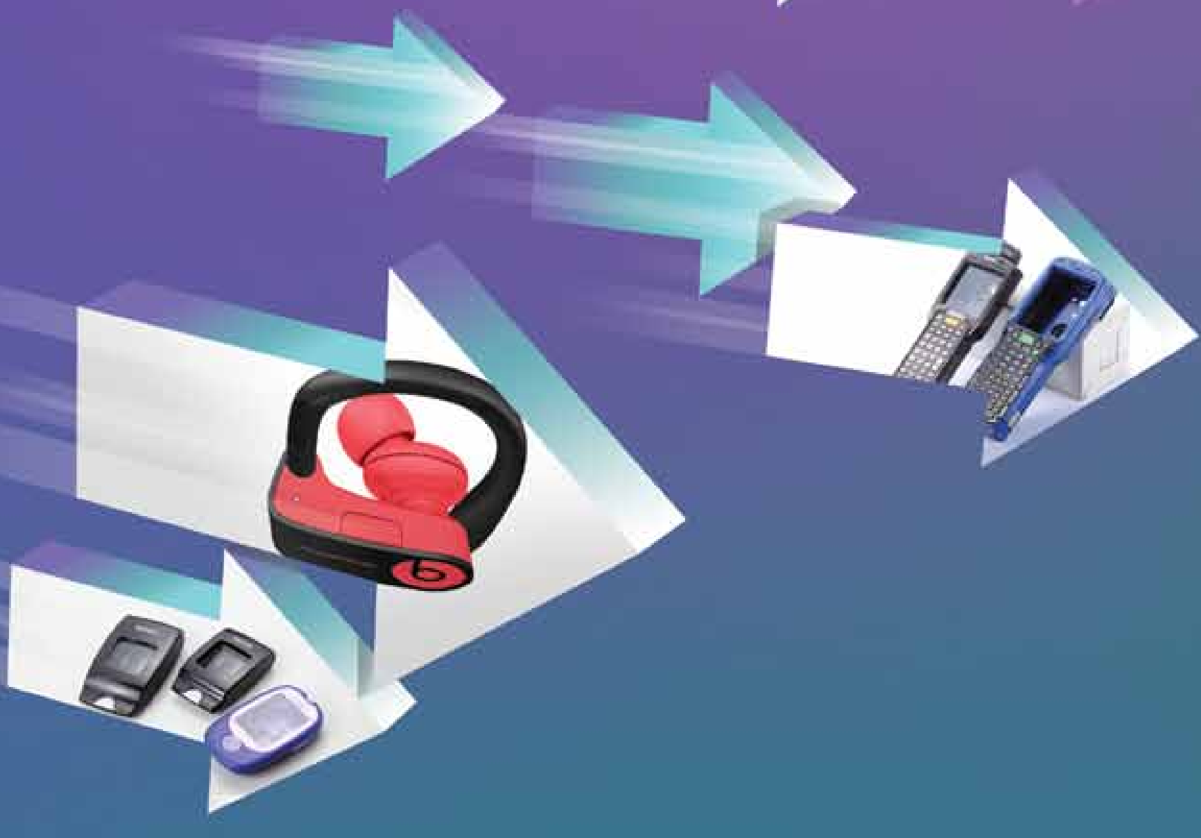
Memtech International Ltd.

TAPPING ON THE RIGHT OPPORTUNITIES

Annual Report 2016



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CORPORATE PROFILE

MEMTECH is a global components solution provider working with our partners in the business of Automotive Components, Industrial & Medical, Mobile Communications and Consumer Digital devices.

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

Memtech's customers include major automotive suppliers Hella, Magna, Lear, Denso, and Kostal. We are also providing solutions to major car manufacturers including VW, GM and most recently Tesla ; leading manufacturers including Foxconn and Celestica, along with reknowned brands such as Huawei, Lenovo, Samsung, and Netgear are also our long-term customers.

OUR BUSINESS SEGMENT

Automotive

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

Industrial & Medical

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

OUR BUSINESS SEGMENT

Mobile Communications

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

Despite the uncertainty in the global economy and the rise of trade protectionism, our competitive advantages have been further strengthened, and the overall business outlook is positive.

However, we must not lower our guard; we will remain alert in order to face any unexpected adversity. Moving forward to 2017, we will continue to strive to achieve better results.

Chuang Wen Fu
Executive Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present a review of the performance of Memtech International Ltd ("Memtech" and together with its subsidiaries, "the Group") for the financial year ended 31 December 2016 ("FY2016").

OVERVIEW

From a micro view, Memtech faced ups and downs in its business operations in FY2016, much like what it experienced during FY2012 and FY2013 when its business went through a period of transition. Basically, the Group faced production, sales and financial pressures in the first half of the financial year, only to find relief in the second half. This caused the Group's performance to decline in the first half of FY2016, but it was able to achieve reasonable profits in the second half to make up for the first half losses.

As the current global economic environment is full of uncertainties, we will continue to be cautious. However, our resilience in overcoming the difficulties faced in 2012 and 2013, and the experience we gained in overcoming challenges has enable us to turn the business around in FY2016. Memtech has proven, once again, that it has a strong and united team that is able to weather through storms.

OPERATIONS & FINANCIAL REVIEW

In FY2016, we faced severe challenge as a result of the delay in and subsequent recovery of new orders from our customers. This gyration in orders led to an imbalanced 40:60 order ratio in the first half and second half of FY2016, bringing significant challenges to our operations. However, we managed to surpass FY2015's revenue. The Group's annual revenue was close to USD$159 million in FY2016, an increase of about 12% compared to FY2015.

Our gross profit has also increased from US$24.8 million in FY2015 to US$25.4 million in FY2016. However, the net profit took a dip, from US$8.1 million to US$6.3 million, which is a decrease of about 23%. This was due

CHAIRMAN'S MESSAGE

to the severe imbalance in the order ratio for the first and second halves of FY2016. Therefore, improving and rationalising order flows will be one of our operational goals going forward.

As at 31 December 2016, the Group's financial position remains healthy, with its current ratio at 2.7 times, and cash and cash equivalents amounting to US$27.4 million or approximately 19 US cents per share. We will continue to pursue a policy of maintaining a sound and prudent financial management.

Three years ago, at the time when we were actively working to transform our business, we restructured the marketing department and established an integrated department for new markets and key customers. We sought to establish links with the world's leading corporations as our customers in order to build a niche for our long-term development. The results of our efforts are becoming apparent, and we hope to see a greater effect on the business this year.

OUTLOOK FOR 2017

An area of great concern to economic and financial observers in 2017 is that China, the world's largest manufacturer, and United States of America, the world's largest consumer country, are about to end their close to a half a century of partnership in terms of the global division of labour. The change in relations between the two countries, from partnership to direct competition, may lead to trade, currency and diplomatic frictions.

With the inauguration of the new US president, US' budgetary expansion, tax reduction and easing of regulatory controls and their inflationary impact, and fund flows between stocks and bonds, global trade protectionism, anti-immigration policy, and the rise of populism with the attendant political risks that come with it, will create opportunities and challenges.

Apart from that, China, in which Memtech's production factories are located, is currently facing a slowdown in economic growth rate. China's macroeconomic policy objectives are currently focussed on controlling risks, reducing inventories, nipping speculative bubbles in the bud. That, coupled with the unusual phenomenon of "fees" being higher than "taxes", will add to the pressure caused by the rising production costs. This will also be another area which the Management must pay attention to.

I am happy to report that the Group's four competitive advantages mentioned in last year's outlook have become more evident and entrenched under the consistent efforts of the management team. They are:

- Building a stable and solid client base – the stability of our client base has been enhanced with one of the global largest consumer electronics product company;
- A successful transition from more volatile markets to more stable & bigger markets;
- The integration of different materials and technology (Hybrid Moulding, total upgrading of our tooling capabilities); and
- A stable and experienced management team dedicated to implementing the strategies of the Group.

Despite the uncertainty in the global economy and the rise of trade protectionism, our competitive advantages have been further strengthened, and the overall business outlook is positive.

However, we must not lower our guard; we will remain alert in order to face any unexpected adversity. Moving forward to 2017, we will continue to strive to achieve better results.

DIVIDENDS

The Directors are pleased to recommend a first and final dividend of 2.5 (2015: 3.3) Singapore cents per ordinary share for 2016. The first and final dividend, if approved by the Shareholders at the coming Annual General Meeting, will be paid on 18 May 2017.

IN APPRECIATION

On behalf of all the Directors and staff of the Group, we would like to thank our shareholders for their support. We would also like to thank our customers, suppliers and business partners for their long-term support to the Group. Your confidence in Memtech strengthens our will to face challenges and overcome any adversity. Lastly, I would like to thank the Directors, management and employees of Memtech for their whole-hearted dedication and hard work through the year.

Let us all hope that 2017 will be better.

CHUANG WEN FU
Executive Chairman
April 2017

主席致辞

“面对全球经济的更加不确定性及贸易保护兴起的“去全球化”形势，虽然我们的四大竞争优势得到进一步的加强，总体形势向好，但仍然不能掉以轻心，应该随时随刻面对，会不期而遇的黑天鹅。

对2017年的业绩，我们会持续努力及足够的信心，作出更好的表现。”

庄文甫

敬爱的股东们：

我谨代表万德国际的董事会，向您汇报集团在2016年的业绩与业务报告。

回顾2016年：

由微观的角度来看，2016年万德经营上，有些类似我们2012与2013年极力转型期所面对的动荡起伏状况，在上半年所承受的生产、销售、财务等种种压力，到了下半年才得到了充分的解放。

这也造成了我们前半年业绩下滑，而下半年获得了较合理的利润来弥补上半年的亏损。同时也印证了我去年年报中，对2016年展望中所说这的一段话：“虽在全球经济大环境充满悲观的情绪中，难免我们也不能过度乐观来看待，但基于我们刚由2012与2013这二年艰苦的经营困境中，成功的走过来，我们有了面对挑战的成熟经验，深信万德集团应该可以稳健的克服困难度很高的一年”。总的来说，历经去年的严酷考验，这更充分的显现出万德是经得起考验的团队。

营运及财务概况

面对2016年，由于新客户订单的向后推延，造成了我们上下半年度40:60这种高度不均衡的订单配比，给了我们在经营上十分艰巨的挑战，虽然全年实现销售15,901万美元，比上一年度有了约12%的增长，整年毛利也由2480万美元略增到2540万美元，但净利润却810万美元下滑到630万美元，跌幅约23%，这就是上下半年订单配比严重不均所构成。因此，客户订单配比的合理性，是我们要进一步去优化的工作目标。

截止2016年12月31日，集团的财务与资金流都属健康状态，流动比率为2.7。现金及现金等价物总和为2740万美元。稳健的财务政策会是我们持续管控的要项。

主席致辞

三年前，在积极转型的关键时刻，我们对营销部门进行了重整，成立了新兴市场和重点客户综合开发部门，寻求与世界先进的大型客户挂勾，打造有利于万德的更长远发展的利基，成果已初步显现，当会在今年度见到更大的效果。

展望2017年：

财经界人士，众所关心的热门话题，2017年最大风暴是，全球最大的制造国中国与最大的消费国美国，近半世纪来互取所需的全球化分工体系将要终结，成为直接竞争的对峙关系，或许会开打贸易战、汇率战、外交战。此外对美国新任总统Donald Trump上任后，美国的财政扩张，减税与管制松绑所产生的通胀预测，股票和债券间的资产流动、全球贸易保护主义、反移民政策及民粹主义兴起引发的政治风险，将成为主要的机会与挑战，此外，我们生产工厂所在地，中国的经济成长趋缓，以“控风险、去库存、挤泡沫”为经济宏观调控主轴的政策，及“费”大于“税”的不合理现象，加重费用成本的压力，也务必是我们经营上要去克服的重点。

基于去年我提到的万德四大竞争优势，在经营团队持续的努力优化下，更形稳固：

- 稳定强大的客户群（因获得了全球最大消费性电子产品公司的订单加注，而逐步走向更强大）
- 市场的成功转型（由波动大的市场转入产业链更大，也相当平稳的市场）
- 综合技术产生的竞争力（不同材料结合Hybrid Moulding成型技术与模具技术的全面提升）
- 经营管理层，旺盛的企图心（稳健而且经营的管理团队，充满高昂的战斗意志）

面对全球经济的更加不确定性及贸易保护兴起的“去全球化”形势，虽然我们的四大竞争优势得到进一步的加强，总体形势向好，但仍然不能掉以轻心，应该随时随刻面对，会不期而遇的黑天鹅。

对2017年的业绩，我们会持续努力，并有足够的信心，作出更好的表现。

股息

董事们建议派发每股2.5分一次过股息(2015年为3.3分)。一次过股息如在来临的股东大会表决通过，将于2017年5月18日支付。

衷心感谢

我谨代表集团全体董事和同仁，向我们的股东致以万分感谢。

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

最后，我要感谢万德董事、管理层和全体员工，一年来的辛劳和付出。

让我们一起在2017年展望美好的未来！

庄文甫
2017年4月

FINANCIAL HIGHLIGHTS

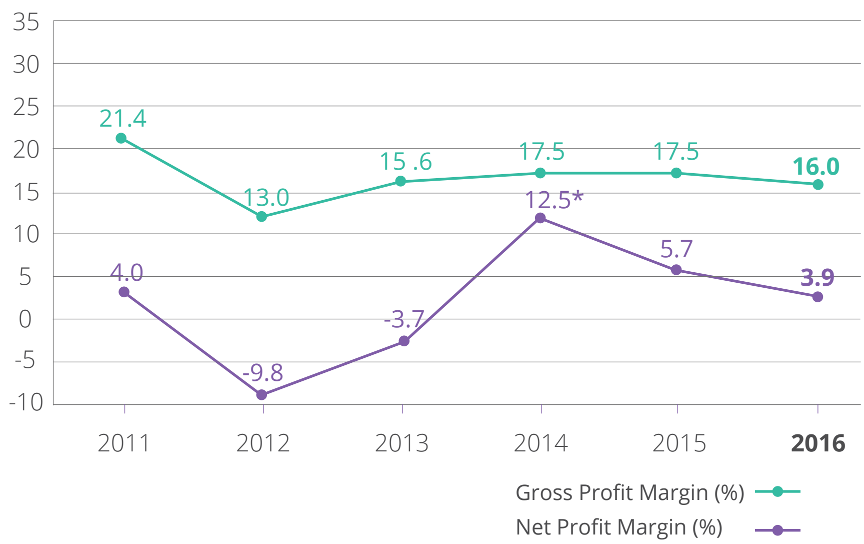
Financial Position (US$'000)

	2011	2012	2013	2014	2015	2016
Total Shareholders Equity	128,124	110,461	109,783	112,126	112,138	**110,642**
Total Assets	182,167	143,738	147,251	152,900	151,428	**165,733**
Total Liabilities	54,043	33,277	37,468	40,774	39,049	**54,900**
Net Current Assets	78,598	67,475	71,416	71,609	74,496	**78,214**
Cash and Cash Equivalents	34,576	34,912	37,094	32,433	26,767	**27,353**
Debt to Equity Ratio %	8.0%	4.5%	4.0%	3.0%	2.0%	**4.1%**

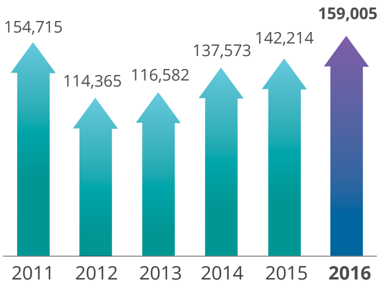
Financial Indicators

	2011	2012	2013	2014	2015	2016
Return on Shareholders Equity	4.8%	-10%	-3.5%	15.3%	7.2%	**5.7%**
Earnings Per Share (EPS)	0.9	-1.6	-0.5	2.4	1.2	**4.5***
Price-Earnings Ratio	8.6	-4.0	-11.2	3.1	8.0	**10.1**
Dividend Paid USD 000s	4,379	1,726	3,351	3,211	3,287	**2,516**
Dividend Paid Per Share S$ cents	0.8	0.3	0.6	0.6	0.66	**2.5***
Dividend Payout Ratio	70.49%	15.48%	88.09%	18.82%	40.47%	**40.12%**
Market Capitalisation SG$'000	68,913	54,587	53,650	70,592	91,573	**88,755**

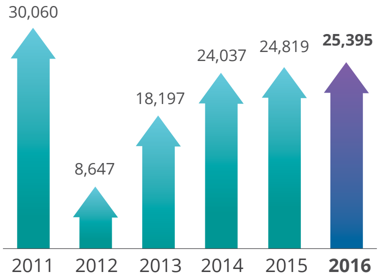
Profit Margin Analysis



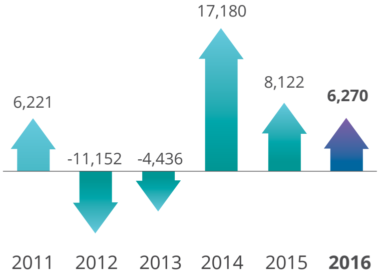
Revenue
(US$'000)



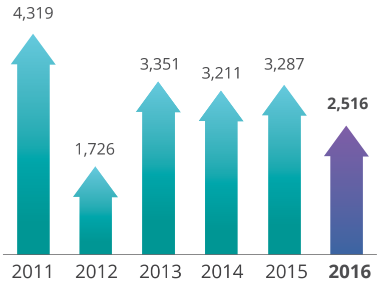
Gross Profit
(US$'000)



Net Profit After Tax
(US$'000)



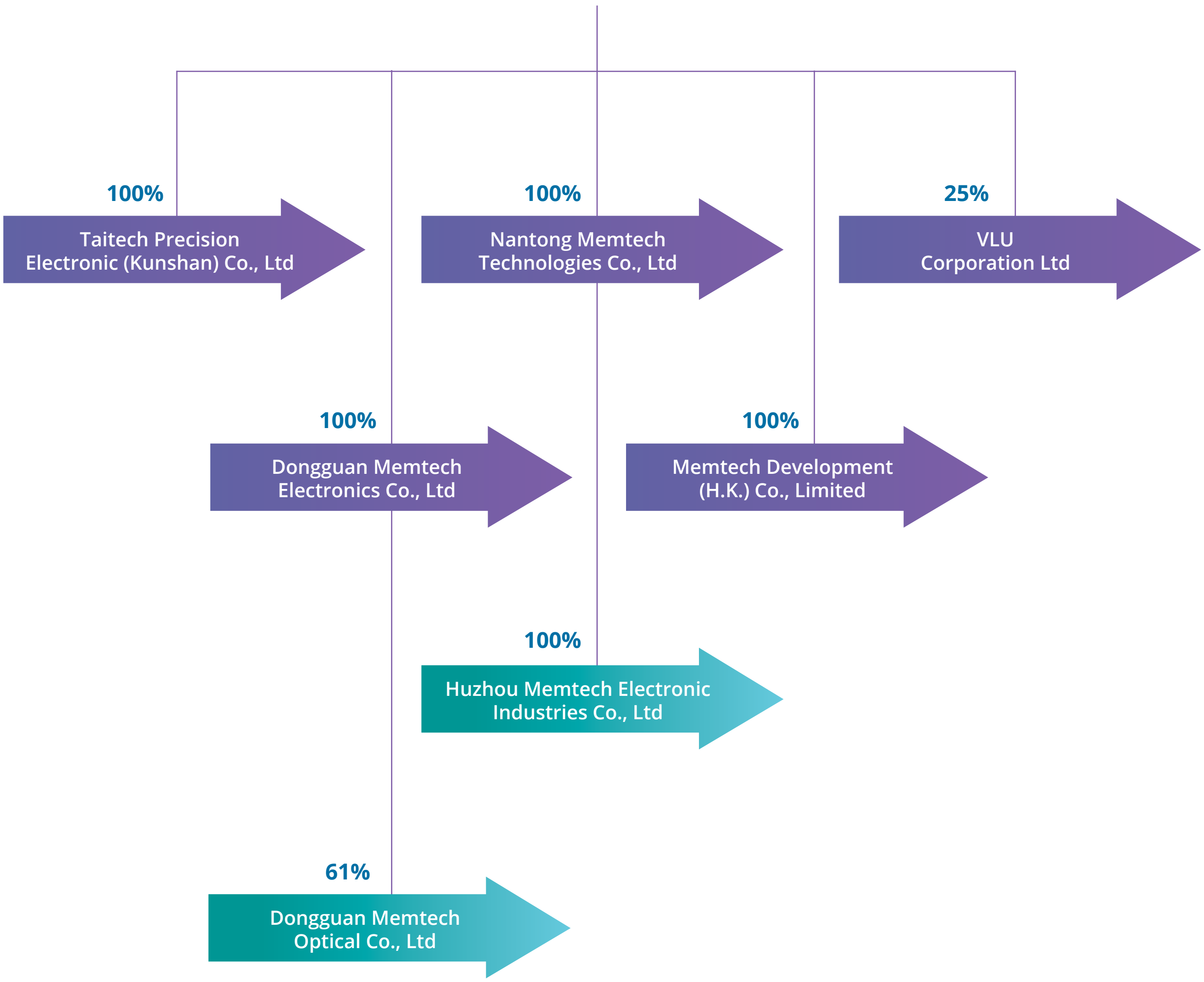
Dividend Paid
(US$'000)



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

GROUP STRUCTURE

Memtech International Ltd



BOARD OF DIRECTORS

Mr Chuang Wen Fu

Mr Gu Cheng Hua

Mr Yap Chin Kuan

Mr Teow Joo Hwa

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

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

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

BOARD OF DIRECTORS

Mr Chuang Tze-Mon

Mr Chua Keng Hiang

Mr Teo Kiang Kok

Mr Teng Cheong Kwee

Mr Chuang Tze-Mon is our Executive Director & Vice-President for Corporate Strategy. He joined the company in 2004 and was appointed to the board on 11 May 2015. Currently he also leads the business development movement for our European & North American Region. He has 15 years of working experience covering product & project management, operations and sales. Mr. Chuang holds a bachelor of Commerce degree from University of Melbourne (Australia) and a MBA from Shanghai Antai College of 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 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 30 years of experience in legal practice. His main areas of practice are corporate finance, international finance and securities. In the course of his legal practice, Mr Teo has advised listed companies extensively on corporate law and compliance requirements. He also serves on the board of Hyflux Ltd, Jadason Enterprises Ltd, and Wilton Resources Corporation Limited.

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

KEY MANAGEMENT

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

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

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

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

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

MR KOH KOK BOON is the Director for Global Business Development & Sales. He oversees the consolidated sales operation for all our product-lines, and heads the business development strategies of the Group. Mr Koh joined Memtech in August 2003 and has a total of 20 years experience in the industry with background in Tooling Design & Manufacturing.

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

SALES NETWORK

ASIA

PRC

BEIJING OFFICE
HongRen Residential Area Building 3 Unit 2
Room 201, Maju Bridge of Tongzhou District,
Peking, China
Tel: +86-13701065273

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

XIAMEN OFFICE
Room 508, Building 1, Huli District East, Xiamen City,
Fujian
Phone: +86-13606920329

QINGDAO OFFICE
Room 1205, Unit 1, Building 4, No.16 Xianxialing Road,
Loashan District, Qingdao City, Shandong
Phone: +86-18601141899

NANTONG OFFICE
No. 1 Building A, South Yongxing Ave., Gangzha
Economic Development Zone Nantong
Tel: +86-513-80593895
Fax: +86-513-85601149

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

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

TAIWAN OFFICE
5F-2 No.191, Sec 2 Zhongyang Rd., Tucheng Dist., New
Taipei City 236, Taiwan, R.O.C.
Tel: +886-2-826229291
Fax: +886-2-82629293
Hp: +886-9-11583139

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

EUROPE

Europe Rep Office
(Automotive Products)
Viehkamp 17, 38179 Gross Schwuelper Germany
Tel: +49-5303-959424
Fax: +49-5303-959428

NORTH AMERICA

17140 Cameron drive
Northville, MI, 48168, USA
Phone: +1-2486055408

Global Contact: memtech@memtechchina.com

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Teo Chin Kee, ACIS

REGISTERED OFFICE

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

COMPANY REGISTRATION NUMBER

200312032Z

REGISTRAR AND SHARE TRANSFER OFFICE

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

INVESTOR RELATIONS

Memtech International Ltd.
Chuang Tze - Mon
89 Short Street
Golden Wall Centre #04-01
Singapore 188216
Tel:+65 6339 0833
Fax :+65 6339 5445
ir@memtechchina.com
www.memtechchina.com

Cogent Communications Pte Ltd
Gerald Woon
51 Goldhill Plaza
#22-05
Singapore 308900
Main Line: +65 6704 9288
Fax Line: +65 6396 5893
E-mail: staff@congentcomms.com

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

CORPORATE GOVERNANCE & FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

Code of Corporate Governance

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

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

BOARD MATTERS

1 Board's Conduct of its Affairs

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

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

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

1.4 The frequency of the meetings of the Board and Committees, as well as the frequency of the Directors' attendance at such meetings during the financial year ended 31 December 2016 are as follows:

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

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

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

REPORT ON CORPORATE GOVERNANCE

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

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

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

2 Board Composition and Balance

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

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

2.3 Guideline 2.2 of the Code requires Independent Directors to make up at least half of the Board in the situation where the Chairman of the Board is part of the Management team, and that the Board composition shall comply with this requirement at the annual general meetings following the end of financial years commencing on or after 1 May 2016. The Company is reviewing its Board composition so as to work towards complying with this requirement. In the interim, the three Independent Directors, representing more than one-third of the Board, will help uphold good corporate governance and facilitate the exercise of independent and objective judgment on the Board. The Board is of the view that the size of the current board, taking into account the proportion of Independent Directors and the experience and core competencies of the directors, is appropriate for the Group given its current scope and scale of business. The NC has also ascertained that for the year under review, the Directors have devoted sufficient time and attention to the Group's affairs.

REPORT ON CORPORATE GOVERNANCE

3 Chairman and Chief Executive Officer

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

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

3.3 The responsibilities of the Chairman include the following:

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

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

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

4 Board Membership

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

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

4.3 The NC's principal functions are to:

- regularly review the Board structure, size and composition and make recommendations to the Board on any changes that the NC deems necessary;
- review and nominate candidates for appointment as directors for the approval of the Board;
- determine annually, and as and when circumstances require, the independence of each Director and ensure that the Board comprises at least one-third independent Directors;

- propose a framework for the evaluation of Board and committee effectiveness and individual director's contribution to Board effectiveness, and carry out such evaluation; and

- review and recommend to the Board, the training and professional development programs for the Directors.

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

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

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

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

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

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

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

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

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

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

4.7 In accordance with the Company's Constitution, Messrs Yap Chin Kuan, Chua Keng Hiang 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.

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

Director	Date of Appointment	Date of last election	Due for re-election
Chuang Wen Fu (Chairman)	27/11/2003	28/4/2016	
Yap Chin Kuan	27/11/2003	29/4/2014	27/4/2017
Gu Cheng Hua	1/4/2004	28/4/2016	
Teow Joo Hwa	26/2/2005	29/4/2015	
Chuang Tze Mon	11/5/2015	28/4/2016	
Chua Keng Hiang	6/6/2004	29/4/2015	27/4/2017
Teo Kiang Kok	6/6/2004	29/4/2015	27/4/2017
Teng Cheong Kwee	6/6/2004	28/4/2016	

5 Board Performance

5.1 The NC is also tasked with the responsibility of monitoring and evaluating Board performance. On the recommendation of the NC, the Board has adopted a framework for evaluating the performance and effectiveness of the Board and its Committees, and the performance of each Board member. The framework entails collective discussion of formal evaluation of Board performance carried out by individual director completing a Questionnaire. 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.

REPORT ON CORPORATE GOVERNANCE

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

7.3 The RC's principal functions are to:

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

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

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

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

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

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

7.5 Executive Directors do not receive directors' fees for the financial year ended 31 December 2016. 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 2016 is as follows:

	Remuneration				
	Fee[1]	**Basic**	**Variable**	**Benefits in kind**	**Total**
	%	**%**	**%**	**%**	**%**
S$250,000 to S$499,999					
Chuang Wen Fu	–	64	30	6	100
Gu Cheng Hua	–	51	36	13	100
Yap Chin Kuan	–	58	35	7	100
Teow Joo Hwa	–	46	50	4	100
Below S$250,000					
Chuang Tze Mon		73	16	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 2016.

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

	2016	2015
Above S$500,000	–	–
S$250,000 to S$499,999	4	4
Below S$250,000	4	4
	8	8

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

	Salaries %	Bonus %	Benefits in kind %	Total %
S$250,000 to S$499,999				
Heng Ngee Boon	45	51	4	100
Wang Jian	57	37	6	100
Below S$250,000				
Bai Yi Song	52	41	7	100
Koh Kok Boon	62	34	4	100
Jung Kil Ho	80	14	6	100

7.7 The Board is of the view that it would not be in the best interest of the Group to disclose the exact remuneration of each individual director and the aggregate remuneration of the top five executives (who are not also directors of the Company) for competitive reasons.

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

	Salaries %	Bonus %	Benefits in kind %	Total %
S$100,000-S$150,000				
Chuang Tze Mon *(Son of Executive Chairman Mr. Chuang Wen Fu)*	73	16	11	100

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

REPORT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

8. Accountability

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

9. Risk Management and Internal Controls

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

9.2 The AC met periodically to perform the following functions:

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

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

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

9.5 For the financial year under review, the audit fee payable to the external auditors is S$218,000. The amount of non- audit fee payable to the external auditors is approximately S$6,000. This is in relation to tax services provided to the Company and its subsidiaries.

9.6 The Audit Committee has reviewed the external auditors' non-audit services and is satisfied that the nature and extent of such services has not 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 acknowledges that it is responsible for the overall internal control and risk management systems. In designing these controls, the Directors consider the risks to which the business is exposed, the likelihood of the risks occurring, and the cost of implementing the controls.

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

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

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

9.13 In FY2012, the Group engaged an international accounting firm to facilitate its risk management review exercise to identify and prioritize the significant risks affecting the Group. The exercise, which covered strategic, operational, financial and compliance risks, also deliberated on the existing and required internal controls to address the identified significant risks. Following the exercise, the Group has established a risk management framework for the identification, assessment, monitoring and reporting of significant risks. Under the framework, the Group has set up a team comprising senior executives, headed by the Executive Chairman, to carry out regular risk management review. The results of such reviews were reported to the AC and the Board.

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

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

9.16 For FY2016, 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 2016 give a true and fair view of the Group's operations and finances; and

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

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

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

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

10. Communication with Shareholders

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

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

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

10.4 The Company has adopted a dividend policy of paying annual dividends, including interim dividends, of not less than 30% of the audited consolidated net profit of the year, subject to the Group's retained earnings, financial position, 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.

REPORT ON CORPORATE GOVERNANCE

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).

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 2016.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended at that date, and

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

Directors

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

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

Arrangements to enable Directors to acquire shares and debentures

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

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

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
Memtech International Ltd.				
(Ordinary shares)				
Chuang Wen Fu	27,714,000	5,542,800	–	–
Gu Cheng Hua	7,229,000	1,445,800	–	–
Yap Chin Kuan	2,000,000	400,000	2,960,000	592,000
Teow Joo Hwa	350,000	70,000	1,394,700	278,940
Chuang Tze Mon	19,916,000	3,983,200	–	–
Chua Keng Hiang	6,000,000	1,200,000	–	–
Teng Cheong Kwee	100,000	20,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2017.

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

Share Options

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

Audit Committee

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

DIRECTORS' STATEMENT

Audit Committee (cont'd)

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual.

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

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

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

Auditor

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

On behalf of the Board of Directors,

Chuang Wen Fu
Director

Yap Chin Kuan
Director

31 March 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Memtech International Ltd.
For the financial year ended 31 December 2016

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 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 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.
For the financial year ended 31 December 2016

Key Audit Matters (cont'd)

1) Allowance for doubtful trade receivables

As at 31 December 2016, the Group's trade receivable balances represent about 38% of the Group's total assets.

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

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

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

2) Allowance for obsolete inventories

As at 31 December 2016, the Group's total inventories amounted to $19mil, representing 16 % of the total current assets of the Group. As at December 2016, the Group has recorded allowance for obsolete inventories of $2.4mil. 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 realizable 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.
For the financial year ended 31 December 2016

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Memtech International Ltd.
For the financial year ended 31 December 2016

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

- 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

31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group 2016	Group 2015
		US$'000	US$'000
Revenue	4	159,005	142,214
Cost of sales		(133,610)	(117,395)
Gross profit		25,395	24,819
Other income	5	1,618	1,400
Sales and marketing expenses		(8,999)	(7,253)
General and administrative expenses		(11,268)	(10,745)
Exchange gain		770	670
Other operating expenses		(348)	(146)
Finance costs	6	(146)	(94)
Share of results of associates		–	(19)
Profit before tax	7	7,022	8,632
Taxation	8	(646)	(479)
Profit for the year		6,376	8,153
Attributable to:			
Owners of the Company		6,270	8,122
Non-controlling interests		106	31
Total comprehensive income for the year		6,376	8,153
Earnings per share			
Basic and fully diluted profit per share attributable to owners of the Company (in US cents)	9	4.5	5.8
Profit for the year		6,376	8,153
Other comprehensive income for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(4,404)	(4,655)
Total comprehensive income for the year		1,972	3,498
Attributable to:			
Owners of the Company		1,877	3,471
Non-controlling interests		95	27
Total comprehensive income for the year		1,972	3,498

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

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016	Group 2015	Company 2016	Company 2015
		US$'000	US$'000	US$'000	US$'000
Non-Current Assets					
Property, plant and equipment	10	39,836	41,650	–	–
Investment in subsidiaries	11	–	–	75,107	80,207
Investment in associates	12	–	–	–	–
Long term investment	13	–	–	–	–
Intangible assets	14	547	809	–	–
		40,383	42,459	75,107	80,207
Current Assets					
Cash and cash equivalents	15	27,353	26,767	3,870	3,562
Bank deposits pledged	16	1,942	2,018	–	–
Trade receivables	17	62,383	51,023	–	–
Bills and other receivables	18	7,346	10,008	23	580
Amounts due from subsidiaries	19	–	–	9,743	10,793
Prepayments		4,394	3,416	–	–
Inventories	20	19,451	15,737	–	–
Non-current assets held for sale	21	2,481	–	–	–
		125,350	108,969	13,636	14,935
Total Assets		165,733	151,428	88,743	95,142
Current Liabilities					
Trade payables and accruals	22	35,834	26,357	371	372
Bills and other payables	23	8,576	6,320	20	8
Amounts due to subsidiaries	19	–	–	5,000	5,050
Provision for taxation		732	238	–	–
Other liabilities	24	825	447	–	–
Loans and borrowings	25	1,169	1,111	1,111	1,111
		47,136	34,473	6,502	6,541
Net Current Assets		78,214	74,496	7,134	8,394
Non-Current Liabilities					
Loans and borrowings	25	3,402	1,111	–	1,111
Other liabilities		789	–	–	–
Deferred tax liabilities	26	3,573	3,510	–	–
		7,764	4,621	–	1,111
Total Liabilities		54,900	39,094	6,502	7,652
Net Assets		110,833	112,334	82,241	87,490
Equity attributable to owners of the Company					
Share capital	27(a)	57,808	57,808	57,808	57,808
Treasury shares	27(b)	(1,441)	(1,441)	(1,441)	(1,441)
Currency translation reserve	28(a)	(6,222)	(1,829)	–	–
Statutory reserve fund	28(b)	10,035	9,332	–	–
Acquisition reserve	28(c)	(714)	(714)	–	–
Revenue reserves		51,176	49,082	25,874	31,123
		110,642	112,238	82,241	87,490
Non-controlling interests		191	96	–	–
Total Equity		110,833	112,334	82,241	87,490

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital (Note 27(a))	Treasury shares (Note 27(b))	Revenue reserves	Currency translation reserve	Statutory reserve fund	Acquisition reserve (Note28(c))	Total reserves	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group									
At 1 January 2015	57,808	(1,311)	44,446	2,822	9,065	(714)	55,619	10	112,126
Profit for the year	–	–	8,122	–	–	–	8,122	31	8,153
Other comprehensive income for the year	–	–	–	(4,651)	–	–	(4,651)	(4)	(4,655)
Total comprehensive income for the year	–	–	8,122	(4,651)	–	–	3,471	27	3,498
Contributions by and distributions to owners									
Dividends on ordinary shares (Note 37)	–	–	(3,219)	–	–	–	(3,219)	–	(3,219)
Purchase of treasury shares	–	(130)	–	–	–	–	–	–	(130)
Total contributions by and distributions to owners	–	(130)	(3,219)	–	–	–	(3,219)	–	(3,349)
Others									
Transfer from revenue reserves	–	–	(267)	–	267	–	–	–	–
Issuance of ordinary shares to minority shareholders	–	–	–	–	–	–	–	59	59
Total others	–	–	(267)	–	267	–	–	59	59
At 31 December 2015	57,808	(1,441)	49,082	(1,829)	9,332	(714)	55,871	96	112,334

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital (Note 27(a))	**Treasury shares (Note 27(b))**	**Revenue reserves**	**Currency translation reserve**	**Statutory reserve fund**	**Acquisition reserve (Note28(c))**	**Total reserves**	**Non-controlling interests**	**Total equity**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group									
At 1 January 2016	57,808	(1,441)	49,082	(1,829)	9,332	(714)	55,871	96	112,334
Profit for the year	–	–	6,270	–	–	–	6,270	106	6,376
Other comprehensive income for the year	–	–	–	(4,393)	–	–	(4,393)	(11)	(4,404)
Total comprehensive income for the year	–	–	6,270	(4,393)	–	–	1,877	95	1,972
<u>Contributions by and distributions to owners</u>									
Dividends on ordinary shares (Note 37)	–	–	(3,473)	–	–	–	(3,473)	–	(3,473)
Total contributions by and distributions to owners	–	–	(3,473)	–	–	–	(3,473)	–	(3,473)
<u>Others</u>									
Transfer from revenue reserves	–	–	(703)	–	703	–	–	–	–
Total others	–	–	(703)	–	703	–	–	–	–
At 31 December 2016	57,808	(1,441)	51,176	(6,222)	10,035	(714)	54,275	191	110,833

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share capital (Note 27(a))	Treasury shares (Note 27(b))	Revenue reserves	Currency translation reserve	Total reserves	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Company						
At 1 January 2015	57,808	(1,311)	34,707	–	34,707	91,204
Net loss for the year	–	–	(365)	–	(365)	(365)
Total comprehensive income for the year	–	–	(365)	–	(365)	(365)
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 37)	–	–	(3,219)	–	(3,219)	(3,219)
Purchase of treasury shares	–	(130)	–	–	–	(130)
Total contributions by and distributions to owners	–	(130)	(3,219)	–	(3,219)	(3,349)
At 31 December 2015 and 1 January 2016	57,808	(1,441)	31,123	–	31,123	87,490
Net loss for the year	–	–	(1,776)	–	(1,776)	(1,776)
Total comprehensive income for the year	–	–	(1,776)	–	(1,776)	(1,776)
Contributions by and distributions to owners						
Dividends on ordinary shares (Note 37)	–	–	(3,473)	–	(3,473)	(3,473)
Total contributions by and distributions to owners	–	–	(3,473)	–	(3,473)	(3,473)
At 31 December 2016	57,808	(1,441)	25,874	–	25,874	82,241

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 2016

	2016 US$'000	2015 US$'000
Cash flows from operating activities:		
Profit before tax	7,022	8,632
Adjustments for:		
Depreciation of property, plant and equipment	7,910	7,884
Amortisation of intangible assets	25	27
Interest expense	146	94
Interest income	(161)	(421)
Write-back of doubtful receivables, trade	(49)	(1,189)
Allowance for stock obsolescence	758	880
Impairment loss on goodwill	205	–
Net gain on disposal of property, plant and equipment	(58)	–
Share of results of associates	–	19
Unrealised exchange gain, net	(341)	(162)
Total adjustments	8,435	7,132
Operating cash flows before changes in working capital	15,457	15,764
Changes in working capital		
Trade and other receivables	(11,549)	(5,793)
Inventories	(5,042)	(3,423)
Trade and other payables	15,911	2,139
Total changes in working capital	(680)	(7,077)
Cash flows generated from operations	14,777	8,687
Interest income received	173	459
Interest paid	(146)	(111)
Income taxes paid	(356)	(420)
Net cash flows generated from operating activities	14,448	8,615
Cash flows used in investing activities:		
Purchase of property, plant and equipment	(11,259)	(7,609)
Proceeds from disposal of property, plant and equipment	247	229
Proceeds from sale of associated company	–	122
Net cash flows used in investing activities	(11,012)	(7,258)
Cash flows used in financing activities:		
Proceeds from loans and borrowings	5,114	–
Dividends paid on ordinary shares	(3,473)	(3,219)
Repayments of loans and borrowings	(2,766)	(1,112)
Purchase of treasury shares	–	(130)
Bank deposits pledged	(51)	(705)
Proceeds from issuance of shares by subsidiary company to non-controlling interests	–	59
Net cash flows used in financing activities	(1,176)	(5,107)
Net increase/(decrease in cash and cash equivalents	2,260	(3,750)
Effects of exchange rate changes on cash and cash equivalents	(1,674)	(1,916)
Cash and cash equivalents at the beginning of the year	26,767	32,433
Cash and cash equivalents at the end of the year	27,353	26,767

During the year, the Group acquired property, plant and equipment with an aggregate cost of US$11,527,000 (2015: US$7,666,000) paid using cash of US$11,259,000 (2015: US$7,609,000), while the remaining balance remained outstanding at the end of the reporting period.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

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

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any 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 2016

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

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 110 & FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined **
Amendments to FRS 7: Disclosure Initiative	1 January 2017
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 28 Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value	1 January 2017
FRS 115 Revenue from Contracts with Customers	1 January 2018
INT FRS 122: Foreign Currency Transactions and Advance Consideration	1 January 2018
FRS 116 Leases	1 January 2019

** *The Mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the ASC in December 2015 via Amendments to Effective date of Amendments to FRS 110 and FRS 28*

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in a business of manufacturing and sale of mold, rubber and plastic components relating to automotive, industrial & medical, mobile communications and consumer digital products. The Group expects the following impact upon adoption of FRS 115:

Allocating transaction price to performance obligations

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

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

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

FRS 115 *Revenue from Contracts with Customers (cont'd)*

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contracts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.

- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and

- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

  o Identifying the satisfied and unsatisfied performance obligations;

  o Determining the transaction price; and

  o Allocating the transaction price to the satisfied and unsatisfied performance obligations.

- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

FRS 109 *Financial Instruments*

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

(a) Classification and measurement

The Group will elect to measure its currently held available-for-sale unquoted equity securities at fair value through other comprehensive income (FVOCI). In addition, the Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

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

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

FRS 109 *Financial Instruments (cont'd)*

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS *116 Leases*

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

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 *Basis of consolidation and business combinations*

(a) Basis of consolidation

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

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

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

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

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

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

(a) Basis of consolidation (cont'd)

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

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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

(b) Business combinations and goodwill (cont'd)

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

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

2.5 *Foreign currency*

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

(a) Consolidated financial statements

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

(b) Transactions and balances

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

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

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

2.6 *Property, plant and equipment*

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

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.

2.7 *Intangible assets*

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

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

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

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

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

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

2.7 *Intangible assets (cont'd)*

(a) Club memberships

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

(b) Technical know- how

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

2.8 *Impairment of non-financial assets*

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

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

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

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

2.9 *Subsidiaries*

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

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

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

2.10 *Associates*

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

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

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

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

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

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

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

2.11 *Financial instruments*

(a) Financial assets

Initial recognition and remeasurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

2.11 *Financial instruments (cont'd)*

(a) Financial assets (cont'd)

Subsequent measurement

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

(i) Financial assets at fair value through profit or loss

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

2.11 *Financial instruments (cont'd)*

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iv) Available-for-sale financial assets (cont'd)

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

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

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

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

2.11 *Financial instruments (cont'd)*

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(ii) Financial liabilities at amortised cost

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

De-recognition

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

2.12 *Impairment of financial assets*

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

(a) Financial assets carried at amortised cost

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

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

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

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

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

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

(a) Financial assets carried at amortised cost (cont'd)

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

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

2.13 *Cash and cash equivalents*

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

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

2.14 *Inventories*

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

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

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

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

2.15 *Provisions*

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

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

2.16 *Borrowing costs*

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

2.17 *Employee benefits*

(a) Defined contribution plans

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

(i) Singapore

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

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

2.17 *Employee benefits (cont'd)*

(a) Defined contribution plans (cont'd)

(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.

2.18 *Leases*

a) As lessee

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

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

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

2.19 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

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

(b) Interest income

Interest income is recognised using the effective interest method.

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

2.19 *Revenue (cont'd)*

(c) Dividend income

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

(d) Sale of scrap and materials

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

2.20 *Taxes*

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

2.20 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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

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

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

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

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

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

(c) Sales tax

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

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

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

2.21 *Segment reporting*

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

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

2.22 *Share capital and share issue expenses*

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

2.23 *Treasury shares*

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

2.24 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

2.25 *Government grants and subsidies*

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

2.26 *Non-current assets held for sale*

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

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

3. Significant accounting judgements and estimates

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

3.1 *Judgements made in applying accounting policies*

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

(a) Determination of functional currency

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

3.2 *Key sources of estimation uncertainty*

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

(a) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability, existence of disputes or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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

(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 2016

4. Revenue

	Group	
	2016	2015
	US$'000	US$'000
Breakdown by segment		
Sale of automotive products	69,681	56,868
Sale of telecommunication products	24,492	34,222
Sale of consumer electronic products	55,291	39,150
Sale of industrial & medical products	9,541	11,974
	159,005	142,214

5. Other income

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

	Group	
	2016	2015
	US$'000	US$'000
Fixed deposits interest income	161	421
Scrap sales	202	97
Government grants and subsidies	841	732

6. Finance costs

	Group	
	2016	2015
	US$'000	US$'000
Interest expense on:		
- Bank loans and borrowings	146	94

7. Profit before tax

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

	Group	
	2016	**2015**
	US$'000	US$'000
Depreciation of property, plant and equipment *	7,910	7,884
Fees paid to firms related to Directors	19	2
Allowance for stock obsolescence	758	880
Net gain on disposal of property, plant and equipment	(58)	–
Rental expense – operating leases	870	894
Packaging costs	2,265	2,050
Transportation costs	2,732	1,902
Net foreign exchange gain	770	670
Staff costs		
- Salaries, bonus and other costs	44,900	40,449
- Defined contribution plans	4,415	4,459
Writeback of allowance for doubtful receivables, trade	(49)	(1,189)
Impairment loss of goodwill	205	–
General and administrative expenses	11,616	10,891
Audit fees:		
- Auditors of the Company	158	159
- Other auditors	22	25
Non-audit fees:		
- Auditors of the Company	4	4
- Other auditors	26	21
Total audit and non-audit fees	210	209

* Included in depreciation expense is an amount of US$7,016,000 (2015: US$6,758,000) charged under cost of sales.

8. Taxation

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	US$'000	US$'000
Consolidated profit or loss:		
Current income tax :		
- Current income taxation	294	445
- Over provision in respect of previous years	–	(113)
Deferred income tax :		
- Origination and reversal of temporary differences	352	147
Income tax expense recognised in profit or loss	646	479

(b) Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
Profit before tax	7,022	8,632
Tax at the domestic rates applicable to profits in the countries where the Group operates	2,268	2,082
Adjustments:		
Non-deductible expenses	732	932
Non-taxable income	(1,856)	(802)
Effect of partial tax exemption and tax relief	(629)	(880)
Withholding tax on undistributed profits	352	153
Benefits from previously unrecognised tax losses	(221)	(897)
Overprovision in respect of previous years	–	(113)
Share of results of associates	–	4
Income tax expense recognised in profit or loss	646	479

8. Taxation (cont'd)

(b) Relationship between income tax expense and accounting profit (cont'd)

The corporate income tax rates applicable to PRC subsidiaries of the Group were 15% (2015: 15%).

Certain subsidiary companies incorporated in PRC were granted the High and New Technology Enterprise status for duration of 3 years in 2014 and 2016 and hence, is subjected to an incentive tax rate of 15%.

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

Unrecognised tax losses

The Group has tax losses of approximately US$5,828,000 (2015: US$9,380,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective companies in which the companies operate. The tax losses have expiry date for 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	
	2016	**2015**
	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	6,270	8,122

	2016	**2015**
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation *	140,881	141,075

* The weighted average number of shares in 2015 takes into account the weighted average effect of changes in treasury shares transactions during 2015, and the share consolidation exercise in 2016 (Note 27(b)).

10. Property, plant and equipment

Group	Leasehold land and buildings	Plant and equipment	Office equipment	Motor vehicles	Renovation	Capital work-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:							
At 1 January 2015	26,520	76,173	4,954	1,497	1,975	1,186	112,305
Additions	39	5,790	397	182	903	355	7,666
Disposals	–	(2,505)	(12)	(125)	(725)	–	(3,367)
Reclassification	1,436	–	–	–	–	(1,436)	–
Translation difference	(1,633)	(4,648)	(310)	(92)	(125)	(21)	(6,829)
At 31 December 2015 and 1 January 2016	26,362	74,810	5,029	1,462	2,028	84	109,775
Additions	–	9,639	962	94	791	41	11,527
Disposals	–	(3,649)	(171)	(140)	–	–	(3,960)
Reclassification	–	–	13	–	–	(13)	–
Transfer to non-current assets held for sale (Note 21)	(4,249)	–	–	–	–	–	(4,249)
Translation difference	(1,649)	(4,954)	(352)	(88)	(163)	(6)	(7,212)
At 31 December 2016	20,464	75,846	5,481	1,328	2,656	106	105,881
Accumulated depreciation:							
At 1 January 2015	6,130	54,602	4,301	1,268	1,284	–	67,585
Depreciation charge for the year	1,229	5,586	393	163	513	–	7,884
Disposals	–	(2,274)	(12)	(126)	(725)	–	(3,137)
Translation difference	(417)	(3,378)	(271)	(75)	(66)	–	(4,207)
At 31 December 2015 and 1 January 2016	6,942	54,536	4,411	1,230	1,006	–	68,125
Depreciation charge for the year	1,194	5,405	515	140	656	–	7,910
Disposals	–	(3,460)	(171)	(140)	–	–	(3,771)
Transfer to non-current assets held for sale (Note 21)	(1,768)	–	–	–	–	–	(1,768)
Translation difference	(489)	(3,500)	(292)	(77)	(93)	–	(4,451)
At 31 December 2016	5,879	52,981	4,463	1,153	1,569	–	66,045
Net carrying amount:							
At 31 December 2016	14,585	22,865	1,018	175	1,087	106	39,836
At 31 December 2015	19,420	20,274	618	232	1,022	84	41,650

11. Investment in subsidiaries

	Company 2016	Company 2015
	US$'000	US$'000
Unquoted shares, at cost as at 1 January	81,921	94,921
Addition during the year ^	–	2,000
Write off during the year	–	(15,000)
Reduction during the year *	(4,000)	–
Unquoted shares, at cost as at 31 December	77,921	81,921
Accumulated impairment loss as at 1 January	(1,714)	(16,714)
Impairment during the year	(1,100)	–
Write off during the year	–	15,000
Accumulated impairment loss as 31 December	(2,814)	(1,714)
Carrying amount of investment	75,107	80,207

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Held by the Company				
Memtech Development (HK) Co., Ltd. [(i)]	Hong Kong	Trading of electronic products	100	100
Dongguan Memtech Electronic Products Co., Ltd [(i)]	People's Republic of China ("PRC")	Manufacture and sale of keypads	100	100
Dongguan Memtech Optical Co., Ltd ("MTDO") [(i) @]	PRC	Manufacture of high quality translucent lens for flash light in mobile phone	51	51
Huzhou Memtech Electronic Industries Co., Ltd [(i)]	PRC	Manufacture and sale of precision tools, moulds and keypads	100	100
Nantong Memtech Technologies Co., Ltd [(i)]	PRC	Manufacture and sale of keypads	100	100
Nantong Memtech TSP Solution Co., Ltd	PRC	Manufacture and sale of resistive and capacitive touch screen panels	–	– [#]
Taitech Precision Electronic (Kunshan) Co., Ltd [(i)]	PRC	Manufacture and sale of plastic components and casings	100	100

(i) A member firm of EY Global had performed the audit of the subsidiary's financial statements for the financial years ended 31 December 2016 and 2015 for Group reporting purposes.

\# The subsidiary company has been de-registered in 2015.

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

12. Investment in associates

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Unquoted shares, at cost				
At 1 January	939	1,821	1,000	1,859
Decrease investment in associates				
Carrying amount as at 1 January	–	882	–	859
Share of post-acquisition reserves	–	(188)	–	–
Reversal of share of post- acquisition reserves	–	188	–	–
	–	(882)	–	(859)
At 31 December	939	939	1,000	1,000
Less: Accumulated impairment loss	(939)	(939)	(1,000)	(1,000)
Carrying amount of investment	–	–	–	–

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2016	**2015**
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

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

	Group	
	2016	**2015**
	US$'000	US$'000
Assets and liabilities		
Current assets	141	145
Non-current assets	496	503
Total assets	637	648
Current liabilities	55	57
Non-current liabilities	–	–
Total liabilities	55	57
Results		
Revenue	–	3,946
Loss for the year	–	(83)

There is no significant associated company in the Group.

13. Long term investment

	Group and Company 2016	2015
	US$'000	US$'000
Available-for-sale financial asset:		
Equity instruments (unquoted), at cost	2,296	2,296
Less: Accumulated impairment loss	(2,296)	(2,296)
	–	–

14. Intangible assets

Group	Technical Know-how	Goodwill	Club memberships	Total
	US$'000	US$'000	US$'000	US$'000
Cost and carrying amount:				
At 1 January 2015	66	653	161	880
Amortisation	(27)	–	–	(27)
Translation difference	(3)	(38)	(3)	(44)
At 31 December 2015 and 1 January 2016	36	615	158	809
Amortisation	(25)	–	–	(25)
Impairment	–	(205)	–	(205)
Translation difference	(1)	(29)	(2)	(32)
At 31 December 2016	10	381	156	547

Impairment testing of goodwill

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

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

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

	Keypads		Plastics		Total	
	2016	2015	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	–	209	381	406	381	615

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 13% (2015: 7%). The average growth rate used to extrapolate the cash flows projections beyond the five-year period is 4% (2015: 4%).

14. Intangible assets (cont'd)

Key assumptions used in the value in use calculations

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

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

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

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

Sensitivity to changes in assumptions

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, an impairment loss of US$205,000 was recognized to write down the carrying amount of goodwill, attributable to the keypad business unit in a subsidiary to its recoverable amount of US$nil. The impairment loss had been recognised in profit or loss under the item "general and administrative expenses".

15. Cash and cash equivalents

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	28,331	19,372	3,870	3,562
Short-term deposits	964	9,413	–	–
Cash and short term deposits	29,295	28,785	3,870	3,562
Less: Bank deposits pledged (Note 16)	(1,942)	(2,018)	–	–
Cash and cash equivalents	27,353	26,767	3,870	3,562

Cash at banks earn interest at floating rates based on daily deposit rates of up to 0.3% (2015: 0.4%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits as at 31 December 2016 was 2.7% (2015: 4.2%) per annum.

15. Cash and cash equivalents (cont'd)

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	22	3,856	21	2,025
United States Dollar (USD)	4,508	3,656	–	–
Hong Kong Dollar (HKD)	125	171	–	–
Singapore Dollar (SGD)	327	1,485	228	1,175
Other currencies	118	87	–	–

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 (2015: 1.1%) as at 31 December 2016.

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

17. Trade receivables

	Group	
	2016	**2015**
	US$'000	US$'000
Trade receivables	63,253	52,142
Less: Allowance for doubtful trade receivables	(870)	(1,119)
	62,383	51,023

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	
	2016	**2015**
	US$'000	US$'000
United States Dollar (USD)	11,327	10,611
Hong Kong Dollar (HKD)	195	297
Euro Dollar (EUR)	21	62

17. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$8,851,000 (2015: US$4,228,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
Trade receivables past due but not impaired:		
Less than 60 days	6,601	2,943
60 to 120 days	1,073	603
More than 120 days	1,177	682
	8,851	4,228

Receivables that are impaired

	Group			
	Individually impaired		Collectively impaired	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Impaired trade receivables	870	1,119	–	–
Less: Allowance for impairment	(870)	(1,119)	–	–
	–	–	–	–

Movement in allowance accounts

	Group	
	2016	**2015**
	US$'000	US$'000
At 1 January	1,119	2,769
Written-back for the year, net	(49)	(1,189)
Written-off against allowance	(139)	(388)
Translation difference	(61)	(73)
At 31 December	870	1,119

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

18. Bills and other receivables

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Bills receivables	6,296	8,105	–	–
Deposits	335	276	–	–
Other receivables	715	1,627	23	580
	7,346	10,008	23	580
Less: VAT receivable	(216)	–	–	–
	7,130	10,008	23	580

Bills receivables

Included in bills receivables is an amount of US$577,000 (2015: US$1,576,000) pledged as security for bills payables facilities as disclosed in Note 23 to the financial statements.

Bills receivables have an average maturity of 133 days (2015: 101 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	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	23	361	–	–
Singapore Dollar (SGD)	23	2	23	2
New Taiwan Dollar (NTD)	2	4	–	–

19. Amounts due from/(to) subsidiaries

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

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

	Company	
	2016	2015
	US$'000	US$'000
Amounts due from subsidiaries		
Renminbi (RMB)	743	793

20. Inventories

	Group	
	2016	**2015**
	US$'000	US$'000
Balance sheet:		
Raw materials	4,064	3,314
Work-in-progress	4,383	2,630
Finished goods	9,596	8,830
Sundry consumables	1,408	963
Total inventories at lower of cost and net realisable value	19,451	15,737
Profit and loss account:		
Inventories recognised as an expense in cost of sales	133,610	117,395
Inclusive of the following charge		
- Allowance for stock obsolescence	758	880

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 (2015: US$ 3,094,000).

The purchase consideration of the building and the land use rights is US$ 5,910,000 (RMB 41,000,000) and is inclusive of value added taxes on land and property of approximately US$ 288,000 (RMB 2,000,000).

The sale of the building and land use rights was not completed as at date of the financial statements. As at 31 December 2016, management has reclassified it to non-current asset held for sale from non-current property, plant and equipment.

22. Trade payables and accruals

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Trade payables	28,754	21,354	–	–
Accrued operating expenses	7,080	5,003	371	372
	35,834	26,357	371	372

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

22. Trade payables and accruals (cont'd)

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
United States Dollar (USD)	2,614	1,952	–	–
Singapore Dollar (SGD)	481	485	329	324
New Taiwan Dollar (NTD)	25	28	–	–
Hong Kong Dollar (HKD)	–	6	–	–

23. Bills and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Bills payables	4,054	2,293	–	–
Other payables	4,522	4,027	20	8
	8,576	6,320	20	8
Less: VAT payable	–	(595)	–	–
Less: Advances from sale of building and land use rights (Note 21)	(591)	–	–	–
	7,985	5,725	20	8

Bills and other payables are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Renminbi (RMB)	–	11	–	–
Singapore Dollar (SGD)	20	8	20	8

Bills payables

Bills payables have an average maturity of 124 days (2015: 108 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	
	2016	**2015**
	US$'000	US$'000
Bank deposits pledged (Note 16)	1,942	2,018
Bills receivables pledged (Note 18)	577	1,576
	2,519	3,594

23. Bills and other payables (cont'd)

Other payables

Included in other payables are US$1,500,000 (2015: US$671,000) of staff expenses and US$591,000 advances received from the sale of building and land use rights (Note 21).

24. Other liabilities

Other liabilities relate to advances from customers.

25. Loans and borrowings

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Term loans:				
- Due within 12 months	1,169	1,111	1,111	1,111
- Due after 12 months	3,402	1,111	–	1,111
	4,571	2,222	1,111	2,222

Term loans

(a) The term loan of US$5,000,000 (2015: US$5,000,000) is repayable over 18 quarterly instalments commencing August 2014 and bears interest at 3% per annum over SIBOR and is unsecured. The term loan is denominated in USD. The loan includes financial covenants which require the Group to maintain a consolidated tangible net worth not less than US$70,000,000 and to maintain a ratio of consolidated total liabilities to consolidated tangible net worth of not more than 1.1 times.

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

26. Deferred tax liabilities

	Group	
	2016	**2015**
	US$'000	US$'000
Balance at beginning of year	3,510	3,574
Charge for the year	352	147
Reversal of deferred taxation	(56)	–
Translation difference	(233)	(211)
Balance at end of year	3,573	3,510

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

26. Deferred tax liabilities

Tax consequences of proposed dividends

There are no income tax consequences (2015: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 37).

27. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2016		2015	
	No. of shares		No. of shares	
	'000	US$'000	'000 *	US$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	144,000	57,808	720,000	57,808

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

(b) Treasury shares

	Group and Company			
	2016		2015	
	No. of shares		No. of shares	
	'000	US$'000	'000 *	US$'000
At 1 January	3,119	1,441	14,080	1,311
Acquired during the financial year	–	–	1,516	130
At 31 December	3,119	1,441	15,596	1,441

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

In 2015, the Company acquired 1,515,600 ordinary shares in the Company through open market purchases on the Singapore Exchange during the year. The total amount paid to acquire the ordinary shares was US$130,000 and this was presented as a component within shareholders' equity.

* 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 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.

28. Other reserves

(a) Currency translation reserve

Group

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

(b) Statutory reserve fund

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

(c) Acquisition reserve

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

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

29. Classification of loans and receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Current				
Trade receivables (Note 17)	62,383	51,023	–	–
Bills and other receivables (Note 18)	7,130	10,008	23	580
Amounts due from subsidiaries (Note 19)	–	–	9,743	10,793
Total trade and other receivables	69,513	61,031	9,766	11,373
Add: Cash and short term deposits (Note 15)	29,295	28,785	3,870	3,562
Total loans and receivables	98,808	89,816	13,636	14,935

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Classification of financial liabilities carried at amortised cost

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables and accruals (Note 22)	35,834	26,357	371	372
Bills and other payables (Note 23)	7,985	5,725	20	8
Amounts due to subsidiaries (Note 19)	–	–	5,000	5,050
Loans and borrowings (Note 25)	1,169	1,111	1,111	1,111
Non-current				
Loans and borrowings (Note 25)	3,402	1,111	–	1,111
	48,390	34,304	6,502	7,652

31. Commitments

(a) Capital commitments

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

	Group	
	2016	**2015**
	US$'000	US$'000
Capital commitments in respect of property, plant and equipment	2,277	3,342

(b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 5 years (2015: 3 years), with options to renew at the end of the lease terms. There are no restrictions placed upon the Group by entering into these leases and no contingent rent provision included in the contracts.

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

	Group	
	2016	**2015**
	US$'000	US$'000
Not later than one year	956	819
Later than one year but not later than five years	3,000	221
	3,956	1,040

32. Financial risk management objectives and policies

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

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

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

(a) Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As at 31 December 2016, there were no significant concentrations of credit risk.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

(b) Liquidity risk

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

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

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

(b) Liquidity risk (cont'd)

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.

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

Group	One year or less	One to five years	Total
	US$'000	US$'000	US$'000
2016			
Financial assets			
Cash and cash equivalents (Note 15)	27,353	–	27,353
Bank deposits pledged (Note 16)	1,942	–	1,942
Trade receivables (Note 17)	62,383	–	62,383
Bills and other receivables (Note 18)	7,130	–	7,130
Total undiscounted financial assets	98,808	–	98,808
Financial liabilities			
Trade payable and accruals (Note 22)	35,834	–	35,834
Bills and other payables (Note 23)	7,985	–	7,985
Interest-bearing loans and borrowings	1,362	3,604	4,966
Total undiscounted financial liabilities	45,181	3,604	48,785
Total net undiscounted financial assets/(liabilities)	53,627	(3,604)	50,023
2015			
Financial assets			
Cash and cash equivalents (Note 15)	26,767	–	26,767
Bank deposits pledged (Note 16)	2,018	–	2,018
Trade receivables (Note 17)	51,023	–	51,023
Bills and other receivables (Note 18)	10,008	–	10,008
Total undiscounted financial assets	89,816	–	89,816
Financial liabilities			
Trade payable and accruals (Note 22)	26,357	–	26,357
Bills and other payables (Note 23)	5,725	–	5,725
Interest-bearing loans and borrowings	1,171	1,134	2,305
Total undiscounted financial liabilities	33,253	1,134	34,387
Total net undiscounted financial assets/(liabilities)	56,563	(1,134)	55,429

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

(b) Liquidity risk (cont'd)

Company	One year or less	One to five years	Total
	US$'000	US$'000	US$'000
2016			
Financial assets			
Cash and cash equivalents (Note 15)	3,870	–	3,870
Bills and other receivables (Note 18)	23	–	23
Amounts due from subsidiaries (Note 19)	9,743	–	9,743
Total undiscounted financial assets	13,636	–	13,636
Financial liabilities			
Trade payable and accruals (Note 22)	371	–	371
Bills and other payables (Note 23)	20	–	20
Amounts due to subsidiaries (Note 19)	5,000	–	5,000
Interest-bearing loans and borrowings	1,139	–	1,139
Total undiscounted financial liabilities	6,530	–	6,530
Total net undiscounted financial assets	7,106	–	7,106
2015			
Financial assets			
Cash and cash equivalents (Note 15)	3,562	–	3,562
Bills and other receivables (Note 18)	580	–	580
Amounts due from subsidiaries (Note 19)	10,793	–	10,793
Total undiscounted financial assets	14,935	–	14,935
Financial liabilities			
Trade payable and accruals (Note 22)	372	–	372
Bills and other payables (Note 23)	8	–	8
Amounts due to subsidiaries (Note 19)	5,050	–	5,050
Interest-bearing loans and borrowings	1,171	1,134	2,305
Total undiscounted financial liabilities	6,601	1,134	7,735
Total net undiscounted financial assets/ (liabilities)	8,334	(1,134)	7,200

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

(c) Interest rate risk

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

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

Surplus funds are placed with reputable banks.

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

Sensitivity analysis for interest rate risk

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

	Profit before tax	
	1% increase	**1% decrease**
	US$'000	US$'000
Group		
2016		
Floating rate interest-bearing loans and borrowings	(7)	7
2015		
Floating rate interest-bearing loans and borrowings	(25)	25
Company		
2016		
Floating rate interest-bearing loans and borrowings	(7)	7
2015		
Floating rate interest-bearing loans and borrowings	(25)	25

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

(d) Foreign currency risk

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

The Group also has transactional currency exposures arising from sales or purchases by an operating units in currencies other than the units' respective functional currencies. Approximately 53% (2015: 53%) of the Group's sales are denominated in the respective functional currencies of the operating units making the sales whilst almost 84% (2015: 80%) of costs are denominated in the units' respective functional currencies. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures.

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

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	
		2016	**2015**
		US$'000	US$'000
USD/RMB	strengthened 3% (2015: 3%)	408	381
	weakened 3% (2015: 3%)	(408)	(381)
USD/SGD	strengthened 3% (2015: 3%)	(5)	31
	weakened 3% (2015: 3%)	5	(31)

33. Fair value of assets and liabilities

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

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

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

- Level 3 – Unobservable inputs for the asset or liability

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

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

Level 2 fair value measurements

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

Derivatives

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

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

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

34. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

As disclosed in Note 28(b), the subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by its subsidiaries for the financial years ended 31 December 2016 and 2015.

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.

34. Capital management (cont'd)

	Group	
	2016	2015
	US$'000	US$'000
Trade payable and accruals (Note 22)	35,834	26,357
Bills and other payables (Note 23)	7,985	6,320
Other liabilities (Note 24)	825	447
Interest-bearing loans and borrowings (Note 25)	4,571	2,222
Less: Cash and short term deposits (Note 15)	(29,295)	(28,758)
Net cash	19,920	6,588
Equity attributable to equity holders of the Company	110,642	112,238
Less: Statutory reserve fund	(10,035)	(9,332)
Total capital	100,607	102,906
Capital and net debt	120,527	109,494
Gearing ratio	16.5%	6.0%

35. Related party transactions

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

(a) Sale and purchase of goods and services

	Group	
	2016	2015
	US$'000	US$'000
Purchase of goods from associate	–	201
Purchase of corporate secretarial and legal services from firms related to Directors	19	2

(b) Compensation of key management personnel

	Group	
	2016	2015
	US$'000	US$'000
Short-term employment benefits	2,339	2,004
Directors' fees	131	132
Total compensation paid to key management personnel	2,470	2,136
Comprise amounts paid to:		
• Directors of the Group	1,306	1,142
• Other key management personnel	1,164	994
	2,470	2,136

35. Related party transactions (cont'd)

(b) Compensation of key management personnel (cont'd)

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

36. Segment information

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

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

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

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

	Automotive		Telecommunication		Consumer Electronic		Industrial & Medical		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Segment revenue	69,681	56,868	24,492	34,222	55,291	39,150	9,541	11,974	159,005	142,214
Results:										
Interest income	67	191	19	93	61	105	14	32	161	421
Depreciation and amortisation	(3,542)	(3,331)	(1,314)	(2,034)	(2,666)	(1,998)	(413)	(548)	(7,935)	(7,911)
Other non-cash (expenses)/income	(80)	37	(221)	72	(354)	144	(54)	56	(709)	309
Finance costs	(70)	(28)	(5)	(4)	(55)	(42)	(16)	(20)	(146)	(94)
Share of results of associates	–	–	–	(19)	–	–	–	–	–	(19)
Taxation	(397)	(316)	(16)	(105)	(185)	(54)	(48)	(4)	(646)	(479)
Segment Profit	3,200	2,785	752	1,958	2,040	2,558	384	852	6,376	8,153

36. Segment information (cont'd)

Currency information

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

	RMB		Other currencies *		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue:						
Segment revenue						
Sales to external customers	84,413	75,461	74,592	66,753	159,005	142,214
As a percentage of sales	53.1%	53.1%	46.9%	46.9%	100%	100.0%

* Other currencies mainly comprise USD.

Information about a major customer

Revenue from one major customer amount to US$27,375,000 (2015: US$26,169,000), of which arises from the automotive segment.

37. Dividends

	Group and Company	
	2016	**2015**
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2015: S$0.033 (2015: S$0.006 for 2014) per share	3,473	3,219
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 2016: S$0.025 (2015: S$0.033*) per share	2,478	3,271

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

38. Event occuring after the reporting period

On 23 February 2017, MTD increased its shareholding in MTDO from 51% to 61%.

39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 31 March 2017.

LEASEHOLD PROPERTIES STATEMENT

For the financial year ended 31 December 2016

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

SHAREHOLDING STATISTICS

As at 31 March 2017

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 31 March 2017, 43.42% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	8	0.49	187	0.00
100 – 1,000	288	17.77	142,210	0.10
1,001 - 10,000	870	52.81	4,081,120	2.83
10,001 - 1,000,000	451	27.88	29,646,001	20.59
1,000,001 and above	17	1.05	110,130,480	76.48
	1,634	100.00	143,999,998	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%**
1	Keytech Investment Pte Ltd	61,678,400	43.78
2	Citibank Nominees Singapore Pte Ltd	6,635,120	4.71
3	Chuang Wen Fu	5,542,800	3.93
4	Chuang Tze Dey (Zhuang Zidi)	4,504,400	3.20
5	Chuang Tze Mon (Zhuang Zimeng)	3,983,200	2.83
6	Wang Jian	3,901,180	2.77
7	UOB Kay Hian Pte Ltd	3,118,620	2.21
8	DBS Nominees Pte Ltd	2,827,000	2.01
9	Raffles Nominees (Pte) Ltd	2,762,980	1.96
10	DBSN Services Pte Ltd	2,519,620	1.79
11	OCBC Securities Private Ltd	1,850,480	1.31
12	Gu Chenghua	1,445,800	1.03
13	Chen Zhengmao	1,426,600	1.01
14	CIMB Securities (S) Pte Ltd	1,425,480	1.01
15	Heng Ngee Boon	1,371,800	0.97
16	Zhang Liuqing	1,259,180	0.89
17	Phillip Securities Pte Ltd	917,140	0.65
18	Goh Guan Siong (Wu Yuanxiang)	886,500	0.63
19	Xu Jianxin	787,800	0.56
20	HSBC (Singapore) Nominees Pte Ltd	760,200	0.54
		109,604,300	77.80

SHAREHOLDING STATISTICS

As at 31 March 2017

SUBSTANTIAL SHAREHOLDERS

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

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 31 March 2017, excluding 3,119,120 ordinary shares held as treasury shares as at that date.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at York Hotel Singapore, Carlton Hall, Level 2, 21 Mount Elizabeth Singapore 228516 on Thursday, 27 April 2017 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 2016 and the Auditors' Report thereon. **[Resolution 1]**

2 To declare a first and final tax exempt dividend of 2.5 Singapore cents per share for the financial year ended 31 December 2016. **[Resolution 2]**

3 To approve the payment of S$180,000 as Directors' fees for the financial year ended 31 December 2016. [Year 2015: S$180,000]. **[Resolution 3]**

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

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

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

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

As Special Business

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

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

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

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

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

such shares to be issued other than on a pro rata basis in pursuance to such authority (including shares issued pursuant to any Instrument but excluding shares which may be issued pursuant to any Adjustment effected under any relevant Instrument) to the existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (iii)] **[Resolution 6(a)]**

(b) Renewal of Shares Purchase Mandate

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

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

By Order of the Board

Teo Chin Kee
Company Secretary

Singapore
11 April 2017

Notice of Books Closure Date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed on 6 May 2017 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 27 April 2017.

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 5 May 2017 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 5 May 2017 will be entitled to the dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 18 May 2017.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Chua Keng Hiang, if elected, will remain as the Chairman of the Audit Committee, a member of Nominating Committee and the Remuneration Committee and will be considered as an independent director and will act as the Company's Lead Independent Director.

(ii) Mr Teo Kiang Kok, if elected, will remain as the Chairman of the Remuneration Committee and a member of Audit Committee and will be considered as an independent director.

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

(iv) Resolution 6(b) if passed, will renew the Shares Purchase Mandate and will authorise the Directors to purchase or otherwise acquire shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition, including the amount of financing (if any) and the illustrative financial impact of the purchase or acquisition of shares by the Company pursuant to the Shares Purchase Mandate on the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2016, are set out in greater detail in the Appendices attached.

Proxies:

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

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

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

A proxy need not be a member of the Company.

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

Personal Data Privacy:

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

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MEMTECH INTERNATIONAL LTD.

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

IMPORTANT

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

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

3 By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 11 April 2017.

PROXY FORM

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

of ____

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at York Hotel Singapore, Carlton Hall, Level 2, 21 Mount Elizabeth Singapore 228516 on Thursday, 27 April 2017 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 2016 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 Yap Chin Kuan		
	(b) Mr Chua Keng Hiang		
	(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 ____________________ 2017.

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.

APPENDIX I

SUMMARY SHEET FOR RENEWAL OF SHARES PURCHASE MANDATE

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

(A) Shares Purchased In The Previous Twelve Months

As at the Latest Practicable Date (as defined below), the Company had not bought back any ordinary shares of the Company (the "**Shares**") in the previous twelve months pursuant to the general mandate to authorize the Directors to purchase shares of up to ten per cent. (10%) of the Shares (excluding any treasury shares) at the price of up to but not exceeding the Maximum Price (as defined in Section F) (the "**Shares Purchase Mandate**") obtained at the AGM on 28 April 2016.

(B) Renewal of The Shares Purchase Mandate

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

(C) Rationale For The Shares Purchase Mandate

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

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

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

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

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

5. As at 31 March 2017 (the "**Latest Practicable Date**"), 61,165,338 Shares (43.42%) of a total of 140,880,878 Shares issued by the Company (excluding treasury shares) are held by 1622 public shareholders. The Company is of the view that there is a sufficient number of Shares in issue held by public shareholders which would permit the Company to undertake Shares purchases of up to ten per cent. (10%) of its issued ordinary share capital (excluding treasury shares) without affecting the listing status of the Shares on the SGX-ST. The Company will ensure that the Shares purchases will not cause market illiquidity or affect orderly trade.

(D) Financial Impact Of The Proposed Shares Purchases

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

   (i) held by the Company; or

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

   Section 76K of the Act allows the Company to:

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

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

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

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

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

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

   Any Shares purchase will:

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

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

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

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

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

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

3. Based on the existing issued and paid-up share capital of the Company (excluding treasury shares) as at the Latest Practicable Date of 140,880,878 Shares, the proposed purchases by the Company of up to a maximum of ten per cent. (10%) of its issued share capital (excluding treasury shares) under the Shares Purchase Mandate will result in the purchase of 14,088,087 Shares. As at the Latest Practicable Date, the Company has 3,119,120 treasury shares.

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

   (a) audited accounts of the Group and the Company as at 31 December 2016;

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

   (c) the Maximum Price (as defined in Section F) for the market and off-market purchases is $0.7161 respectively, which is five 5 per cent. (5%) above the average closing prices of the Shares over the last five market days preceding the Latest Practicable Date on which transactions in the Shares were recorded on the SGX-ST;

   (d) the maximum amount of funds required for the Shares purchases in the aggregate is US$6,970,551; and

   (e) an exchange rate of US$1 to S$1.4473.[1]

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

	Group before Shares purchase	Group after Shares purchase	Company before Shares purchase	Company after Shares purchase
	(US$'000)	(US$'000)	(US$'000)	(US$'000)
As at 31 December 2016				
Shareholders' funds	110,833	103,862	82,241	75,270
Net assets value	110,833	103,862	82,241	75,270
Current assets	125,350	118,379	13,636	6,665
Current liabilities	47,136	47,136	6,502	6,502
Cash and cash equivalents	27,353	20,382	3,870	(3,101)
Number of shares ('000) (excluding treasury shares)	140,881	126,793	140,881	126,793

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

	Group before Shares purchase	Group after Shares purchase	Company before Shares purchase	Company after Shares purchase
Financial Ratios				
Net assets value per Share				
(US cents)	78.7	81.9	58.4	59.4
Earnings/(Loss) per Share				
(US cents)	4.5	4.9	(1.3)	(1.4)
Gearing (%)	16.5	22.3	3.1	11.3
Current ratio	2.7	2.5	2.1	1.0

Note:

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

5. Shareholders should note that the financial effects set out above are based on the audited financial accounts of the Group and the Company for the financial year ended 31 December 2016 and are for illustration only. The results of the Group and the Company for the financial year ended 31 December 2016 may not be representative of future performance.

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

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

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

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

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

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

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

	Direct Interest		Deemed Interest		Total Interest	
Directors	Number of Shares	%	Number of Shares	%	Number of Shares	%
Chuang Wen Fu[1]	5,542,800	3.93	–	–	5,542,800	3.93
Gu Cheng Hua	1,445,800	1.03	–	–	1,445,800	1.03
Yap Chin Kuan	400,000	0.28	592,000[2]	0.42	992,000	0.70
Teow Joo Hwa	70,000	0.05	278,940[3]	0.20	348,940	0.25
Chua Keng Hiang	1,200,000 [4]	0.85	–	–	1,200,000	0.85
Teo Kiang Kok	–	–	–	–	–	–
Teng Cheong Kwee	20,000	0.01	–	–	20,000	0.01
Chuang Tze Mon[1]	3,983,200	2.83	–	–	3,983,200	2.83
Holders of 5% or more						
Keytech Investment Pte Ltd[5]	61,678,400	43.78	–	–	61,678,400	43.78
Others						
Chuang Tze Dey[1]	4, 504,400	3. 20	–	–	4, 504,400	3. 20

Notes:

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

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

(3) Mr. Teow Joo Hua has a deemed interest in 278,940 Shares which is being held directly by his spouse.

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

(5) Keytech Investment Pte Ltd ("Keytech") is an investment holding company incorporated in the Republic of Singapore as a limited liability company on 25 February 2004. Its shareholders are J.S.A. Limited ("JSA"), a company incorporated in Hong Kong (3.7%) and 24 individuals including the Company's Executive Directors, Messrs Chuang Wen Fu (19.7%), Gu Cheng Hua (5.4%), Yap Chin Kuan (10.7%) and Teow Joo Hwa (12.1%) and the Company's Executive Officers, Heng Ngee Boon (5.5%), Wang Jian (5.4%) , Bai Yi Song (0.5%) and Koh Kok Boon (0.2%). JSA is owned by three individuals, none of whom are related to the Company's Directors or substantial shareholders. Mr. Chuang Tze Mon, the son of Mr. Chuang Wen Fu has a 16.6% interest in Keytech. Ms. Chuang Tze Dey, the daughter of Mr. Chuang Wen Fu also has a 10.0% interest in Keytech. The directors of Keytech are Messrs Chuang Wen Fu, Yap Chin Kuan, Wang Jian, Gu Chenghua, Chuang Tze Mon, Heng Ngee Boon, Bai Yi Song, Teow Joo Hwa and Zhang Liuqing.

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

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

As at the Latest Practicable Date, the aggregate shareholdings and voting rights of the Concert Parties is above fifty per cent (50%) at approximately 53.74 %. In the event the Company undertakes Shares purchases of up to ten per cent. (10%) of the issued share capital (excluding treasury shares) of the Company as permitted by the Shares Purchase Mandate, assuming the total number of the Shares held by the Concert Parties remains unchanged, the aggregate shareholdings and voting rights of the Concert Parties will remain above fifty per cent (50%) at approximately 60.00%. Accordingly, no general offer is required to be made by the Concert Parties pursuant to the Take-Over Code.

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

(F) Miscellaneous

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

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

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

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

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

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

3. Shares purchases will be made in accordance with the "Guidelines on Shares Purchases" as set out in Appendix 1 of the Company's Circular to Shareholders dated 10 April 2006, an updated[2] copy of which is annexed. All information required under the Act and the SGX-ST Listing Manual relating to the Shares Purchase Mandate is contained in the said Guidelines.

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

[2] Appendix 1 of the Company's Circular to Shareholders dated 10 April 2006 is updated pursuant to, *inter alia*, amendments made to the SGX-ST Listing Manual and certain amendments made to the Act since the last version of the Appendix 1.

APPENDIX I

(G) Directors' Responsibility Statement

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

(H) Directors' Recommendation

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

(I) Taxation

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

(J) Documents For Inspection

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

(a) the Constitution of the Company; and

(b) the audited financial statements of the Company for the financial year ended 31 December 2016.

APPENDIX II

GUIDELINES ON SHARES PURCHASES

1. Shareholders' Approval

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

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

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

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

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

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

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

2. Mode Of Purchase

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

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

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

3. Funding Of Shares Purchases

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

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

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

4. Trading Restrictions

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

APPENDIX II

5. Price Restrictions

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

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

6. Off-Market Purchases

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

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed Shares purchase;

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

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

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

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

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

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

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

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

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

7. Status Of Purchased Shares

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

(i) held by the Company; or

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

Section 76K of the Act allows the Company to:

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

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

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

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

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

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

Any Shares purchase will:

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

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

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

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

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

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

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

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

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

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

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

10. **Suspension Of Purchase**

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

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

Memtech International Ltd.
89 Short Street
Golden Wall centre #04-01
Singapore 188216
Tel: 65 6339 0833
Fax: 65 6339 5445
www.memtechchina.com