, price competition has resulted in orders from major clients to be more volatile, adding pressure to our operations. We are thus stepping up our efforts to improve customer engagement, maximise operational efficiency and enhance internal operations in order to mitigate the impact arising from both price and cost pressures.

Outlook for FY2019

The global economic environment is expected to remain challenging due to uncertainty arising from US-China trade tensions which have yet to reach a definitive conclusion. We also expect cost pressures to persist in FY2019.

On the supply chain front, the development of artificial intelligence ("AI") is revolutionizing manufacturing processes, including the use of AI-powered analytics and data to improve efficiency and product quality. Technological advancements in areas such as 5G, cloud computing and blockchain will have major impact on the supply chain, but will also present new opportunities for manufacturers. We must and will adopt a new mindset in order to capture growth opportunities and develop our niche market.

In the seven years since Memtech's transformation from manufacturing mobile keypads, our growth initiatives have been focused primarily on four segments: Consumer Electronics, Automotive, Industrial and Medical and Telecommunications. In supporting this transformation, we have continued to invest in our people and internal systems and processes to boost our growth trajectory. More importantly, we are investing in new technologies and measures to meet the rising demand for:

- Automation of our processes in order to mitigate the impact of labour shortages and rising costs
- High-technology equipment in order to produce more complex and precision parts
- Advanced R&D capabilities
- Stricter environmental requirements
- Corporate Social Responsibility

Internally, in order to align the interests of management and all staff, we adopted the slogan – "Adopting innovation, spearheading change, securing our future". This slogan embodies our spirit in the year ahead as we remain vigilant and strive to overcome the challenges in the year ahead. In the face of continuing uncertainties, we are adopting a more prudent approach while implementing measures to improve certain operational aspects. For instance, we are looking at ways to improve on predicting and handling sudden increases or decreases in orders from key customers. In addition, we are looking to further optimise resources across our manufacturing facilities by balancing the distribution of orders across our three factories. Additionally, we are working towards accelerating research and development initiatives in order to provide better value add for our major clients.

While continuing to monitor trade tensions and global markets closely, we remain cautiously optimistic on our outlook for FY2019. Our business development initiatives have translated to growth across key segments. We expect this momentum to continue into FY2019 as we have secured new project wins within the Automotive, Consumer Electronics and Industrial & Medical segments. Leveraging on our niche capabilities, we remain well placed to secure new projects from both existing and new customers.

Acknowledgements

On behalf of the Board and our colleagues across the Group, I would like to express my sincere appreciation to our shareholders for their continued support. To reward shareholders, the Board has recommended a final dividend of 3.0 Sing cents per share. If approved by shareholders at the forthcoming annual general meeting, the dividend will be paid on 17 May 2019.

I would also like to thank our clients, suppliers and business partners for their longstanding support. The confidence and encouragement you have for us has provided us with additional motivation to overcome any difficulties we may face in the future.

Lastly, I would like to thank the Board, management and all our employees for the hard work and dedication over the past year. I look forward to meeting all the challenges and achieving a better future together in FY2019!

Executive Chairman
Mr. Chuang Wen Fu
April 2019

主席致辞

庄文甫
董事主席

我们延续了去年内部管理的Slogan“打破陈规，开创未来”（Break the rules, Master the future）的精神，更进一步的升华为“改变应危局，创新赢未来”（Adopting innovation, spearheading change, securing our future），来自我勉励及警惕，为具有高度挑战性的新一年度，作更大的奋斗。对2019年的业绩，我们持谨慎的态度，有足够的信心，会努力不断，作出更好的表现。

敬爱的股东们：

我谨代表万德国际公司的董事会，向您汇报集团在2018年的业绩报告与新年度的展望。

回顾2018年：

十年前，全球金融风暴彻底改变了世界，历经过去的十年，国际政治经济，科技发展，社会环境，也衍生剧烈转变，尤其是2018年。在全球经济增长低于预期之际，国际货币基金会（IMF），即时对各国政府发出了警告，要为可能到来严苛的经济风险，作好准备。IMF总裁拉加德强调，新的风险包括世界上最大的两个经济体，中美间的贸易紧张造成的关税争议；英国脱欧后的不确定性与中国经济持续放缓，所以一个全新的世界经济秩序正逐渐重塑。可以断言，2019年，将会是至为关键的一年。

纵然，宏观大环境迷漫着高度不确定的氛围，万德集团公司于2018年的整体销售，仍然延续了自2012年转型成功后的连续七年的成长趋势，取得了1亿9仟多万美元的销售，这也是历史上的新高。但遗憾的是，全年的营运毛利率却下滑了2%，回落到与2016年的同一水平16.2%，净利率也下跌了3.3%，全年净利报960万美元。主要是我们的东莞厂区蒙受重要客户项目的延迟及总订单量的骤减，此双重打击所拖累。所幸昆山和南通二个厂区，仍得力于客户群相对稳定的订单，而取得了正面的成长，对集团在2018年之稳健经营作出了贡献。

我们三个生产中心，东莞、南通、昆山都位处中国大陆，众所周知，严重的劳力短缺，招工困难以及持续上升的工资，原物料、能源、运输成本等，形成的压力更为严峻。这些压力，这三年来有增而无减，所以寻求中国大陆以外，另一个生产基地，是我们必须在新年度去做的重要课题。

自2016年以来，向大型客户靠拢的市场策略，已初见成效。但随着市场的价格竞争而引起的重大波动，也直接的造成大型客户订单的起伏不定，因此，更灵活性的客户管理、原物料与半成品的控制，同样是必须加大力度去做好的基本管理工作。

展望2019年：

就全球经济宏观面而言，持续面对经济起伏的更加不确定性，尤其是对本公司可能产生直接影响的中美贸易纠纷，其谈判进展不见明朗，种种分岐，未找到共识与平衡，威胁到全球系统性的危险，仍然存在。就产业链来看，十年来智慧手机大爆发，带动由APP到AI的“新软体”，从云端运算到区块链的“新平台”，以及由4G到5G的“新网络”需求和发展。这些科技的加速变化，对我们的产业链当会产生巨大的影响，因此我们也必须用崭新的思维来应对宏观及微观经济环境的变化，从中去寻找万德新的立基（Niche Market）。

万德由生产手机按键为主而转型升级的七年来，已做了十分明确的市场定位“汽车配件”“消费性电子”“工业与医疗”及“通讯”四大产业领域，同时也为此转型升级，继续不断的投入了相当程度的各种资源，尤其是财务资源及管理力度，来挑战以下五项需求：

- 应对严重劳动力短缺的制造流程自动化需求
- 高端技术及更精密设备的需求
- 先进研发能力的需求
- 更严格的环保要求
- 更严谨的社会责任承担的需求

为提高公司全体员工的自我警觉和危机意识，我们延续了去年内部管理的Slogan“打破陈规，开创未来”（Break the rules, Master the future）的精神，更进一步的升华为“改变应危局，创新赢未来”（Adopting innovation, spearheading change, securing our future），来自我勉励及警惕，为具有高度挑战性的新一年度，作更大的奋斗。

既然总体形势，充满不确定，我们当然会更加谨慎，针对在过去的一年中，做得不尽理想的几个工作领域进行改善。僻如，如何去提升预知重大客户订单数量的骤升或骤降？如何去均衡各个生产工厂订单数量的分配？如何去加快参予重要客户新技术的研发（ESI），如何加快在中国以外的地区设立新生产基地的步伐，以分散风险以及必须加强关注中国汽车市场销售量走跌趋势的关注度等等，这些都是已经发生在我们身边的“灰犀牛”，绝不能视而不见。

对2019年的业绩，我们持谨慎的态度，有足够的信心，会努力不断，作出更好的表现。

股息：

董事们建议派发每股3.0分一次过股息（2017年为5.5分）。一次过股息如在来临的股东大会表决通过，将于2019年5月17日支付。

衷心感谢：

我谨代表集团全体董事和同仁，向我们的股东致以万分感谢。

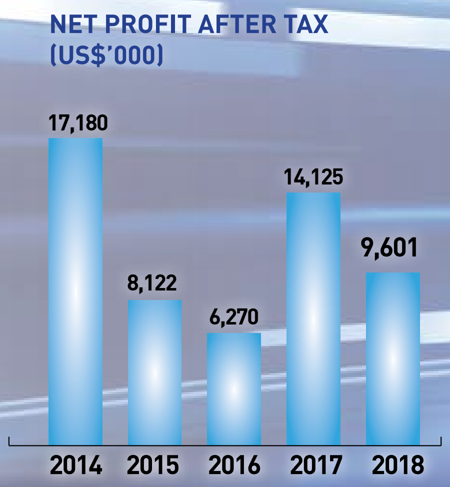
也要感谢我们的客户、供应商和生意伙伴长期以来的支持，你们对万德的信心和鼓励，是我们一路来挑战困难而不产生恐惧的动力。

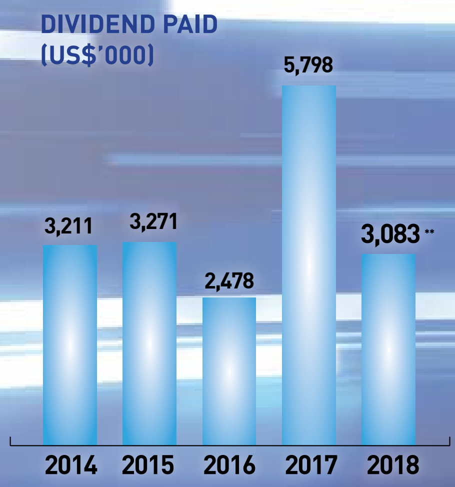
最后，我要感谢万德董事、管理层和全体员工，一年来的辛劳和付出。

期待我们一起在2019年共同面对所有的挑战，展望美好的未来！

董事主席
庄文甫
2019年4月

FINANCIAL **HIGHLIGHTS**





FINANCIAL POSITION (US$'000)

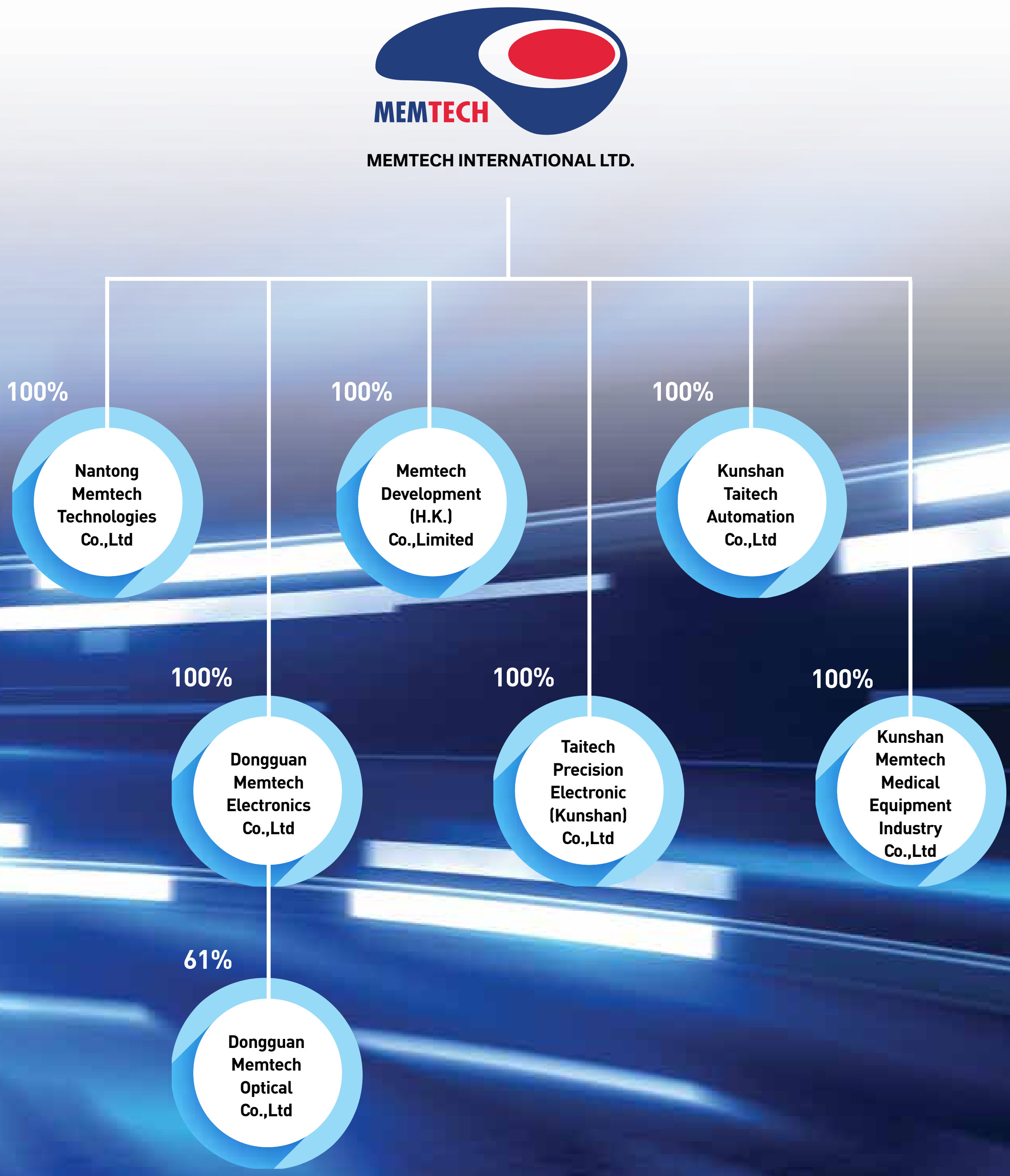
	2014	2015	2016	2017	2018
Total Shareholders Equity	112,126	112,138	110,642	126,992	125,660
Total Assets	152,900	151,428	165,733	187,418	187,377
Total Liabilities	40,774	39,049	54,900	60,100	61,336
Net Current Assets	71,609	74,496	78,214	87,263	80,133
Cash and Cash Equivalents	32,433	26,767	27,353	34,896	22,156
Debt to Equity Ratio %	3.0%	2.0%	4.1%	3.8%	2.8%

FINANCIAL INDICATORS

	2014	2015	2016	2017	2018
Return on Shareholders Equity	15.3%	7.2%	5.7%	11.1%	7.6%
Earnings Per Share (EPS)	2.4	1.2	4.5*	10.0	6.9
Price-Earnings Ratio	3.1	8.0	10.1	8.0	8.4
Dividend Paid USD '000s	3,211	3,271	2,478	5,798	3,083**
Dividend Paid Per Share S$ cents	0.6	0.66	2.5*	5.5	3.0
Dividend Payout Ratio	18.7%	40.3%	39.5%	41.0%	32.1%
Market Capitalisation SG$'000	70,592	91,573	88,755	150,743	109,963

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

** The dividend will be paid on May 17 2019 after AGM approval on 25 April 2019


MEMTECH
MEMTECH INTERNATIONAL LTD.
100%
Nantong Memtech Technologies Co.,Ltd
100%
Memtech Development (H.K.) Co.,Limited
100%
Kunshan Taitech Automation Co.,Ltd
100%
Dongguan Memtech Electronics Co.,Ltd
100%
Taitech Precision Electronic (Kunshan) Co.,Ltd
100%
Kunshan Memtech Medical Equipment Industry Co.,Ltd
61%
Dongguan Memtech Optical Co.,Ltd

BOARD OF **DIRECTORS**

MR CHUANG WEN FU
Executive Chairman

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

MR GU CHENG HUA
Executive Director and CEO

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

MR YAP CHIN KUAN
Executive Director and President of Dongguan Memtech Electronic Products Co., Ltd.

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

MR TEOW JOO HWA
Executive Director and President of Taitech Precision Electronic (Kunshan) Co., Ltd.

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

MR CHUANG TZE-MON
Executive Director &
Vice-President for Corporate Strategy

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

MR TEO KIANG KOK
Non-executive and Independent Director

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

Mr Teng Cheong Kwee 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. Mr Teng obtained a Bachelor's Degree in Industrial Engineering with first class Honours and a Bachelor's degree in Commerce from the University of Newcastle, Australia.

MR TENG CHEONG KWEE
Non-executive and Independent Director

KEY **MANAGEMENT**

MR KOH KOK BOON

Chief Marketing Officer

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

MR ZHANG LIUQING

Group Financial Controller

Mr. Zhang is responsible for the financial stewardship of our Group. Mr. Zhang graduated from Nanjing Agricultural University, major in Accounting and Auditing. He has been with the Group since the establishment of the company and has worked in our Dongguan, Nantong and Kunshan facilities before being appointed as our Financial Controller in FY2016. He has more than 20 years of professional experience in finance and accounting related role.

DR. HAN HUI SHENG

Director of R&D Institute

Dr. Han 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

General Manager of our Dongguan Memtech Electronic Product Co.,Ltd.

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

MR HENG NGEE BOON, STEVEN

Vice President of plastic division of Kunshan Plant

Mr Heng has more than 20 years of experience in the Keypad and Plastic manufacturing industry, of which more than 15 years were spent in PRC and Malaysia. Mr Heng joined us in 2004.

MR WANG JIAN

General Manager of Nantong Plant

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

MR. EDWIN(KILHO) JUNG

Vice-Director for Global Business Development

Mr Edwin is responsible for serving the key accounts—SAMSUNG, LG—and leads the business development operation for Korean market. At the same time, he also takes care of a few specific Japanese key accounts. Mr. Jung graduated from Chung-Ang University in Korea. He is fluent in his native language Korean, Mandarin and English. He has worked in other Korean Keypad company for many years before joining Memtech in 2008.

SALES **NETWORK**

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GLOBAL CONTACT

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Chuang Wen Fu
(Executive Chairman)

Gu Cheng Hua
(Executive Director and CEO)

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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Chuang Tze - Mon
89 Short Street
Golden Wall Centre #04-01
Singapore 188216
Tel:+65 6339 0833
Fax :+65 6339 5445
E-mail: ir@memtechchina.com
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Sino-Lion Communications Pte Ltd (Financial PR)
James Bywater
4 Robinson Road #04-01
The House of Eden Singapore 048543
Fax: +65 6438 0064
Tel: +65 6438 2990
Email: memtech@financialpr.com.sg

AUDITORS

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

BANKERS

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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Memtech International Ltd. (the "Company") is committed to maintaining a high standard corporate governance with specific references to the Principles of the Singapore Code of Corporate Governance 2012 (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; ensures that the necessary financial and human resources are in place for the Group to meet its objectives and considers sustainability issues as part of its strategic formulation.

1.2 Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. 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 written terms of reference which clearly set out the authority and duties of the committees 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 2018 are as follows:

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

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

CORPORATE GOVERNANCE REPORT

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

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

1.7 The Board comprises directors who collectively possess the relevant core competencies and diversity of skills, experience, gender, and knowledge 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. The Company will arrange for a director who has no prior experience of an issuer listed on the SGX-ST to undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. Arrangements have been made for new directors to visit our factories and facilities and to be given briefings on operations to enable them to gain a better understanding of the Group's business. In addition, directors were invited to participate in our annual internal budget and strategy discussions. During the year, the Company had also arranged for industry expert to speak to directors and Company executives on industry trends and developments. Information on changes and developments in relevant market regulations and accounting standards would also be circulated to all directors for reference. Each Director, at his appointment, is given a formal letter setting out his duties and obligations, and terms of his appointment.

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

2 Board Composition and Balance

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

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

2.3 Guideline 2.2 of the Code provides that Independent Directors should make up at least half of the Board in the situation where the Chairman of the Board is part of the Management team. The Company's current Board composition does not meet this requirement. The Board is of the view that with three Independent Directors, representing more than one-third of the Board, and with each of the three Board Committees being chaired by an Independent Director, there is a sufficiently strong independent element on the Board that upholds good corporate governance and facilitate the exercise of independent and objective judgment on the Board. The Board is of the view that the size and composition of the current board, taking into account the proportion of Independent Directors and the

CORPORATE GOVERNANCE REPORT

experience and core competencies of the directors, is appropriate for the Group given its current scope and scale of business, and its current stage of development. Nevertheless, the NC and the Board will keep this matter under regular review, and will make such changes as are necessary to further enhance the standard of corporate governance. The NC has also ascertained that for the year under review, the Directors have devoted sufficient time and attention to the Group's affairs.

3 Chairman and Chief Executive Officer

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

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

3.3 The responsibilities of the Chairman include the following:

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

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

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

4 Board Membership

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

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

CORPORATE GOVERNANCE REPORT

4.3 The NC's principal functions are to:

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

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

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

- the NEIDs had participated actively and provided objective, rational and constructive views to the Board and management on matters put before the Board and the Board committees;
- the NEIDs had offered practical solutions to issues and worked towards increasing value to the Group and for the benefit of all shareholders; and
- the NEIDs had evaluated and assessed the information provided to the Board in an independent and constructive manner and rendered such advice as may be necessary to assist management in implementing plans and policies.

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

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

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

CORPORATE GOVERNANCE REPORT

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 Gu Cheng Hua, Chuang Tze Mon and Teo Kiang Kok will retire by rotation and they have indicated their willingness to seek re-election at the forthcoming Annual General Meeting ("AGM"). Following a review, the NC has recommended to the Board to nominate them for re-election at the AGM.

All directors submit themselves for re-nomination and re-appointment at least once every 3 years. Directors who are retiring and offering themselves for re-election at the forthcoming annual general meeting are named below:

Director	Date of Appointment	Date of last election	Due for re-election
Chuang Wen Fu (Chairman)	27/11/2003	25/4/2018	
Yap Chin Kuan	27/11/2003	27/4/2017	
Gu Cheng Hua	1/4/2004	28/4/2016	25/4/2019
Teow Joo Hwa	26/2/2005	25/4/2018	
Chuang Tze Mon	11/5/2015	28/4/2016	25/4/2019
Chua Keng Hiang	6/6/2004	27/4/2017	
Teo Kiang Kok	6/6/2004	27/4/2017	25/4/2019
Teng Cheong Kwee	6/6/2004	25/4/2018	

5 Board Performance

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

6 Access to Information

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

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

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

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

REMUNERATION MATTERS

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

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

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

7.3 The RC's principal functions are to:

- review and recommend to the Board in consultation with the Management and the Chairman of the Board, a framework for the remuneration of executive directors and key management and to determine the specific remuneration packages and terms of employment for each of the executive directors and those managers who are related to the executive directors and controlling shareholders of the Group; and
- review and recommend to the Board in consultation with the Management and the Chairman of the Board, any grant or award under any share option scheme or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

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

- all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered;
- the remuneration packages should be comparable within the industry and with comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures for assessing individual executive director's performance; and
- the remuneration 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.

CORPORATE GOVERNANCE REPORT

7.5 The Board and RC has access to expert advice from external remuneration consultants where required. During the year under review, no external consultant was engaged.

7.6 Executive Directors do not receive directors' fees for the financial year ended 31 December 2018. 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 2018 is as follows:

	Remuneration				
	Fee[1]	**Basic**	**Variable**	**Benefits in kind**	**Total**
	%	**%**	**%**	**%**	**%**
Above S$500,000					
Gu Cheng Hua	–	34	58	8	100
S$250,000 to S$499,999					
Chuang Wen Fu	–	61	31	8	100
Teow Joo Hwa	–	46	50	4	100
Below S$250,000					
Yap Chin Kuan	–	88	–	12	100
Chuang Tze Mon	–	66	23	11	100
Chua Keng Hiang	100	–	–	–	100
Teo Kiang Kok	100	–	–	–	100
Teng Cheong Kwee	100	–	–	–	100

1 These fees are subject to approval by shareholders at the AGM for the financial year ended 31 December 2018.

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

	2018	**2017**
Above S$500,000	1	3
S$250,000 to S$499,999	2	1
Below S$250,000	5	4
	8	8

CORPORATE GOVERNANCE REPORT

7.7 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 %
S$250,000 to S$499,999				
Wang Jian	39	57	4	100
Heng Ngee Boon	46	50	4	100
Below S$250,000				
Zhang Liu Qing	51	35	14	100
Koh Kok Boon	64	31	5	100
Jung Kil Ho	76	18	6	100

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

7.9 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 %
S$200,000-S$250,000				
Chuang Tze Mon (Son of Executive Chairman Mr. Chuang Wen Fu)	66	23	11	100

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

7.11 The Company does not rely on any contractual provisions to reclaim incentive components of remuneration from its executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Company should be able to avail itself to remedies against its executive directors and key management personnel in the event of such breaches.

CORPORATE GOVERNANCE REPORT

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. The Board is of the view that the members of the AC bring with them invaluable and relevant managerial and professional expertise in accounting and related financial management domains to discharge their responsibilities. Both Mr. Chua Keng Hiang and Mr. Teng Cheong Kwee have extensive audit, accounting and financial management expertise and experience. None of the AC members were previously Partners or Directors of the Company's external auditors within the previous 12 months.

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

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

CORPORATE GOVERNANCE REPORT

9.5 For the financial year under review, the audit fee payable to the external auditors is S$230,000. The amount of non-audit fee payable to the external auditors is approximately S$5,500. This is in relation to tax services provided to the Company and its subsidiaries.

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

9.16 For FY2018, the Board has received written assurance from the CEO and Group Financial Controller that:

- the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2018 give a true and fair view of the Group's operations and finances; and

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

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

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

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

10. Communication with Shareholders

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

10.2 The Company's Constitution allows all shareholders the right to appoint (through proxy forms sent in advance) up to two (2) proxies to attend, speak and vote at the AGM on their behalf. Under the new multiple proxy regime, specified intermediaries, such as banks and capital markets services license holders which provide custodial services, are allowed to appoint more than two (2) proxies. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

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

CORPORATE GOVERNANCE REPORT

10.4 The Chairman, executive directors and Group Financial Controller maintain communication with investors on a regular basis and attend to their queries. All shareholders of the Company receive the annual report and notice of the AGM. The notice is also advertised in the newspapers. At the forthcoming AGM, shareholders will have the opportunity to air their views and raise questions to the directors and the Management regarding the Company. Directors, external auditors and the company secretary will be present at the AGM. The external auditors will be available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

10.5 Resolutions to be tabled at the AGM are separate unless they are interdependent, and the reasons and material implications are explained to enable shareholders to make an informed decision. Voting at general meetings of shareholders are conducted by poll thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The Company Secretary prepares minutes of general meetings. These minutes are available to shareholders upon their request.

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

Internal Code on Dealings with Securities

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

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

Material Contracts

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

Interested Party Transactions ("IPT")

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

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Appendix 7.4.1 to the Listing Manual

Pursuant to Rule 720(6) of the Listing Manual, the information as set out in Appendix 7.4.1 to the Listing Manual relating to Mr Gu Cheng Hua, Mr Chuang Tze Mon and Mr Teo Kiang Kok, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Directors	**Mr Gu Cheng Hua**	**Mr Chuang Tze Mon**	**Mr Teo Kiang Kok**
Date of appointment	1/04/2004	11/05/2015	06/06/2004
Date of last re-appointment (if applicable)	28/4/2016	28/4/2016	27/04/2017
Age	51	44	63
Country of principal residence	China	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Gu Cheng Hua as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Gu's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Chuang Tze Mon as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Chuang's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Teo as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation after taking into consideration Mr Teo's qualifications, skill, expertise, past experience and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	CEO	Corporate Development	No
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Director/ CEO	Executive Director	Independent Non-Executive Director Chairman of Remuneration Committee Member of Audit Committee
Professional qualifications	Bachelor of Science (Mathematics & Physics) from Southeast University, China	Bachelor of Commerce from University of Melbourne (Australia). MBA from Shanghai Antai College of Economics & Management, Jiaotong University, China.	Bachelor of Laws (Honours). Barrister-at-Law (Lincoln's Inn). Advocate & Solicitor, Singapore.

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Appendix 7.4.1 to the Listing Manual

Name of Directors	Mr Gu Cheng Hua	Mr Chuang Tze Mon	Mr Teo Kiang Kok
Working experience and occupation(s) during the past 10 years	2010 – 2016: Executive Director of Memtech International Ltd, 2016 – 2019: CEO and Executive Director of Memtech International Ltd.	2010 – 2019: Vice President, Business Development of Memtech International Ltd. 2015 to 2019: Executive Director of Memtech Interntional Ltd.	Has more than 30 years experience in legal practice. Main areas of practice are corporate law, corporate finance and securities. Partner of Shook Lin & Bok LLP from 1987 to 2011.
Shareholding interest in the listed issuer and its subsidiaries	1,445,800 (1.03%) ordinary shares in the Company	3,983,200 (2.84%) ordinary shares in the Company	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	A director and shareholder of Keytech Investment Pte. Ltd., a substantial shareholder of the Company.	Son of Mr Chuang Wen Fu, the Executive Chairman of the Company. A director and shareholder of Keytech Investment Pte. Ltd., a substantial shareholder of the Company.	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Nil	Nil	Senior Consultant, Shook Lin & Bok LLP
Past (for the last 5 years)	Nil	Nil	Ocean Sky International Limited

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Appendix 7.4.1 to the Listing Manual

Name of Directors	Mr Gu Cheng Hua	Mr Chuang Tze Mon	Mr Teo Kiang Kok
Present	**Present Directorships:** Keytech Investment Pte. Ltd.	**Present Directorships:** Keytech Inestment Pte. Ltd.	- Hyflux Limited - IPC Corporation Ltd - Memtech International Ltd - Wilton Resources Corporation Limited
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Appendix 7.4.1 to the Listing Manual

Name of Directors	Mr Gu Cheng Hua	Mr Chuang Tze Mon	Mr Teo Kiang Kok
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Appendix 7.4.1 to the Listing Manual

Name of Directors	Mr Gu Cheng Hua	Mr Chuang Tze Mon	Mr Teo Kiang Kok
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or			

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Appendix 7.4.1 to the Listing Manual

Name of Directors	Mr Gu Cheng Hua	Mr Chuang Tze Mon	Mr Teo Kiang Kok
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not Applicable	Not Applicable	Not Applicable

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Appendix 7.4.1 to the Listing Manual

Name of Directors	Mr Gu Cheng Hua	Mr Chuang Tze Mon	Mr Teo Kiang Kok
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director and Mr Gu has prior experience as a director of an issuer listed on the SGX-ST.	Not applicable. This is a re-election of a Director and Mr Chuang has prior experience as a director of an issuer listed on the SGX-ST.	Not applicable. This is a re-election of a Director and Mr Teo has prior experience as a director of an issuer listed on the SGX-ST.

DIRECTORS' 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 2018.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended at that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' 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, Chapter 50, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Chuang Wen Fu	5,542,800	5,542,800	–	–
Gu Cheng Hua	1,445,800	1,445,800	–	–
Yap Chin Kuan	400,000	400,000	592,000	592,000
Teow Joo Hwa	70,000	70,000	73,440	100,040
Chuang Tze Mon	3,983,200	3,983,200	–	–
Chua Keng Hiang	1,200,000	1,200,000	–	–
Teng Cheong Kwee	20,000	20,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

Options

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

Audit committee

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

- Reviewed the annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

DIRECTORS' STATEMENT

Audit committee (continued)

- 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'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 AC are disclosed in the Report on Corporate Governance.

Auditor

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

On behalf of the board of directors:

Chuang Wen Fu
Director

Yap Chin Kuan
Director

29 March 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Memtech International Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Memtech International Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Memtech International Ltd.

Key Audit Matters (continued)

(1) Allowance for doubtful trade receivables

As at 31 December 2018, the Group's trade receivable balances represent about 40% of the Group's total assets.

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

Management considered the age of the outstanding balances, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers. Management incorporated the information together with the current information specific to customers and economic environment to determine the provision of expected credit loss on trade receivables.

Our audit procedures included, but not limited to the following procedures. We assessed the Group's processes and controls relating to the monitoring of trade receivables and reviewed collection risks of trade receivables. On a sample basis, we requested trade receivable confirmations, reviewed management's reconciliation of confirmation replies, where applicable, and obtained evidence of receipts from selected customers subsequent to financial year end. We evaluated management's assumptions used in assessing adequacy of allowance for doubtful debts amount through review of specific debtors' payment history and management's assessment of credit risk of these debtors. We also reviewed management's computation of expected credit loss, provision recognised and assessed the adequacy of the Group's disclosures of trade receivables and the related risks such as credit risk and liquidity risk in Notes 17 and 31 to the financial statements.

(2) Allowance for obsolete inventories

As at 31 December 2018, the Group's total inventories amounted to $25.8mil, representing 19% of the total current assets of the Group. As at 31 December 2018, the Group has recorded allowance for obsolete inventories of $3.6mil. The allowance for obsolete inventories relates mainly to raw materials and finished goods.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Memtech International Ltd.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Memtech International Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

		Group	
	Note	2018	2017
		US$'000	US$'000
Revenue	4	192,452	170,013
Cost of sales		(161,279)	(139,076)
Gross profit		31,173	30,937
Other income	5	3,329	5,822
Sales and marketing expenses		(9,346)	(8,076)
General and administrative expenses		(12,889)	(11,315)
Exchange gain/(loss)		160	(767)
Other operating expenses		(613)	(254)
Impairment loss on financial assets	7	(114)	(346)
Finance costs	6	(312)	(296)
Profit before tax	7	11,388	15,705
Income tax expenses	8	(1,714)	(1,462)
Profit for the year		9,674	14,243
Attributable to:			
Owners of the Company		9,601	14,125
Non-controlling interests		73	118
Profit for the year		9,674	14,243
Earnings per share			
Basic and fully diluted earnings per share attributable to owners of the Company (in US cents)	9	6.9	10.0

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Group	
	2018	2017
	US$'000	US$'000
Profit for the year	9,674	14,243
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(4,465)	4,765
Total comprehensive income for the year	5,209	19,008
Attributable to:		
Owners of the Company	5,154	18,873
Non-controlling interests	55	135
Total comprehensive income for the year	5,209	19,008

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

BALANCE SHEETS

As at 31 December 2018

		Group			Company		
	Note	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current assets							
Property, plant and equipment	10	45,382	43,790	39,836	–	–	–
Trade receivables	17	997	769	936	–	–	–
Advance prepayment for property, plant and equipment		3,239	2,868	3,229	–	–	–
Investment in subsidiaries	11	–	–	–	69,365	75,107	75,107
Investment in associates	12	–	–	–	–	–	–
Investment securities	13	–	–	–	–	–	–
Intangible assets	14	542	564	547	–	–	–
		50,160	47,991	44,548	69,365	75,107	75,107
Current assets							
Cash and cash equivalents	15	22,156	34,896	27,353	1,897	611	3,870
Bank deposits pledged	16	2,587	1,611	1,942	–	–	–
Trade receivables	17	74,796	69,893	61,447	–	–	–
Bills and other receivables	18	10,064	6,691	7,346	3	3	23
Amounts due from subsidiaries	19	–	–	–	7,753	8,792	9,743
Prepayments		1,812	1,757	1,165	–	–	–
Inventories	20	25,802	24,579	19,451	–	–	–
Non-current assets held for sales	21	–	–	2,481	–	–	–
		137,217	139,427	121,185	9,653	9,406	13,636
Total assets		187,377	187,418	165,733	79,018	84,513	88,743
Current liabilities							
Trade payables and accruals	22	41,578	39,676	35,834	415	516	371
Bills and other payables	23	11,059	9,499	8,576	10	15	20
Amounts due to subsidiaries	19	–	–	–	6,500	5,000	5,000
Provision for taxation		295	707	732	–	–	–
Contract liabilities	4	684	784	825	–	–	–
Loans and borrowings	24	3,468	1,498	1,169	–	–	1,111
		57,084	52,164	47,136	6,925	5,531	6,502

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Net current assets		80,133	87,263	74,049	2,728	3,875	7,134
Non-current liabilities							
Loans and borrowings	24	–	3,342	3,402	–	–	–
Other liabilities		535	754	789	–	–	–
Deferred tax liabilities	25	3,717	3,840	3,573	–	–	–
		4,252	7,936	7,764	–	–	–
Total liabilities		61,336	60,100	54,900	6,925	5,531	6,502
Net assets		126,041	127,318	110,833	72,093	78,982	82,241
Equity attributable to owners of the Company							
Share capital	26(a)	57,808	57,808	57,808	57,808	57,808	57,808
Treasury shares	26(b)	(2,127)	(1,441)	(1,441)	(2,127)	(1,441)	(1,441)
Foreign currency translation reserve	27(a)	(5,921)	(1,474)	(6,222)	–	–	–
Statutory reserve fund	27(b)	9,545	10,457	10,035	–	–	–
Acquisition reserve	27(c)	(714)	(714)	(714)	–	–	–
Revenue reserves		67,069	62,356	51,176	16,412	22,615	25,874
		125,660	126,992	110,642	72,093	78,982	82,241
Non-controlling interests		381	326	191	–	–	–
Total equity		126,041	127,318	110,833	72,093	78,982	82,241

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital (Note 26(a)) US$'000	Treasury shares (Note 26(b)) US$'000	Revenue reserves US$'000	Currency translation reserve US$'000	Statutory reserve fund US$'000	Acquisition reserve (Note27(c)) US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total equity US$'000
Group									
At 1 January 2017	57,808	(1,441)	51,176	(6,222)	10,035	(714)	54,275	191	110,833
Profit for the year	–	–	14,125	–	–	–	14,125	118	14,243
Other comprehensive income for the year	–	–	–	4,748	–	–	4,748	17	4,765
Total comprehensive income for the year	–	–	14,125	4,748	–	–	18,873	135	19,008
Contributions by and distributions to owners									
Dividends on ordinary shares (Note 36)	–	–	(2,523)	–	–	–	(2,523)	–	(2,523)
Total contributions by and distributions to owners	–	–	(2,523)	–	–	–	(2,523)	–	(2,523)
Others									
Transfer from revenue reserves	–	–	(422)	–	422	–	–	–	–
Total others	–	–	(422)	–	422	–	–	–	–
At 31 December 2017	57,808	(1,441)	62,356	(1,474)	10,457	(714)	70,625	326	127,318

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital (Note 26(a)) US$'000	Treasury shares (Note 26(b)) US$'000	Revenue reserves US$'000	Currency translation reserve US$'000	Statutory reserve fund US$'000	Acquisition reserve (Note27(c)) US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total equity US$'000
Group									
At 1 January 2018	57,808	(1,441)	62,356	(1,474)	10,457	(714)	70,625	326	127,318
Profit for the year	–	–	9,601	–	–	–	9,601	73	9,674
Other comprehensive income for the year	–	–	–	(4,447)	–	–	(4,447)	(18)	(4,465)
Total comprehensive income for the year	–	–	9,601	(4,447)	–	–	5,154	55	5,209
Contributions by and istributions to owners									
Dividends on ordinary shares (Note 36)	–	–	(5,800)	–	–	–	(5,800)	–	(5,800)
Purchase of treasury shares	–	(686)	–	–	–	–	–	–	(686)
Total contributions by and distributions to owners	–	(686)	(5,800)	–	–	–	(5,800)	–	(6,486)
Others									
Transfer from revenue reserves	–	–	912	–	(912)	–	–	–	–
Total others	–	–	912	–	(912)	–	–	–	–
At 31 December 2018	57,808	(2,127)	67,069	(5,921)	9,545	(714)	69,979	381	126,041

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital (Note 26(a)) US$'000	Treasury shares (Note 26(b)) US$'000	Revenue reserves US$'000	Total reserves US$'000	Total equity US$'000
Company					
At 1 January 2017	57,808	(1,441)	25,874	25,874	82,241
Net loss for the year	–	–	(736)	(736)	(736)
Total comprehensive income for the year	–	–	(736)	(736)	(736)
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 36)	–	–	(2,523)	(2,523)	(2,523)
Total contributions by and distributions to owners	–	–	(2,523)	(2,523)	(2,523)
At 31 December 2017 and 1 January 2018	57,808	(1,441)	22,615	22,615	78,982
Net loss for the year	–	–	(403)	(403)	(403)
Total comprehensive income for the year	–	–	(403)	(403)	(403)
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 36)	–	–	(5,800)	(5,800)	(5,800)
Purchase of treasury shares	–	(686)	–	–	(686)
Total contributions by and distributions to owners	–	(686)	(5,800)	(5,800)	(6,486)
At 31 December 2018	57,808	(2,127)	16,412	16,412	72,093

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 2018

	2018 US$'000	2017 US$'000
Cash flows from operating activities:		
Profit before tax	11,388	15,705
Adjustments for:		
Depreciation of property, plant and equipment	9,312	8,464
Amortisation of intangible assets	–	10
Interest expense	312	296
Interest income	(375)	(107)
Impairment loss on financial assets – trade receivables	114	346
Allowance for stock obsolescence	1,082	43
Net loss/(gain) on disposal of property, plant and equipment	225	(132)
Net gain on disposal of non-current asset held for sale	–	(3,167)
Net gain on liquidation of a subsidiary	(701)	–
Unrealised exchange (gain)/loss, net	(48)	167
Total adjustments	9,921	5,920
Operating cash flows before changes in working capital	21,309	21,625
Changes in working capital		
Increase in trade and other receivables	(11,877)	(4,576)
Increase in inventories	(3,127)	(4,742)
Increase in trade and other payables	6,611	1,998
Total changes in working capital	(8,393)	(7,320)
Cash flows generated from operations	12,916	14,305
Interest income received	375	118
Interest paid	(312)	(296)
Income taxes paid	(2,034)	(2,167)
Net cash flows generated from operating activities	10,945	11,960

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 2018

	2018 US$'000	2017 US$'000
Cash flows used in investing activities:		
Purchase of property, plant and equipment	(13,452)	(10,147)
Proceeds from disposal of property, plant and equipment	240	384
Proceeds from disposal of non-current asset held for sale (Note 21)	–	5,648
Net cash flows used in investing activities	(13,212)	(4,115)
Cash flows used in financing activities:		
Proceeds from loans and borrowings	312	1,161
Dividends paid on ordinary shares	(5,800)	(2,523)
Repayments of loans and borrowings	(1,485)	(1,185)
Bank deposits (pledged)/received	(1,094)	441
Purchase of treasury shares	(686)	–
Net cash flows used in financing activities	(8,753)	(2,106)
Net (decrease)/increase in cash and cash equivalents	(11,020)	5,739
Effects of exchange rate changes on cash and cash equivalents	(1,720)	1,804
Cash and cash equivalents at 1 January	34,896	27,353
Cash and cash equivalents at 31 December	22,156	34,896

During the year, the Group acquired property, plant and equipment with an aggregate cost of US$13,682,000 (2017: US$9,990,000) paid using cash of US$12,795,000 (2017: US$9,733,000), while the remaining balance remained outstanding at the end of the reporting period. The remaining cash payment of US$657,000 is for property, plant and equipment acquired in 2017.

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 2018

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 and associates are disclosed in Note 11 and 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 (International) (SFRS(I)) and International Financial Reporting Standards (IFRS).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I) and IFRS. Refer to Note 2.2 for information on how the Group adopted SFRS(I) and IFRS.

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 First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS)

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I) and IFRS. Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) and IFRS applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statement, the Group's and the Company's opening balance sheet were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I) and IFRS.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) and IFRS which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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***
SFRS(I)/IFRS 16 *Leases*	1 January 2019
SFRS(I) INT/IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I)/IFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28/IAS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual improvements to SFRS(I)s/ IFRS 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I)/IFRS 10 and SFRS(I) 1-28/IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I)/IFRS 16, 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 change in accounting policy on adoption of SFRS(I)/IFRS 16 is described below:

<u>SFRS(I)/IFRS 16 *Leases*</u>

SFRS(I)/IFRS 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I)/IFRS 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I)/IFRS 16 on a modified retrospective approach with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I)/IFRS 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I)/IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective

SFRS(I)/IFRS 16 *Leases (continued)*

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I)/IFRS 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I)/ IFRS 16 in 2019.

On the adoption of SFRS(I)/ IFRS 16, the Group expects to recognise right-of-use assets of approximately US$2,300,000 and lease liabilities of US$2,300,000 for its leases previously classified as operating leases as of 1 January 2019.

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.

(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 an asset or liability are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations and goodwill (continued)

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets

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.

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

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.6 Foreign currency (continued)

(a) 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.

(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. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.8 Intangible assets

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

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

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

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

(a) Club memberships

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

(b) Technical know-how

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

2.9 Impairment of non-financial assets

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

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

Impairment losses 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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. Impairment losses relating to goodwill cannot be reversed in future period.

2.10 Subsidiaries

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

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less any impairment losses.

2.11 Associates

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

The Group accounts 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 represents 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 2018

2. Summary of significant accounting policies (continued)

2.12 Financial instruments

(a) Financial assets

Initial recognition and remeasurement

Financial assets are recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

De-recognition

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

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.13 Impairment of financial assets

Financial assets carried at amortised cost

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.14 Cash and cash equivalents

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

2.15 Inventories

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

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

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

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

2.16 Provisions

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

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

2.17 Government grants and subsidies

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

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

2. Summary of significant accounting policies (continued)

2.18 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.

2.19 Employee benefits

Defined contribution plans

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

(i) Singapore

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

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

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

2.20 Leases

As lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.21 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

The Group provides contract manufacturing and sales of precision tools, molds and keypads plastic components and casing and automated equipment.

Revenue is recognised when controls of the goods transferred to its customers, being when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the contractual price.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

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

(d) Sale of scrap and materials

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

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.22 Taxes (continued)

(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 2018

2. Summary of significant accounting policies (continued)

2.22 Taxes (continued)

(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.

2.23 Share capital and share issue expenses

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

2.24 Treasury shares

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

2.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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. 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 judgement which has the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of functional currency

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were 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) Provision for expected credit loss of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The historical observed default rates and forecast economic conditions are significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 31(a).

The carrying amount of trade receivables as at 31 December 2018 are $75,793,000 (31 December 2017: $70,662,000, 1 January 2017: $62,383,000) respectively.

(b) Allowance for obsolete inventories

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue

(a) Disaggregation of revenue

	Automotive		Telecommunication		Consumer Electronic		Industrial & Medical		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Primary geographical markets										
People's Republic of China	79,204	67,693	5,479	7,558	35,357	28,847	13,526	11,765	133,566	115,863
Taiwan	–	–	105	147	11,708	21,102	93	121	11,906	21,370
United States	8,187	6,763	795	321	4,967	4,177	–	–	13,949	11,261
Singapore	–	1	1	2	7,655	2,682	–	–	7,656	2,685
Japan	–	–	5,209	5,403	499	99	–	–	5,708	5,502
Others	7,239	5,126	4,356	6,554	8,019	1,652	53	–	19,667	13,332
	94,630	79,583	15,945	19,985	68,205	58,559	13,672	11,886	192,452	170,013
Timing of transfer of goods										
At a point in time	94,630	79,583	15,945	19,985	68,205	58,559	13,672	11,886	192,452	170,013

4. Revenue (continued)

(b) Contract liabilities

Information about contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2018	2017
	$'000	$'000
Advances from customers	684	784

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group and the Company have received advances from customers for sale of goods.

Contract liabilities are recognised as revenue as the Group perform under the contract. Significant changes in contract liabilities are explained as follows:

	Group	
	2018	2017
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	784	825

5. Other income

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

	Group	
	2018	2017
	US$'000	US$'000
Fixed deposits interest income	375	107
Scrap sales	199	117
Government grants and subsidies	1,360	1,744
Gain on disposal of non-current asset held for sale (Note 21)	–	3,167
Gain on liquidation of a subsidiary	701	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6. Finance costs

	Group	
	2018	2017
	US$'000	US$'000
Interest expense on:		
- Bank loans and borrowings carried at amortised cost	312	296

7. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2018	2017
	US$'000	US$'000
Depreciation of property, plant and equipment *	9,312	8,464
Fees paid to firms related to Directors	6	8
Allowance for stock obsolescence	1,082	43
Rental expense – operating leases	973	901
Packaging costs	3,227	2,515
Transportation costs	3,619	2,668
Net foreign exchange (gain)/loss	(160)	767
Staff costs		
- Salaries, bonus and other costs	54,734	49,467
- Defined contribution plans	5,501	4,568
Impairment loss on financial assets – Trade receivables	114	346
Audit fees:		
- Auditor of the Company	170	158
- Other auditors	27	26
Non-audit fees:		
- Auditor of the Company	4	4
- Other auditors	19	28
Total audit and non-audit fees	220	216

* Included in depreciation expense is an amount of US$8,680,000 (2017: US$7,863,000) charged under cost of sales.

8. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Consolidated income statement:		
Current income tax:		
- Current income taxation	1,264	974
Deferred income tax:		
- Origination and reversal of temporary differences	450	488
Income tax expense recognised in profit or loss	1,714	1,462

Relationship between income tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	US$'000	**US$'000**
Profit before tax	11,388	15,705
Tax at the domestic rates applicable to profits in the countries where the Group operates	3,099	3,285
Adjustments:		
Non-deductible expenses	584	477
Non-taxable income	(166)	(681)
Effect of partial tax exemption and tax relief	(2,253)	(2,107)
Withholding tax on undistributed profits	450	488
Income tax expense recognised in profit or loss	1,714	1,462

The corporate income tax rates applicable to PRC subsidiaries of the Group were 15% (2017: 15%).

Certain subsidiary companies incorporated in PRC were granted the High and New Technology Enterprise status for duration of 3 years in 2016, 2017 and 2018 and hence, is subjected to an incentive tax rate of 15%.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8. Income tax expense (continued)

Relationship between income tax expense and accounting profit

Unrecognised tax losses

The Group has tax losses of approximately Nil (2017: US$2,439,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which the companies operate. The tax losses have expiry date of 5 years.

9. Earnings per share

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

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

	Group	
	2018	**2017**
	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	9,601	14,125
	No. of shares	
	'000	**'000**
Weighted average number of ordinary shares for basic and diluted earnings per share computation	140,081	140,881

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

10. Property, plant and equipment

Group	Leasehold land and buildings US$'000	Plant and equipment US$'000	Office equipment US$'000	Motor vehicles US$'000	Renovation US$'000	Capital work-in-progress US$'000	Total US$'000
Cost:							
At 1 January 2017	20,464	75,846	5,481	1,328	2,656	106	105,881
Additions	464	7,270	795	297	876	288	9,990
Disposals	–	(3,112)	(118)	(161)	(237)	–	(3,628)
Reclassification	36	–	–	–	24	(60)	–
Translation differences	1,369	5,175	390	93	202	16	7,245
At 31 December 2017 and 1 January 2018	22,333	85,179	6,548	1,557	3,521	350	119,488
Additions	30	11,061	1,033	183	900	475	13,682
Disposals	–	(7,214)	(85)	(40)	–	(74)	(7,413)
Reclassification	376	320	–	–	–	(696)	–
Translation differences	(1,123)	(4,383)	(360)	(81)	(206)	(8)	(6,161)
At 31 December 2018	21,616	84,963	7,136	1,619	4,215	47	119,596

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Property, plant and equipment (continued)

Group	Leasehold land and buildings US$'000	Plant and equipment US$'000	Office equipment US$'000	Motor vehicles US$'000	Renovation US$'000	Capital work-in-progress US$'000	Total US$'000
Accumulated depreciation:							
At 1 January 2017	5,879	52,981	4,463	1,153	1,569	–	66,045
Depreciation charge for the year	993	5,958	643	149	721	–	8,464
Disposals	–	(2,860)	(118)	(161)	(237)	–	(3,376)
Translation differences	427	3,622	317	76	123	–	4,565
At 31 December 2017 and 1 January 2018	7,299	59,701	5,305	1,217	2,176	–	75,698
Depreciation charge for the year	1,029	6,610	744	172	757	–	9,312
Disposals	–	(6,823)	(85)	(40)	–	–	(6,948)
Translation differences	(399)	(2,962)	(288)	(64)	(135)	–	(3,848)
At 31 December 2018	7,929	56,526	5,676	1,285	2,798	–	74,214
Net carrying amount:							
At 1 January 2017	14,585	22,865	1,018	175	1,087	106	39,836
At 31 December 2017	15,034	25,478	1,243	340	1,345	350	43,790
At 31 December 2018	13,687	28,437	1,460	334	1,417	47	45,382

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Investment in subsidiaries

	Company		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Unquoted shares, at cost	77,921	77,921	81,921
Addition during the year ^	1,000	–	–
Write off/ reduction during the year*	(9,556)	–	(4,000)
	69,365	77,921	77,921
Accumulated impairment loss	(2,814)	(2,814)	(1,714)
Write off during the year	2,814	–	(1,100)
Accumulated impairment loss	–	(2,814)	(2,814)
Carrying amount of investment	69,365	75,107	75,107

^ Additional investment in Kunshan Taitech Automation Co., Ltd ("MTAI") in 2018.

* Capital reduction in investment in Huzhou Memtech Electronic Industries Co., Ltd ("MTH") in 2016. On 16 May 2018, the Group has liquidated its wholly-owned subsidiary, MTH.

The Group has the following significant investments in subsidiaries.

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			2018	31 December 2017	1 January 2017
Held by the Company					
Memtech Development (HK) Co., Ltd. [i]	Hong Kong	Trading of electronic products	100	100	100
Dongguan Memtech Electronic Products Co., Ltd [i]	People's Republic of China ("PRC")	Manufacture and sale of precision tools, moulds and plastics/rubber components	100	100	100
Huzhou Memtech Electronic Industries Co., Ltd [i]	PRC	Manufacture and sale of precision tools, moulds and keypads	–	100	100
Nantong Memtech Technologies Co., Ltd [i]	PRC	Manufacture and sale of precision tools, moulds and plastics/rubber components	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Investment in subsidiaries (continued)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			2018	31 December 2017	1 January 2017
***Held by the Company** (continued)*					
Taitech Precision Electronic (Kunshan) Co., Ltd [(i)]	PRC	Manufacture and sale of plastic components and casings	100	100	100
Kunshan Taitech Automation Co., Ltd [#]	PRC	Manufacture and sale automation equipment	100	–	–
Kunshan Memtech Medical Equipment Industry Co., Ltd ^	PRC	Manufacture medical equipment and related packaging materials, precision moulds and plastics	100	–	–
Held through a subsidiary company					
Dongguan Memtech Optical Co., Ltd ("MTDO") [(i) @]	PRC	Manufacture of high quality translucent lens for flash light in mobile phone	61	61	51

(i) A member firm of EY Global had performed the audit of the subsidiary's financial statements for the financial years ended 31 December 2018 and 2017 for Group reporting purposes.

@ In 2017, MTD contributed RMB 300,000 to MTDO. This amount represents the remaining 10% which the non-controlling interest ("NCI") was supposed to contribute as part of the share capital injection into MTDO. There is no material NCI.

\# Not required to be audited as the entity has just been incorporated.

^ Not required to be audited as no capital injection has been made to this Company and has not commenced operation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. Investment in associates

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Unquoted shares, at cost	939	939	939	1,000	1,000	1,000
Write off during the year	(939)	–	–	(1,000)	–	–
	–	939	939	–	1,000	1,000
Accumulated impairment loss	(939)	(939)	(939)	(1,000)	(1,000)	(1,000)
Write off during the year	939	–	–	1,000	–	–
	–	(939)	(939)	–	(1,000)	(1,000)
Carrying amount of investment	–	–	–	–	–	–

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			2018	31 December 2017	1 January 2017
Held by the Company					
VLU Corporation Limited#	South Korea	Design, manufacture and sales of magnesium alloy products	–*	25.0	25.0

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

* The Group has written off 25% ownership interest in VLU Corporation Limited during the year.

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

	Group	
	2018	2017
	US$'000	US$'000
Profit or loss after tax from continuing operations	–	–

There is no significant associated company in the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Investment securities

(a) Financial instruments as at 31 December 2018

	Group and Company 2018 US$'000
At fair value through other comprehensive income	
Equity securities (unquoted)	–

The Group has written off its 11.3% equity interest in Galaxia Display Co., Ltd during the year.

(b) Financial instruments as at 31 December 2017 and 1 January 2017

	Group and Company	
	31 December 2017 US$'000	1 January 2017 US$'000
Non-current:		
Available-for-sale financial asset		
Equity securities (unquoted), at cost	2,296	2,296
Less: Accumulated impairment loss	(2,296)	(2,296)
	–	–

Investments in equity instrument designated at cost

The Group holds 11.3% equity interest.in Galaxia Display Co., Ltd and accounted for it as an available for sale financial asset in 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Intangible assets

Group	Technical Know-how US$'000	Goodwill US$'000	Club memberships US$'000	Total US$'000
Cost and carrying amount:				
At 1 January 2017	10	381	156	547
Amortisation	(10)	–	–	(10)
Translation differences	–	25	2	27
At 31 December 2017 and 1 January 2018	–	406	158	564
Translation differences	–	(20)	(2)	(22)
At 31 December 2018	–	386	156	542

Impairment testing of goodwill

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The post-tax discount rate applied to the cash flow projections is 12.5% (31 December 2017: 13.5%, 1 January 2017: 13.0%). The average growth rate used to extrapolate the cash flows projections beyond the five-year period is 2% (31 December 2017: 2%, 1 January 2017: 4%).

Key assumptions used in the value in use calculations

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

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

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

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

Sensitivity to changes in assumptions

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

Impairment loss recognised

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

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15. Cash and cash equivalents

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	21,731	35,649	28,331	1,897	611	3,870
Short-term deposits	3,012	858	964	–	–	–
Cash and short term deposits	24,743	36,507	29,295	1,897	611	3,870
Less: Bank deposits pledged (Note 16)	(2,587)	(1,611)	(1,942)	–	–	–
Cash and cash equivalents	22,156	34,896	27,353	1,897	611	3,870

Cash at banks earn interest at floating rates based on daily deposit rates of up to 0.3% (31 December 2017: 0.3%, 1 January 2017: 0.3%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits as at 31 December 2018 was 2.8% (31 December 2017: 2.5%, 1 January 2017: 2.7%) per annum.

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

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	606	23	22	601	22	21
United States Dollar (USD)	3,878	9,425	4,508	–	–	–
Hong Kong Dollar (HKD)	323	169	125	–	–	–
Singapore Dollar (SGD)	367	323	327	271	109	228
European Dollar (EUR)	732	303	118	–	–	–
Other currencies	62	24	22	–	–	21

16. Bank deposits pledged

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

The weighted average effective interest rate on bank deposits pledged for bills payables, with a maturity of 90 days to 180 days, was 1.1% per annum (31 December 2017: 1.1%, 1 January 2017: 1.1%) as at 31 December 2018.

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

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17. Trade receivables

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Non-current:			
Trade receivables	997	769	936
Current:			
Trade receivables	76,070	71,112	62,317
Less: Allowance for doubtful trade receivables	(1,274)	(1,219)	(870)
	75,793	70,662	62,383

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

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

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
United States Dollar (USD)	9,843	9,927	11,327
Hong Kong Dollar (HKD)	183	195	195
Euro Dollar (EUR)	196	309	21

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$7,432,000 as at 31 December 2017 and US$8,851,000 as at 1 January 2017 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	
	31 December 2017	1 January 2017
	US$'000	US$'000
Trade receivables past due but not impaired:		
Less than 60 days	5,763	6,601
60 to 120 days	573	1,073
More than 120 days	1,096	1,177
	7,432	8,851

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For the financial year ended 31 December 2018

17. Trade receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	31 December 2017	1 January 2017
	US$'000	US$'000
Impaired trade receivables	1,219	870
Less: Allowance for impairment	(1,219)	(870)
	–	–
Movement in allowance accounts:		
At 1 January	870	
Charge for the year	346	
Written off	(63)	
Translation differences	66	
At 31 December	1,219	

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on life time ECL are as follows:

	Group
	2018
	US$'000
Movement in allowance accounts:	
At 1 January	1,219
Charge for the year	114
Written off	(4)
Translation differences	(55)
At 31 December	1,274

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.

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For the financial year ended 31 December 2018

18. Bills and other receivables

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Bills receivables	9,635	5,913	6,296	–	–	–
Deposits	149	377	335	–	–	–
Other receivables	280	401	715	3	3	23
	10,064	6,691	7,346	3	3	23
Less: VAT receivables	–	–	(216)	–	–	–
	10,064	6,691	7,130	3	3	23

Bills receivables

Included in bills receivables is an amount of US$2,765,000 (31 December 2017: US$1,142,000, 1 January 2017: US$557,000) pledged as security for bills payables facilities as disclosed in Note 23 to the financial statements.

Bills receivables have an average maturity of 117 days (31 December 2017: 119 days; 1 January 2017 133 days) from the end of the reporting period and interest-free unless encashment is made before due dates.

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

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	–	24	23	–	–	–
Singapore Dollar (SGD)	3	3	23	3	3	23

19. Amounts due from/(to) subsidiaries

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Amount due from subsidiaries (non-trade)	–	–	–	7,753	8,792	9,743
Amount due to subsidiaries (non-trade)	–	–	–	6,500	5,000	5,000

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For the financial year ended 31 December 2018

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

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

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

	Company		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Amounts due from subsidiaries			
Renminbi (RMB)	753	792	743

20. Inventories

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Balance sheet:			
Raw materials	6,020	4,603	4,064
Work-in-progress	6,383	7,122	4,383
Finished goods	11,946	11,266	9,596
Sundry consumables	1,453	1,588	1,408
Total inventories at lower of cost and net realisable value	25,802	24,579	19,451
Profit and loss account:			
Inventories recognised as an expense in cost of sales	161,279	139,076	
Inclusive of the following charge			
- Allowance for stock obsolescence	1,082	43	

21. Non-current assets held for sale

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

The purchase consideration of the building and the land use rights is approximately US$5,648,000 (RMB 41,000,000) and is inclusive of value added taxes on land and property of approximately US$ 288,000 (RMB 2,000,000). Advance from sale of building and land use, amounting to US$591,000 received in 2016.

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

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22. Trade payables and accruals

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade payables	31,596	30,612	28,754	–	–	–
Accrued operating expenses	9,982	9,064	7,080	415	516	371
	41,578	39,676	35,834	415	516	371

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

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

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar (USD)	1,577	1,090	2,614	–	–	–
Singapore Dollar (SGD)	571	536	481	365	356	329
New Taiwan Dollar (NTD)	34	33	25	–	–	–

23. Bills and other payables

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Bills payables	6,339	3,266	4,054	–	–	–
Other payables	4,720	6,233	4,522	10	15	20
	11,059	9,499	8,576	10	15	20
Less: VAT payable	(202)	(1,153)	–	–	–	–
Less: Advances from sale of buildings and land use (Note 21)	–	–	(591)	–	–	–
	10,857	8,346	7,985	10	15	20

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For the financial year ended 31 December 2018

23. Bills and other payables (continued)

Bills and other payables are denominated in the following currencies:

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Singapore Dollar (SGD)	10	15	20	10	15	20

Bills payables

Bills payables have an average maturity of 132 days (31 December 2017: 126 days, 1 January 2017: 124 days) and are interest free unless encashment is made before due dates.

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

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Bank deposits pledged (Note 16)	2,587	1,611	1,942
Bills receivables pledged (Note 18)	2,765	1,142	577
	5,352	2,753	2,519

Other payables

Included in other payables are US$1,900,000 (31 December 2017: US$2,100,000, 1 January 2017: US$1,5000,000) of staff expenses.

24. Loans and borrowings

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Term loans:						
- Due within 12 months	3,468	1,498	1,169	–	–	1,111
- Due after 12 months	–	3,342	3,402	–	–	–
	3,468	4,840	4,571	–	–	1,111

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24. Loans and borrowings (continued)

Term loans

The term loan of US$312,000 was obtained from a China bank during the year (2017: US$290,000) and is repayable within one year, commencing from June 2018 and bear interest at 4.70% per annum and is unsecured. The term loan is denominated in RMB in a China subsidiary.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

			Non-cash changes		
	2017	Cash flows	Foreign exchange movement	Others	2018
	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and bonds					
- current	1,498	(1,173)	(149)	3,292	3,468
- non-current	3,342	–	(50)	(3,292)	–
	4,840	(1,173)	(199)	–	3,468

			Non-cash changes		
	1 January 2017	Cash flows	Foreign exchange movement	Others	2017
	US$'000	US$'000	US$'000	US$'000	US$'000
Loans and bonds					
- current	1,169	(1,185)	60	1,454	1,498
- non-current	3,402	1,161	233	(1,454)	3,342
	4,571	(24)	293	–	4,840

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

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25. Deferred tax liabilities

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Balance at beginning of year	3,840	3,573	3,510
Charge for the year	301	488	352
Reversal of deferred taxation	(230)	(458)	(56)
Translation difference	(194)	237	(233)
Balance at end of year	3,717	3,840	3,573

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

Tax consequences of proposed dividends

There are no income tax consequences (2017: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 36).

26. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2018		2017	
	No. of shares		No. ofshares	
	'000	US$'000	'000	US$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	144,000	57,808	144,000	57,808

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

26. Share capital and treasury shares (continued)

(b) *Treasury shares*

	Group and Company			
	2018		2017	
	No. of shares		No. of shares	
	'000	US$'000	'000	US$'000
At 1 January	3,119	1,441	3,119	1,441
Acquired during the financial year	800	686	–	–
At 31 December	3,919	2,127	3,119	1,441

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

The Company acquired 800,000 (2017: nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was US$686,000 (2017: nil) and this was presented as a component within shareholders' equity.

27. Other reserves

(a) *Foreign currency translation reserve*

The foreign 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.

(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.

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28. Classification of financial assets carried at amortised cost

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current						
Trade receivables (Note 17)	997	769	936	–	–	–
Current						
Trade receivables (Note 17)	74,796	69,893	61,447	–	–	–
Bills and other receivables (Note 18)	10,064	6,691	7,130	3	3	23
Amounts due from subsidiaries (Note 19)	–	–	–	7,753	8,792	9,743
Total trade and other receivables	85,857	77,353	69,513	7,756	8,795	9,766
Add: Cash and short term deposits (Note 15)	24,743	36,507	29,295	1,897	611	3,870
Total financial assets carried at amortised cost	110,600	113,860	98,808	9,653	9,406	13,636

29. Classification of financial liabilities carried at amortised cost

	Group			Company		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current						
Trade payables and accruals (Note 22)	41,578	39,676	35,834	415	516	371
Bills and other payables (Note 23)	10,857	8,346	7,985	10	15	20
Amounts due to subsidiaries (Note 19)	–	–	–	6,500	5,000	5,000
Loans and borrowings (Note 24)	3,468	1,498	1,169	–	–	1,111
Non-current						
Loans and borrowings (Note 24)	–	3,342	3,402	–	–	–
Total financial liabilities carried at amortised cost	55,903	52,862	48,390	6,925	5,531	6,502

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30. Commitments

(a) Capital commitments

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

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	2,383	6,080	2,277

(b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 3 years (2017: 4 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 at the end of the reporting period are as follows:

	Group		
	2018	31 December 2017	1 January 2017
	US$'000	US$'000	US$'000
Not later than one year	1,004	939	956
Later than one year but not later than five years	1,548	2,258	3,000
	2,552	3,197	3,956

31. 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 and foreign currency risk. The board of directors reviews and agrees on 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.

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31. Financial risk management objectives and policies (continued)

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 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.

(a) Credit risk

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As at 31 December 2018, there were no significant concentrations of credit risk.

The Group and the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company have determined the default event on a financial asset to be when the counterparty fails to make contractual payments, which are derived based on the Group and the Company's historical information.

The Group and the Company consider available reasonable and supportive forwarding-looking information which includes the following indicators:

- Credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.
- Significant increases in credit risk on other financial instruments of the same debtor.
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

31. Financial risk management objectives and policies (continued)

(a) *Credit risk (continued)*

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the country and market credit rating will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using the provision matrix:

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Gross carrying amount	68,064	3,327	1,695	2,984	76,070
Loss allowance provision	688	33	17	536	1,274

Information regarding loss allowance movement of trade receivables are disclosed in Note 17.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other countries. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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31. Financial risk management objectives and policies (continued)

(a) *Credit risk (continued)*

Exposure to credit risk

At the end of the reporting period, the Group and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2018		2017	
	US$'000	% of total	US$'000	% of total
By country:				
Mainland China	59,715	77.5	53,563	66.0
United States	4,140	5.4	2,753	3.4
Taiwan	3,643	4.7	8,425	10.4
Singapore	2,513	3.3	2,465	3.0
Philippines	1,884	2.4	–	0.0
Others	5,172	6.7	4,675	17.2
	77,067	100.0	71,881	100.0

For the year ended 31 December 2018, approximately 52.7% (2017: 47.7%) of the Group's total revenue was derived from five major customers. At the end of the reporting period, approximately 20.9% (2017: 23.2%) of the trade receivables balance of the Group is due from a major customer.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(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.

Analysis of financial instruments by remaining contractual maturities

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 US$'000	One to five years US$'000	Total US$'000
2018			
Financial assets			
Cash and cash equivalents (Note 15)	22,156	–	22,156
Bank deposits pledged (Note 16)	2,587	–	2,587
Trade receivables (Note 17)	74,796	997	75,793
Bills and other receivables (Note 18)	10,064	–	10,064
Total undiscounted financial assets	109,603	997	110,600
Financial liabilities			
Trade payable and accruals (Note 22)	41,578	–	41,578
Bills and other payables (Note 23)	10,857	–	10,857
Interest-bearing loans and borrowings	3,544	–	3,544
Total undiscounted financial liabilities	55,979	–	55,979
Total net undiscounted financial assets	53,624	997	54,621

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Group	One year or less US$'000	One to five years US$'000	Total US$'000
31 December 2017			
Financial assets			
Cash and cash equivalents (Note 15)	34,896	–	34,896
Bank deposits pledged (Note 16)	1,611	–	1,611
Trade receivables (Note 17)	69,893	769	70,662
Bills and other receivables (Note 18)	6,691	–	6,691
Total undiscounted financial assets	113,091	769	113,860
Financial liabilities			
Trade payable and accruals (Note 22)	39,676	–	39,676
Bills and other payables (Note 23)	8,346	–	8,346
Interest-bearing loans and borrowings	1,657	3,416	5,073
Total undiscounted financial liabilities	49,679	3,416	53,095
Total net undiscounted financial assets/(liabilities)	63,412	(2,647)	60,765
1 January 2017			
Financial assets			
Cash and cash equivalents (Note 15)	27,353	–	27,353
Bank deposits pledged (Note 16)	1,942	–	1,942
Trade receivables (Note 17)	61,447	936	62,383
Bills and other receivables (Note 18)	7,130	–	7,130
Total undiscounted financial assets	97,872	936	98,808
Financial liabilities			
Trade payable and accruals (Note 22)	35,834	–	35,834
Bills and other payables (Note 23)	7,985	–	7,985
Interest-bearing loans and borrowings	1,362	3,604	4,966
Total undiscounted financial liabilities	45,181	3,604	48,785
Total net undiscounted financial assets/(liabilities)	52,691	(2,668)	50,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

Company	One year or less US$'000	One to five years US$'000	Total US$'000
2018			
Financial assets			
Cash and cash equivalents (Note 15)	1,897	–	1,897
Bills and other receivables (Note 18)	3	–	3
Amounts due from subsidiaries (Note 19)	7,753	–	7,753
Total undiscounted financial assets	9,653	–	9,653
Financial liabilities			
Trade payable and accruals (Note 22)	415	–	416
Bills and other payables (Note 23)	10	–	10
Amounts due to subsidiaries (Note 19)	6,500	–	6,500
Total undiscounted financial liabilities	6,925	–	6,925
Total net undiscounted financial assets	2,728	–	2,728
31 December 2017			
Financial assets			
Cash and cash equivalents (Note 15)	611	–	611
Bills and other receivables (Note 18)	3	–	3
Amounts due from subsidiaries (Note 19)	8,792	–	8,792
Total undiscounted financial assets	9,406	–	9,406
Financial liabilities			
Trade payable and accruals (Note 22)	516	–	516
Bills and other payables (Note 23)	15	–	15
Amounts due to subsidiaries (Note 19)	5,000	–	5,000
Total undiscounted financial liabilities	5,531	–	5,531
Total net undiscounted financial assets	3,875	–	3,875

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

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

(c) 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 58% (2017: 52%) of the Group's sales are denominated in the respective functional currencies of the operating units making the sales whilst almost 81% (2017: 84%) of costs are denominated in the units' respective functional currencies. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and short term deposits denominated in foreign currencies for working capital purposes. The foreign currency balances at the balance sheet date is disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(c) Foreign currency risk (continued)

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	
		2018 US$'000	2017 US$'000
USD/RMB	strengthened 3% (2017: 3%)	375	564
	weakened 3% (2017: 3%)	(375)	(564)
USD/SGD	strengthened 3% (2017: 3%)	(7)	(7)
	weakened 3% (2017: 3%)	7	7

32. Fair value of assets and liabilities

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. 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 2018 and 31 December 2017.

As disclosed in Note 27(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 2018 and 2017.

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

	Group	
	2018	2017
	US$'000	US$'000
Trade payable and accruals (Note 22)	41,578	39,676
Bills and other payables (Note 23)	11,059	9,499
Interest-bearing loans and borrowings (Note 24)	3,468	4,840
Less: Cash and short term deposits (Note 15)	(24,743)	(36,507)
Net debt	31,362	17,508
Equity attributable to the owner of the Company	125,660	126,992
Less: Statutory reserve fund	(9,545)	(10,457)
Total capital	116,115	116,535
Capital and net debt	147,477	134,043
Gearing ratio	21.3%	13.1%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. 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 at a terms agreed between the parties during the financial year:

(a) Sale and purchase of goods and services

	Group	
	2018	**2017**
	US$'000	**US$'000**
Purchase of corporate secretarial and legal services from firms related to Directors	6	8

(b) Compensation of key management personnel

	Group	
	2018	**2017**
	US$'000	**US$'000**
Short-term employment benefits	2,797	2,707
Directors' fees	140	130
Total compensation paid to key management personnel	2,937	2,837
Comprise amounts paid to:		
• Directors of the Group	1,565	1,583
• Other key management personnel	1,372	1,254
	2,937	2,837

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

35. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

35. Segment information (continued)

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 SFRS(1)/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.

	Automotive		Telecommunication		Consumer Electronic		Industrial & Medical		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Segment revenue	94,630	79,583	15,945	19,985	68,205	58,559	13,672	11,886	192,452	170,013
Results:										
Interest income	196	53	58	12	106	36	15	6	375	107
Depreciation and amortisation	(4,477)	(3,808)	(855)	(1,152)	(3,296)	(2,977)	(684)	(537)	(9,312)	(8,474)
Finance costs	(190)	(195)	(6)	(6)	(102)	(78)	(14)	(17)	(312)	(296)
Other non-cash (expenses)/ income	(540)	(387)	(202)	119	(375)	(52)	(79)	(69)	(1,196)	(389)
Taxation	(1,093)	(877)	–	(82)	(546)	(419)	(75)	(84)	(1,714)	(1,462)
Segment profit	6,179	5,019	(388)	725	2,881	4,494	301	838	8,973	14,243
Net gain from liquidation of subsidiary									701	–
Net gain on disposal of non-current asset held for sale*									–	3,167
Total profit									9,674	17,410

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

35. Segment information (continued)

Geographical information

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

	Revenue	
	2018	2017
	US$'000	US$'000
People's Republic of China	133,566	115,863
Taiwan	11,906	21,370
United States	13,949	11,261
Singapore	7,656	2,685
Japan	5,708	5,502
Others	19,667	13,332
	192,452	170,013

Information about a major customer

Revenue from one major customer amount to US$35,543,000 (2017: US$30,355,000), of which arises from the automotive segment.

36. Dividends

	Group and Company	
	2018	2017
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2018: S$0.055 (2017: S$0.025) per share	5,800	2,523
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final exempt (one-tier) dividend for 2018: S$0.030 (2017: S$0.055) per share	3,083	5,798

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. Comparative figures

Reclassification has been made to restate certain comparative amounts to conform to current year's presentation.

The line items affected are as follows:

	As previously stated US$'000	Reclassification US$'000	As restated US$'000
31 December 2017			
Balance Sheet			
Non-current assets			
Trade receivables	–	769	769
Advance prepayment for property, plant and equipment	–	2,868	2,868
Current assets			
Trade receivables	70,662	(769)	69,893
Prepayment	4,625	(2,868)	1,757
1 January 2017			
Balance Sheet			
Non-current assets			
Trade receivables	–	936	936
Advance prepayment for property, plant and equipment	–	3,229	3,229
Current assets			
Trade receivables	62,383	(936)	61,447
Prepayment	4,394	(3,229)	1,165

38. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 29 March 2019.

LEASEHOLD PROPERTIES STATEMENT

For the financial year ended 31 December 2018

Description and Location	Use	Tenure	Land Area/ Gross Built-in Area (sq m)	Encumbrances
No. 1 Block A Yongxing Dadao Nantong Gangzha Economic Development Zone, Nantong, Jiangsu	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. 455 Jindong Road, Jinxi Town, Kunshan City, Jiangsu Province, PRC	Industrial	46 years ending 16 February 2057	46,660 / 12,180	None

STATISTICS OF SHAREHOLDINGS

As at 29 March 2019

No. of Issued Shares	-	143,999,998
No. of Treasury Shares Held	-	3,919,120
No. of subsidiary holdings	-	Nil
Class of shares	-	Ordinary shares
Voting rights	-	1 vote per ordinary share (no vote for treasury shares)

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 29 March 2019, 43.22% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	13	0.74	527	0.00
100 – 1,000	298	16.86	148,930	0.10
1,001 - 10,000	1009	57.07	5,140,060	3.57
10,001 - 1,000,000	431	24.38	25,885,582	17.98
1,000,001 and above	17	0.96	112,824,899	78.35
	1768	100.00	143,999,998	100.00

STATISTICS OF SHAREHOLDINGS

As at 29 March 2019

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%**
1	Keytech Investment Pte Ltd	61,678,400	44.03
2	DBS Nominees Pte Ltd	6,586,700	4.70
3	Chuang Wen Fu	5,542,800	3.96
4	Chuang Tze Dey (Zhuang Zidi)	4,504,400	3.22
5	Phillip Securities Pte Ltd	4,388,940	3.13
6	BPSS Nominees Singapore (Pte.) Ltd.	4,156,200	2.97
7	Chuang Tze Mon (Zhuang Zimeng)	3,983,200	2.84
8	Citibank Nominees Singapore Pte Ltd	3,218,100	2.30
9	CGS-Cimb Securities (Singapore) Pte Ltd	2,962,619	2.11
10	UOB Kay Hian Pte Ltd	2,223,680	1.59
11	Raffles Nominees(Pte) Limited	2,201,180	1.57
12	DB Nominees (Singapore) Pte Ltd	1,770,700	1.26
13	Ocbc Securities Private Ltd	1,547,380	1.10
14	Heng Ngee Boon	1,504,500	1.07
15	Gu Chenghua	1,445,800	1.03
16	Wang Jian	1,188,180	0.85
17	Maybank Kim Eng Securities Pte.Ltd.	817,800	0.58
18	Xu Jianxin	787,800	0.56
19	Cai Weidong	667,280	0.48
20	Chen Zhengmao	625,000	0.45
		111,803,659	79.81

SUBSTANTIAL SHAREHOLDERS

	No. of Shares		
	Direct Interests	Deemed Interests	%**
Keytech Investment Pte Ltd	61,678,400	–	44.03

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 29 March 2019, excluding 3,919,120 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 III, Level 2, 81 Anson Road, Singapore 079908 on Thursday, 25 April 2019 at 2.00 p.m. to transact the following business:-

As Ordinary Business

1 To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final tax exempt dividend of 3.0 Singapore cents per share for the financial year ended 31 December 2018. **[Resolution 2]**

3 To approve the payment of S$189,000 as Directors' fees for the financial year ended 31 December 2018. [Year 2017: S$189,000]. **[Resolution 3]**

4 (a) 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)]**
[See Explanatory Note (i)]

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

(c) To re-elect Mr Teo Kiang Kok who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company. **[Resolution 4(c)]**
[See Explanatory Note (iii)]

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

NOTICE OF ANNUAL GENERAL MEETING

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 and subsidiary holdings of the Company) in the capital of the Company at the time of the passing of this resolution, and provided that the aggregate number of such shares to be issued other than on a pro rata basis in pursuance to such authority (including shares issued pursuant to any Instrument but excluding shares which may be issued pursuant to any Adjustment effected under any relevant Instrument) to the existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings of the Company) 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. **[Resolution 6(a)]**
[See Explanatory Note (iv)]

(b) Renewal of Shares Purchase Mandate

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

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

By Order of the Board

Teo Chin Kee
Company Secretary

Singapore
9 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Notice of Books Closure Date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed on 4 May 2019 for the purpose of determining members' entitlements to the first and final tax exempt dividend to be approved by members at the Company's Annual General Meeting to be held on 25 April 2019.

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 3 May 2019 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 3 May 2019 will be entitled to the dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 17 May 2019.

Explanatory Notes:

(i) Mr Gu Cheng Hua, if elected, will continue to serve as Executive Director and the Chief Executive Officer.

(ii) Mr Chuang Tze Mon, if elected, will continue to serve as Executive Director.

(iii) Mr Teo Kiang Kok, if elected, will continue to serve as the Chairman of the Remuneration Committee and a member of Audit Committee and is considered to be independent for the purpose of Rule 704(8) of the Listing Manual of SGX-ST.

Detailed information on the Directors who are proposed to be re-elected can be found under the sections entitled "Board Matters", "Corporate Governance Report" and "Additional Information on Directors Nominated for Re-election – Appendix 7.4.1 Pursuant to Rule 720(6) of the Listing Manual of SGX-ST".

(iv) 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 and subsidiary holdings of the Company) with an aggregate sub-limit of 20% of the total number of issued shares (excluding treasury shares subsidiary holdings of the Company) 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.

(v) Resolution no. 6(b) if passed, will renew the Shares Purchase Mandate and will authorize the Directors to purchase or otherwise acquire shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition of shares by the Company pursuant to the Shares Purchase Mandate on the audited consolidated financial accounts of the Group and the Company for the financial year ended 31 December 2018, 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.

NOTICE OF 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.

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MEMTECH INTERNATIONAL LTD.

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

PROXY FORM

IMPORTANT

1 Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the annual general meeting.

2 For CPF/SRS investors who have used their CPF monies to buy shares in Memtech International Ltd., this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

3 By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 9 April 2019.

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 III, Level 2, 81 Anson Road, Singapore 079908 on Thursday, 25 April 2019 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the Annual General Meeting.

NO	ORDINARY RESOLUTIONS	No. of Votes For*	No. of Votes Against*
	Ordinary Business :		
1.	To receive and consider Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 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 Gu Cheng Hua		
	(b) Mr Chuang Tze Mon		
	(c) Mr Teo Kiang Kok		
5.	To re-appoint Ernst & Young LLP as Auditors		
	Special Business		
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 ________________ 2019.

Total Number of Shares Held:

____

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

IMPORTANT:-
PLEASE READ NOTES OVERLEAF

Notes :-

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

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

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

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

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

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

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

6 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer of the corporation.

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

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

General:

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

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