

**CIRCULAR DATED 14 JUNE 2019**

**THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF MEMTECH INTERNATIONAL LTD. AND THE ADVICE OF PRICEWATERHOUSECOOPERS CORPORATE FINANCE PTE LTD. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

This Circular is issued by Memtech International Ltd. (“**Company**”). If you are in any doubt about its contents or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Capitalised terms appearing on the cover of this Circular have the same meanings as defined herein.

If you have sold or transferred all your Shares (as defined herein) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or the transferee.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this Circular.



**MEMTECH INTERNATIONAL LTD.**

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

**CIRCULAR TO SHAREHOLDERS**

in relation to the

**VOLUNTARY CONDITIONAL CASH OFFER**

by



**OVERSEA-CHINESE BANKING CORPORATION LIMITED**

(Company Registration No. 193200032W)  
(Incorporated in the Republic of Singapore)

for and on behalf of

**M-UNIVERSE INVESTMENTS PTE. LTD.**

(Company Registration No. 201912256E)  
(Incorporated in the Republic of Singapore)

to acquire all of the issued ordinary shares in the capital of Memtech International Ltd. other than those already owned, controlled or agreed to be acquired by M-Universe Investments Pte. Ltd., its related corporations or their respective nominees

*Independent Financial Adviser to the Independent Directors*

**PRICEWATERHOUSECOOPERS CORPORATE FINANCE PTE LTD**

(Company Registration No. 197501605H)  
(Incorporated in the Republic of Singapore)

**SHAREHOLDERS SHOULD NOTE THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 28 JUNE 2019 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.**

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## DEFINITIONS

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In this Circular, the following definitions apply throughout unless otherwise stated:

<b>“1QFY2019”</b>	The 3-month period ended 31 March 2019
<b>“Acceptance Condition”</b>	Shall have the meaning ascribed to it in section 2.5 of this Circular
<b>“Accepting Shareholder”</b>	A Shareholder who tenders his Shares in acceptance of the Offer
<b>“Adjusted Offer Price”</b>	Shall have the meaning ascribed to it in section 2.4 of this Circular
<b>“Books Closure Date”</b>	Shall have the meaning ascribed to it in section 2.4 of this Circular
<b>“Business Days”</b>	A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore
<b>“CDP”</b>	The Central Depository (Pte) Limited
<b>“Chuang Family”</b>	Mr. Chuang Wen Fu, Mr. Chuang Tze Mon, Mrs. Chuang-Kao Jung Mi and Ms. Chuang Tze Dey collectively
<b>“Circular”</b>	This circular to Shareholders issued by the Company containing the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in relation to the Offer
<b>“Closing Date”</b>	5.30 p.m. (Singapore time) on 28 June 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day of the lodgement of acceptances of the Offer
<b>“Code”</b>	The Singapore Code on Take-overs and Mergers as amended, supplemented or modified from time to time
<b>“Companies Act”</b>	The Companies Act (Chapter 50) of Singapore as amended, modified or supplemented from time to time
<b>“Company”</b>	Memtech International Ltd.
<b>“Company Securities”</b>	(i) Shares; (ii) securities which carry voting rights in the Company; and (iii) convertible securities, warrants, options and derivatives in respect of any Shares or such securities which carry voting rights in the Company
<b>“Consortium Agreement”</b>	The consortium agreement entered into among the Consortium Members
<b>“Consortium Members”</b>	The Chuang Family, Keytech, the Keytech Directors and UGT
<b>“Constitution”</b>	The constitution of the Company, as amended or modified from time to time
<b>“CPF”</b>	Central Provident Fund
<b>“CPFIS”</b>	Central Provident Fund Investment Scheme
<b>“CPFIS Investors”</b>	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS

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## DEFINITIONS

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“Despatch Date”	31 May 2019, being the date of despatch of the Offer Document
“Directors”	The directors of the Company (including the Independent Directors) as at the Latest Practicable Date, and “Director” means any one of them
“Distributions”	In respect of the Offer Shares, all dividends, rights, other distributions and/or return of capital
“Encumbrance”	Any claim, charge, lien, pledge, mortgage, encumbrance, declaration of trust, hypothecation, retention of title, power of sale, equity, option, right of pre-emption, right of first refusal, moratorium or other third party right or interest of any nature whatsoever
“Excluded Directors”	Mr. Chuang Wen Fu, Mr. Gu Cheng Hua, Mr. Yap Chin Kuan, Mr. Teow Joo Hwa and Mr. Chuang Tze Mon
“Excluded Documents”	The IFA Letter as set out in Appendix I to this Circular
“FAA”	Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
“FAT”	Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
“Final Day Rule”	Shall have the meaning ascribed to it in section 2.9(d) of this Circular
“Financial Adviser”	Oversea-Chinese Banking Corporation Limited, the financial adviser to the Offeror in relation to the Offer
“FY”	Financial year ended or ending (as the case may be) on 31 December of a particular year as stated
“Group”	The Company and its subsidiaries
“IFA”	PricewaterhouseCoopers Corporate Finance Pte Ltd, the independent financial adviser to the Independent Directors in relation to the Offer
“IFA Letter”	The letter dated 14 June 2019 by the IFA to the Independent Directors containing, <i>inter alia</i> , the advice of the IFA to the Independent Directors in respect of the Offer, as set out in Appendix I of this Circular
“Independent Directors”	The Directors who are regarded to be independent for the purposes of the Offer, being Mr. Chua Keng Hiang, Mr. Teo Kiang Kok and Mr. Teng Cheong Kwee
“Interested Person”	As defined in the Note on Rule 23.12 of the Code, an interested person is:  (a) a director, chief executive officer, or substantial shareholder of the company;  (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;

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## DEFINITIONS

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	(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
	(d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
	(e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
	(f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.
<b>“Keytech”</b>	Keytech Investment Pte. Ltd.
<b>“Keytech Directors”</b>	Mr. Chuang Wen Fu, Mr. Chuang Tze Mon, Mr. Gu Cheng Hua, Mr. Yap Chin Kuan, Mr. Teow Joo Hwa, Mr. Heng Ngee Boon, Mr. Wang Jian, Mr. Bai Yisong and Mr. Zhang Liuqing, collectively
<b>“Latest Practicable Date”</b>	3 June 2019, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	The listing manual of the Main Board of the SGX-ST in force as at the Latest Practicable Date
<b>“Market Day”</b>	A day on which the SGX-ST is open for trading of securities
<b>“Offer”</b>	The voluntary conditional cash offer made by the Financial Adviser, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
<b>“Offer Announcement”</b>	The announcement of the Offer released by the Financial Adviser, for and on behalf of the Offeror, on the Offer Announcement Date
<b>“Offer Announcement Date”</b>	14 May 2019
<b>“Offer Document”</b>	The document dated 31 May 2019 issued by the Financial Adviser, for and on behalf of the Offeror, in respect of the Offer, and any other document(s) which may be issued by the Financial Adviser, for and on behalf of the Offeror, to amend, revise, supplement or update the aforesaid document(s) from time to time
<b>“Offer Document Latest Practicable Date”</b>	24 May 2019, being the latest practicable date prior to the printing of the Offer Document
<b>“Offer Price”</b>	S\$1.35 in cash for each Offer Share
<b>“Offer Shares”</b>	Shall have the meaning ascribed to it in section 2.2 of this Circular
<b>“Offeror”</b>	M-Universe Investments Pte. Ltd.

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## DEFINITIONS

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<b>“Offeror Securities”</b>	(i) Offeror Shares;  (ii) securities which carry voting rights in the Offeror; and  (iii) convertible securities, warrants, options and derivatives in respect of the Offeror Shares, or securities which carry voting rights in the Offeror
<b>“Offeror Shares”</b>	Ordinary shares in the capital of the Offeror
<b>“Overseas Shareholders”</b>	Shall have the meaning ascribed to it in section 12.1 of this Circular
<b>“Register”</b>	The register of holders of Shares, as maintained by the Share Registrar
<b>“Reinvestment Irrevocable Undertakings”</b>	The irrevocable undertakings given by each of Keytech, Mr. Chuang Wen Fu, Ms. Chuang Tze Dey, Mr. Chuang Tze Mon, Mr. Gu Cheng Hua, Mr. Yap Chin Kuan, Mr. Teow Joo Hwa, Mr. Heng Ngee Boon, Mr. Wang Jian, Mr. Bai Yisong and Mr. Zhang Liuqing, to the Offeror, pursuant to section 7.1 of the Offer Document
<b>“Rule 22.6 Period”</b>	Shall have the meaning ascribed to it in section 2.9(c) of this Circular
<b>“Securities and Futures Act”</b>	The Securities and Futures Act (Chapter 289) of Singapore as amended, supplemented or modified from time to time
<b>“SGX-ST”</b>	Singapore Exchange Securities Trading Limited
<b>“Share Registrar”</b>	M & C Services Private Limited
<b>“Shareholders”</b>	Holders of Shares (including persons whose/which Shares are deposited with CDP or who/which have purchased Shares on the SGX-ST)
<b>“Shares”</b>	Issued ordinary shares in the capital of the Company
<b>“Shut-Off Notice”</b>	Shall have the meaning ascribed to it in section 2.9(c) of this Circular
<b>“SIC”</b>	Securities Industry Council of Singapore
<b>“SRS”</b>	Supplementary Retirement Scheme
<b>“SRS Investors”</b>	Investors who have purchased Shares using their SRS contributions pursuant to the SRS
<b>“UGT”</b>	Universal Global Technology Co., Limited, a wholly owned subsidiary of Universal Scientific Industrial (Shanghai) Co., Ltd.
<b><u>Units and currencies</u></b>	
<b>“\$” or “S\$” and “cents”</b>	Singapore dollars and cents, respectively, being the lawful currency of Singapore
<b>“US\$”</b>	United States Dollars, being the lawful currency of the United States of America
<b>“%” or “per cent.”</b>	Per centum or percentage

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## DEFINITIONS

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**Acting in Concert.** The expression “**acting in concert**” and “**associate**” shall have the meanings ascribed to it in the Code.

**Depository Related Terms.** The terms “**depositor**”, “**depository agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

**Gender.** Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.

**Headings.** The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

**Rounding.** Any discrepancies in the figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Circular may not be arithmetic aggregations of the figures that precede them.

**Shareholders.** References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders.

**Statutes.** Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined in the Companies Act, the Securities and Futures Act, the Listing Manual or the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the Securities and Futures Act, the Listing Manual or the Code, or any modification thereof, as the case may be, unless the context otherwise requires.

**Subsidiary and Related Corporation.** The terms “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them in Sections 5 and 6 of the Companies Act respectively.

**Time and Date.** Any reference to a time of the day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise stated.

**Total Number of issued Shares.** Any reference in this Circular to the total number of issued Shares is a reference to a total of 140,080,878 Shares (excluding 3,919,120 treasury Shares) in issue as at the Latest Practicable Date.

**Where relevant, statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics, and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.**

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## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “**aim**”, “**seek**”, “**expect**”, “**anticipate**”, “**believe**”, “**estimate**”, “**intend**”, “**project**”, “**plan**”, “**strategy**”, “**forecast**” and similar expressions or future or conditional verbs such as “**if**”, “**will**”, “**would**”, “**should**”, “**could**”, “**may**” and “**might**”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.



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## INDICATIVE TIMETABLE

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Date of despatch of Offer Document	: 31 May 2019
Date of despatch of Circular	: 14 June 2019
Closing Date and time	: 5.30 p.m. (Singapore time) on 28 June 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day of the lodgement of acceptances of the Offer.
Date of settlement of consideration for valid acceptances of the Offer <sup>(1)</sup>	: in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within seven (7) Business Days of that date; or  in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

**Note:**

(1) Please refer to Appendix 1 of the Offer Document for further details.

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## LETTER TO SHAREHOLDERS

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### MEMTECH INTERNATIONAL LTD.

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

**Directors:**

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

**Registered Office:**

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

14 June 2019

To: The Shareholders of Memtech International Ltd.

Dear Sir/Madam

#### **VOLUNTARY CONDITIONAL CASH OFFER BY OVERSEA-CHINESE BANKING CORPORATION LIMITED FOR AND ON BEHALF OF M-UNIVERSE INVESTMENTS PTE. LTD. FOR THE OFFER SHARES**

#### **1. INTRODUCTION**

##### **1.1 Offer Announcement**

On the Offer Announcement Date, the Financial Adviser announced, for and on behalf of the Offeror, *inter alia*, that the Offeror intends to make a voluntary conditional cash offer for all of the Shares other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations or their respective nominees (the “**Offer Announcement**”).

The Offeror is the bid vehicle for the Consortium Members who have agreed, pursuant to the Consortium Agreement, to undertake the Offer through the Offeror. The Consortium Members are the Chuang Family, Keytech, the Keytech Directors and UGT.

A copy of the Offer Announcement is available on the website of the SGX-ST at <http://www.sgx.com>.

##### **1.2 Offer Document**

Shareholders should have by now received a copy of the Offer Document, as announced by the Financial Adviser to have been despatched on 31 May 2019, which sets out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in section 2 of the Offer Document and Appendix 1 to the Offer Document.

**Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at <http://www.sgx.com>.

##### **1.3 Purpose of the Circular**

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in relation to the Offer.

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## LETTER TO SHAREHOLDERS

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Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors on the Offer before deciding whether or not to accept the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax advisor or other professional adviser immediately.

### 2. THE OFFER

Based on information set out in the Offer Document, the Financial Adviser has, for and on behalf of the Offeror, made the Offer in accordance with Section 139 of the Securities and Futures Act and the Code, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document. The principal terms and conditions of the Offer are set out below.

#### 2.1 Offer Price

As stated in section 2.2 of the Offer Document, the Offeror has offered to acquire the Offer Shares on the following basis:

**For each Offer Share: S\$1.35 in cash.**

**The Offer Price is final and the Offeror does not intend to revise the Offer Price.**

#### 2.2 Offer Shares

Section 2.3 of the Offer Document states that the Offer is extended to all the Shares in issue, other than those Shares already owned, controlled or agreed to be acquired by the Offeror, its related corporations or their respective nominees (the “**Offer Shares**”).

#### 2.3 No Encumbrances

According to section 2.4 of the Offer Document, the Offer Shares are to be acquired:

- (a) fully paid;
- (b) free from all Encumbrances; and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Offer Announcement Date.

#### 2.4 Adjustment for Distributions

As stated in Section 2.5 of the Offer Document, in the event any Distribution is or has been announced, declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer, the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay to such Accepting Shareholder the Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or

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## LETTER TO SHAREHOLDERS

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- (b) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay to such Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

### 2.5 Acceptance Condition

According to section 2.6 of the Offer Document, the Offer is conditional on the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror, its related corporations or their respective nominees holding not less than 90 per cent. of the total number of Shares as at the close of the Offer (“**Acceptance Condition**”).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror meeting the Acceptance Condition.

The Offeror reserves the right to reduce the Acceptance Condition to a lower level which is more than 50 per cent. of the total number of Shares (as required by Rule 15.1 of the Code), subject to the consent of the SIC. In the event that the Acceptance Condition is revised, the conditions for the SIC’s consent will include (i) the revised Offer being kept open for at least 14 days following the posting of the written notification to Shareholders of such revision, and (ii) Shareholders who have accepted the initial Offer will be allowed to withdraw their acceptance within eight days of the notification of such revision.

**Save for the Acceptance Condition, the Offer is unconditional in all other respects.**

### 2.6 No Options

As set out in section 2.7 of the Offer Document, as at the Offer Document Latest Practicable Date, based on the latest information available to the Offeror, there are no outstanding options exercisable in respect of the Shares.

### 2.7 No undertakings

As stated in section 2.8 of the Offer Document, as at the Offer Document Latest Practicable Date, save for the Reinvestment Irrevocable Undertakings, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any party to accept or reject the Offer.

### 2.8 Warranty

According to section 2.9 of the Offer Document, a Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof (i) fully paid, (ii) free from all Encumbrances, and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Offer Announcement Date.

### 2.9 Duration of the Offer

As set out in Appendix 1 to the Offer Document:

#### (a) First Closing Date

The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person is released from any obligation incurred thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 28 June 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror (the “Closing Date”).**

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## LETTER TO SHAREHOLDERS

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(b) **Subsequent Closing Date(s)**

The Offeror is not obliged to extend the Offer. However, if the Offer is extended and:

- (i) is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or
- (ii) is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders, as the case may be, who have not accepted the Offer at least 14 days' prior notice in writing before it may close the Offer.

(c) **Offer to Remain Open for 14 Days after Being Declared Unconditional as to Acceptances**

In order to give Shareholders who have not accepted the Offer the opportunity to accept the Offer after the Offer has become or is declared unconditional as to acceptances, the Offer will remain open for a period (the "**Rule 22.6 Period**") of not less than 14 days after the date on which it would otherwise have closed.

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (the "**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

- (i) the Offeror may not give a Shut-Off Notice in a competitive situation; and
- (ii) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with paragraph 3.1 of Appendix 1 to the Offer Document, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later. For the purposes of this Paragraph, a "competitive situation" shall be deemed to arise when either (i) a firm intention to make a competing offer for the Company is announced, whether or not subject to any preconditions or (ii) the SIC determines that a competitive situation has arisen.

(d) **Final Day Rule**

The Offer (whether revised or not) will not be capable:

- (i) of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date; or
- (ii) of being kept open after such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior consent ("**Final Day Rule**").

Except with the SIC's consent, all conditions must be fulfilled or the Offer must lapse within 21 days of the first Closing Date or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later.

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## LETTER TO SHAREHOLDERS

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(e) **Revision**

The Offeror reserves the right to reduce the Acceptance Condition to a level which is more than 50 per cent. of the total number of Shares (as required by Rule 15.1 of the Code), subject to the consent of the SIC. In the event that the Acceptance Condition is revised, the conditions for the SIC's consent will include (i) the revised Offer being kept open for at least 14 days following the posting of the written notification to Shareholders of such revision, and (ii) Shareholders who have accepted the initial Offer will be allowed to withdraw their acceptance within eight days of the notification of such revision.

**2.10 Details of the Offer**

The Offer is made in accordance with the principal terms and conditions as set out in the Offer Document. Appendix 1 to the Offer Document sets out further details on (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement of the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances of the Offer.

**2.11 Procedures for Acceptance**

Section 4 of the Offer Document states that Appendix 2 to the Offer Document sets out the procedures for acceptance of the Offer by a Shareholder.

**3. IRREVOCABLE UNDERTAKINGS**

Information on the irrevocable undertakings from Shareholders is set out in section 7 of the Offer Document and reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

**7. IRREVOCABLE UNDERTAKINGS**

**7.1 *Reinvestment Irrevocable Undertakings.*** *It is the intention of the Chuang Family, Keytech and the Keytech Directors to retain their existing direct and/or indirect equity interests in the Company. To this end, as at the Latest Practicable Date, each of Keytech and the Direct Shareholders (the "Reinvestment Undertaking Shareholders") has given an irrevocable undertaking (the "Reinvestment Irrevocable Undertakings") to the Offeror to, inter alia:*

**7.1.1** *tender all the Offer Shares that it/he/she holds in aggregate as at the date of the Reinvestment Irrevocable Undertakings and any other Shares which it/he/she may subsequently acquire (directly or indirectly or through a nominee) after the date of the Reinvestment Irrevocable Undertakings, in acceptance of the Offer by no later than 5.00 p.m. (Singapore time) on the third Business Day after the Despatch Date in accordance with the procedures prescribed in this Offer Document and the relevant Acceptance Forms;*

**7.1.2** *in the case of Keytech, reinvest the entire amount of the consideration due to it for its Offer Shares under the Offer to subscribe for new Offeror Shares at the Offer Price (the "Keytech Reinvestment"); and*

**7.1.3** *in the case of each of the Direct Shareholders, reinvest the entire amount of the consideration due to him/her for his/her Offer Shares under the Offer be applied to subscribe for new Keytech Shares at a subscription price based on the Offer Price, the proceeds of which shall in turn be applied by Keytech to subscribe for new Offeror Shares at a subscription price based on the Offer Price (together with the Keytech Reinvestment, the "Reinvestments").*

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The Direct Shareholders are directors of Keytech and/or members of the Chuang Family who have a direct shareholding interest in the Company and comprise the following:

- (i) CWF;
  - (ii) CTD;
  - (iii) CTM;
  - (iv) GCH, an Executive Director and Chief Executive Officer of the Company;
  - (v) YCK, an Executive Director of the Company and President of Dongguan Memtech Electronic Products Co., Ltd;
  - (vi) TJH, an Executive Director of the Company and President of Taitech Precision Electronic (Kunshan) Co., Ltd;
  - (vii) HNB, Vice-President of plastic division of Kunshan Plant;
  - (viii) WJ, General Manager of Nantong Plant;
  - (ix) BYS, General Manager of Dongguan Memtech Electronic Product Co., Ltd; and
  - (i) ZLQ, Group Financial Controller,
- (collectively, the “Direct Shareholders”).

As at the Latest Practicable Date, the Reinvestment Undertaking Shareholders collectively hold 80,923,460 Shares, representing approximately 57.77 per cent. of the Company. Details of the Shares held by the Reinvestment Undertaking Shareholders that will be tendered in acceptance of the Offer and the amount of consideration entitled to which will be applied pursuant to the Reinvestments are set out below:

No.	Undertaking Shareholder	No. of Shares to be tendered in acceptance of the Offer	Percentage of the total number of Shares (%)	Amount of consideration entitled to, which will be applied to subscribe for new Offeror Shares (S\$)	Amount of consideration entitled to, which will be applied to subscribe for new Keytech Shares, which in turn will be used by Keytech to subscribe for new Offeror Shares (S\$)
1.	Keytech	61,678,400	44.03	83,265,840	–
2.	CWF	5,542,800	3.96	–	7,482,780
3.	CTD	4,504,400	3.22	–	6,080,940
4.	CTM	3,983,200	2.84	–	5,377,320
5.	HNB	1,504,500	1.07	–	2,031,075
6.	GCH	1,445,800	1.03	–	1,951,830
7.	WJ	1,188,180	0.85	–	1,604,043
8.	BYS	407,600	0.29	–	550,260
9.	YCK	400,000	0.29	–	540,000
10.	ZLQ	198,580	0.14	–	268,083
11.	TJH	70,000	0.05	–	94,500
<b>Total</b>		<b>80,923,460</b>	<b>57.77</b>	<b>83,265,840</b>	<b>25,980,831</b>



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## LETTER TO SHAREHOLDERS

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**7.2 Termination.** *The Reinvestment Irrevocable Undertakings will terminate or lapse upon the earlier of:*

- (i) the Offer being withdrawn or lapsing;*
- (ii) the Offeror failing to release the Offer Announcement within three Business Days from the date of Reinvestment Irrevocable Undertakings or such other date as may be extended by mutual written agreement of the Offeror (on the one hand) and the relevant Reinvestment Undertaking Shareholder (on the other hand); and*
- (iii) the Offer not being formally made by the Offeror (by the posting of the Offer Document) within the time period prescribed under the Code (or such later date as the SIC may permit).*

**7.3 SIC Confirmation.** *Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the Consortium Agreement, the Reinvestment Irrevocable Undertakings and the Reinvestments do not constitute a special deal for the purposes of Rule 10 of the Code.*

#### 4. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS

Information on the Offeror and the Consortium Members is set out in section 5 of the Offer Document and an extract of which is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

#### **5. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS**

**5.1 The Offeror.** *The Offeror, a special purpose vehicle incorporated in Singapore, is the bid vehicle for the Consortium Members, namely (i) the Chuang Family, (ii) Keytech (an investment holding company through which the Chuang Family and the management team of the Company primarily hold interests in the Company) and the Keytech Directors, and (iii) UGT, for the purposes of the Offer pursuant to the Consortium Agreement. It is intended that Keytech will hold approximately 57.77 per cent. equity interest in the Offeror with the remaining approximate 42.23 per cent. held by UGT, following completion of the Reinvestments.*

*The Consortium Agreement sets out the proposed terms of (i) the Reinvestments, and (ii) the shareholder and governance arrangements between Keytech and UGT in respect of the Offeror, in relation to the Offer and following completion of the Offer, including reserved matters requiring the prior written approval of UGT.*

*As at the Latest Practicable Date, the board of directors of the Offeror comprises three members, consisting of two representatives of Keytech, being CWF and CTM, and one representative of UGT, being Jeffrey Chen Chang-I (each a “**Consortium Representative**” and collectively, the “**Consortium Representatives**”).*

*As at the Latest Practicable Date, the Offeror is wholly owned by UGT and has an initial issued and paid-up share capital of US\$1.00 comprising one ordinary share (each ordinary share in the capital of the Offeror being an “**Offeror Share**”, and a holder thereof, the “**Offeror Shareholder**”). As set out in **Sections 7.1.2 and 7.1.3** of this Offer Document, Keytech will subscribe for additional Offeror Shares pursuant to the Reinvestments.*

*As at the Latest Practicable Date, the Offeror does not have any existing interest in Shares.*

**Appendix 3** to this Offer Document sets out additional information on the Offeror.



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## LETTER TO SHAREHOLDERS

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**5.2 Chuang Family.** *The Chuang Family comprises CWF, the executive chairman of the Company, and his immediate family. CJM is the spouse of CWF, and CTM and CTD are respectively the son and daughter of CWF. CWF and CTM are executive directors of the Company.*

**5.3 Keytech.** *Keytech is an investment holding company through which the Chuang Family and the management team of the Company primarily hold interests in the Company.*

*The board of directors of Keytech comprises nine senior members of the management team of the Company. The Keytech Directors are CWF, CTM, GCH, YCK, TJH, HNB, WJ, BYS and ZLQ.*

*As at the Latest Practicable Date, the Chuang Family collectively holds approximately 49.39 per cent. of the issued ordinary shares (the “Keytech Shares”) in the capital of Keytech. The Keytech Directors (excluding CWF and CTM) collectively hold approximately 40.76 per cent. of the Keytech Shares. The remaining Keytech Shares are held by certain other current and former members of the management team of the Company, who collectively hold approximately 9.85 per cent. of the Keytech Shares. It is intended that the Chuang Family will hold a majority of the Keytech Shares, following the Reinvestments.*

**5.4 UGT.** *UGT is a company incorporated in Hong Kong and a wholly owned subsidiary of USI, a company listed on the Shanghai Stock Exchange (SSE: 601231). UGT’s main business activities are trading and investment holding. USI provides design, miniaturisation, material sourcing, manufacturing, logistics, and after services of electronic devices/modules for brand owners.*

*USI is in turn a subsidiary of ASE, a company listed on both the New York Stock Exchange (NYSE: ASX) and the Taiwan Stock Exchange (TWSE: 3711). ASE develops and offers complete turnkey solutions covering front-end engineering test, wafer probing and final test, as well as integrated circuit packaging and materials.*

*UGT has agreed to participate in the Consortium as a strategic investor, in order to deepen its relationship with the Company, strengthen its competitive advantage vis-à-vis peers and to enhance and diversify its design and supply chain capabilities.*

*Jeffrey Chen Chang-I, who is the Consortium Representative in relation to UGT, is the executive Chairman of UGT, the executive Chairman of USI and a director of ASE.*

*As at the Latest Practicable Date, UGT does not have any existing interest in Shares or Keytech Shares.*

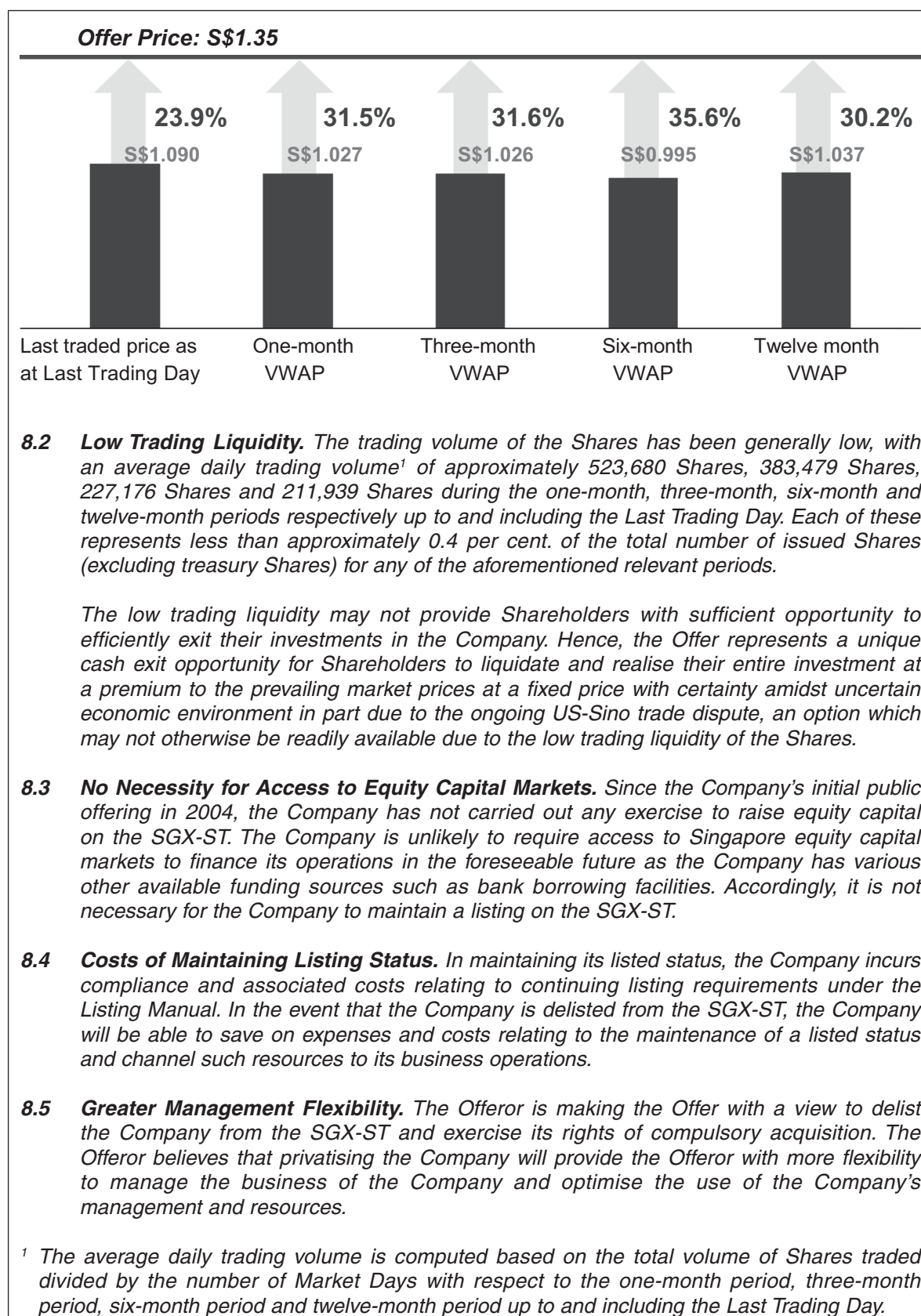
### 5. RATIONALE FOR THE OFFER

The information on the Offeror’s rationale for the Offer is set out in section 8 of the Offer Document and an extract of which is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

#### **8. RATIONALE FOR THE OFFER**

**8.1 Opportunity for Shareholders to Exit their Investment in the Shares at a Premium.** *The Offer Price represents a premium of approximately 31.5 per cent., 31.6 per cent., 35.6 per cent. and 30.2 per cent. over the VWAP per Share for the one-month, three-month, six-month and twelve-month periods respectively up to and including the Last Trading Day and a premium of approximately 23.9 per cent. over the closing price per Share of S\$1.09 as quoted on the SGX-ST on the Last Trading Day. The Offer therefore represents an attractive cash exit opportunity for Shareholders to liquidate and realise their entire investment at a premium to the prevailing market prices, without incurring any brokerage and other trading costs.*

## LETTER TO SHAREHOLDERS



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## LETTER TO SHAREHOLDERS

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### 6. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

#### 6.1 Offeror's Intentions in relation to the Company

The information on the Offeror's intentions in relation to the Company is set out in section 9 of the Offer Document and an extract of which is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

**9. OFFEROR'S INTENTION IN RELATION TO THE COMPANY**

*The Offeror intends for the Company to continue its existing business activities and there are currently no plans to (i) introduce any major changes to the business of the Company or the operations of any of its subsidiaries, (ii) re-deploy any of the fixed assets of the Company or (iii) discontinue the employment of any of the existing employees of the Company or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Company.*

#### 6.2 Compulsory Acquisition

The information on the Offeror's intentions in relation to the compulsory acquisition of the Company is set out in section 10 of the Offer Document and an extract of which is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

**10. COMPULSORY ACQUISITION**

**10.1 Compulsory Acquisition Rights.** *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer or acquires Shares during the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Offer Announcement Date), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "Dissenting Shareholders") on the same terms as those offered under the Offer.*

***In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Dissenting Shareholders, the Offeror intends to exercise its right of compulsory acquisition. In such event, the Company will become a wholly owned subsidiary of the Offeror pursuant to such compulsory acquisition and the Offeror will then proceed to delist the Company from the SGX-ST.***

**10.2 Dissenting Shareholders' Right.** *In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares, the Dissenting Shareholders have a right to require the Offeror to acquire their Shares at the Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.*

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## LETTER TO SHAREHOLDERS

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### 6.3 Listing Status

The information on the Offeror's intentions in relation to the listing status of the Company is set out in section 11 of the Offer Document and an extract of which is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

#### **11. LISTING STATUS**

**11.1 Listing Status of the Company.** *Under Rule 723 of the Listing Manual, the Company must ensure that at least 10 per cent. of the total number of the Shares (excluding treasury shares) is at all times held by the public (the "Free Float Requirement").*

*Under Rule 1105 of the Listing Manual, in the event that the Offeror and parties acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.*

*Further, under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the Shares (excluding treasury shares), thus causing the percentage of the Company's total number of Shares (excluding treasury shares) in public hands to fall below 10 per cent., the SGX-ST will suspend trading of Shares at the close of the Offer.*

*In addition, under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not complied with, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, for the proportion of the Shares held by members of the public to be raised to at least 10 per cent., failing which the Company may be delisted from the SGX-ST.*

**11.2 Intention of the Offeror.** *In the event the Offeror is unable to exercise the right to compulsorily acquire all the Shares not acquired under the Offer as set out in Section 10 of this Offer Document and the Company does not meet the Free Float Requirement under Rule 723 of the Listing Manual, **the Offeror and the Consortium Members do not intend to maintain or support any action taken or to be taken to meet the Free Float Requirement or maintain the present listing status of the Company.***

***Accordingly, the Offeror and the Consortium Members do not intend to place out any Shares held by the Offeror and the Consortium Members to members of the public to meet the Free Float Requirement. If the Company does not meet the requirements under Rule 723 of the Listing Manual, the SGX-ST may suspend trading of the Shares on the SGX-ST following the close of the Offer.***

***In addition, the Offeror intends to, and hereby reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.***

*If, for any reason, the Company continues to meet the requirements under Rule 723 of the Listing Manual following the close of the Offer, the Company will remain listed, and trading of the Shares will be maintained, on the SGX-ST.*

## LETTER TO SHAREHOLDERS

### 7. FINANCIAL ASPECTS OF THE OFFER

Section 12 of the Offer Document sets out certain information on the financial aspects of the Offer, extracts of which are set out below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

#### 12. FINANCIAL ASPECTS OF THE OFFER

**Offer Price.** *The Offer Price represents:*

<i>Description</i>	<i>Benchmark Price (S\$)<sup>(1)(2)</sup></i>	<i>Premium over Benchmark Price (%)<sup>(3)</sup></i>
<i>Last traded price per Share as quoted on the SGX-ST on the Last Trading Day, being 10 May 2019</i>	<i>1.090</i>	<i>23.9</i>
<i>VWAP per Share for the one-month period up to and including the Last Trading Day</i>	<i>1.027</i>	<i>31.5</i>
<i>VWAP per Share for the three-month period up to and including the Last Trading Day</i>	<i>1.026</i>	<i>31.6</i>
<i>VWAP per Share for the six-month period up to and including the Last Trading Day</i>	<i>0.995</i>	<i>35.6</i>
<i>VWAP per Share for the twelve-month period up to and including the Last Trading Day</i>	<i>1.037</i>	<i>30.2</i>

**Notes:**

(1) *Based on data extracted from Bloomberg L.P. as of 10 May 2019.*

(2) *Rounded to the nearest three decimal places.*

(3) *For the purposes of the table above, all percentage figures are rounded to the nearest one decimal place.*

### 8. CONFIRMATION OF FINANCIAL RESOURCES

Section 13 of the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are set out below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

#### 13. CONFIRMATION OF FINANCIAL RESOURCES

*OCBC Bank, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full, all acceptances in respect of the Offer on the basis of the Offer Price, excluding the consideration payable to Keytech for its Offer Shares tendered in acceptance of the Offer which shall be reinvested to subscribe for new Offeror Shares and the consideration payable to the Direct Shareholders for their Offer Shares tendered in acceptance of the Offer which shall be applied to subscribe for new Keytech Shares at a subscription price based on the Offer Price, the proceeds of which shall in turn be applied by Keytech to subscribe for new Offeror Shares at the Offer Price.*



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## LETTER TO SHAREHOLDERS

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### 9. DISCLOSURES

Section 14 of the Offer Document sets out certain information relating to disclosure of interests, extracts of which are set out below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

#### **14. DISCLOSURE OF SHAREHOLDINGS, DEALINGS AND OTHER ARRANGEMENTS**

**14.1 Holdings of and Dealings in Shares.** *Based on the latest information available to the Offeror, Appendix 8 to this Offer Document sets out details of:*

**14.1.1** *the number of Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror as at the Latest Practicable Date; and*

**14.1.2** *the dealings in the Shares by the Offeror and parties acting in concert with the Offeror during the Reference Period.*

*Save as disclosed in this Offer Document, none of the Offeror, its directors and parties acting in concert with the Offeror owns, controls or has agreed to acquire or has dealt for value during the Reference Period in any Company Securities.*

**14.2 Other Arrangements.** *As at the Latest Practicable Date, none of the Offeror and parties acting in concert with it have:*

**14.2.1** *granted any security interest in respect of any Company Securities in favour of any other person, whether through a charge, pledge or otherwise;*

**14.2.2** *borrowed any Company Securities from any other person (excluding borrowed Company Securities which have been on-lent or sold); or*

**14.2.3** *lent any Company Securities to any other person.*

### 10. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Company Securities as at the Latest Practicable Date, are set out in Appendix II to this Circular.

### 11. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

#### 11.1 Appointment of Independent Financial Adviser

PricewaterhouseCoopers Corporate Finance Pte Ltd has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should read and consider carefully the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in their entirety before deciding whether or not to accept or reject the Offer. The advice of the IFA to the Independent Directors is set out in the IFA Letter which is set out in Appendix I of this Circular.

#### 11.2 Key Factors taken into consideration by the IFA

In arriving at its recommendation and opinion (as the case may be), the IFA has taken into account several key considerations, set forth in section 12 of the IFA Letter. Shareholders should read section 12 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.

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## LETTER TO SHAREHOLDERS

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### 11.3 Advice of the IFA to the Independent Directors on the Offer

After having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors in respect of the Offer, as set out in section 13 of the IFA Letter. The following is an extract from section 13 of the IFA Letter and should be read in conjunction with, and interpreted in, the full context of the IFA Letter. All terms and expression used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

#### **13. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER**

*In arriving at our recommendation in respect of the Offer to the Independent Directors, we have taken into account a range of factors which we consider, based on available information, to be pertinent and have significant bearing on our assessment of the Offer. Accordingly, it is important that this IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.*

##### **13.1 The Offer**

***Based on our analysis including the qualifications made therein, we are of the opinion that, on balance, the Offer is FAIR AND REASONABLE, from a financial point of view.***

*In determining that the Offer is **FAIR AND REASONABLE**, we have considered the following principal factors:*

- (a) The Offer Price is at a premium of 1.5% to the closing price of S\$1.33 per Share as at the Latest Practicable Date;*
- (b) The Offer Price is at a premium of 23.9% to the closing price of S\$1.09 per Share as at the Last Trading Day;*
- (c) The Offer Price represents a premium of approximately 31.5%, 31.6%, 35.6%, and 30.2% above the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day, respectively.*
- (d) The Offer Price is at a premium of 8.7% to the NAV per Share of S\$1.24 as at 31 March 2019;*
- (e) We have used the following valuation multiples and compared them to those of Comparable Companies. We wish to highlight that, to the best of our knowledge and belief, there are no publicly listed companies which may be considered directly comparable to Memtech. Therefore, any comparison made with respect to the Comparable Companies may not be very meaningful and can only serve as an illustrative guide:
  - i. The EV/EBITDA multiple of 6.8x implied by the Offer Price is above the range of the corresponding EV/EBITDA multiples of the Comparable Companies from 3.7x to 4.9x;*
  - ii. The P/E multiple of 20.9x implied by the Offer Price is above the range of the corresponding P/E multiples of Comparable Companies from 12.1x to 14.7x; and*
  - iii. The P/NAV multiple of 1.1x implied by the Offer Price is within the range of the corresponding P/NAV multiples from 0.6x to 1.6x, above the median and mean of 0.9x and 1.0x respectively;**

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## LETTER TO SHAREHOLDERS

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- (f) *Similar to the above (section 13.1 (e)), we have used the following valuation multiples and compared them to those of Comparable Transactions. We wish to highlight that, to the best of our knowledge and belief, there may not be any entity that is directly comparable to Memtech. Therefore, any comparison made with respect to the Comparable Transactions may not be very meaningful and can only serve as an illustrative guide:*
- i. The Implied EV/EBITDA multiple of 6.8x is above the range of corresponding Implied EV/EBITDA multiples for the Comparable Transactions from 5.0x to 6.2x;*
  - ii. The Implied Equity Value/Net Income multiple of 20.9x is above the range of corresponding Implied Equity Value/Net Income for the Comparable Transactions from 6.3x to 17.4x; and*
  - iii. The Implied Equity Value/Book Value multiple of 1.1x is within the range of corresponding Implied Equity Value/Book Value for the Comparable Transactions from 1.0x to 1.7x, but below the median of 1.5x and mean of 1.4x.*
- (g) *The premium of the Offer Price over the last transacted price on the Last Trading Day of 23.9% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 1.6% to 164.9% but below the median and mean of 28.7% and 41.3% respectively;*
- (h) *The premium of the Offer Price over the 1-month VWAP of 31.5% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 6.9% to 160.2%, but below the median and mean of 32.0% and 46.3% respectively;*
- (i) *The premium of the Offer Price over the 3-month VWAP of 31.6% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 11.9% to 167.9%, but below the median and mean of 34.8% and 48.6% respectively;*
- (j) *The premium of the Offer Price over the 6-month VWAP of 35.6% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 15.7% to 177.6%, but below the median and mean of 37.2% and 49.2% respectively;*
- (k) *The premium of the Offer Price over the 12-month VWAP of 30.2% is within the range of the corresponding premia/(discounts) of Selected Successful Delisting/Privatisation Transactions from (16.7%) to 158.1% but below the median and mean of 41.1% and 44.5% respectively.*
- (l) *The Offer Price represents a premium of 1.5% and 25.0% to the Share price target estimated by UOB Kay Hian and CGS-CIMB, pre Offer Announcement;*
- (m) *The FY2018 dividend yield of 2.5% is below the range of the corresponding dividend yields of the Comparable Companies from 3.5% to 8.7%; and*
- (n) *Given that the Offeror and parties acting in concert with it own, control, have acquired or have agreed to acquire holdings of approximately 57.8% of the issued Shares of the Company as at the Latest Practicable Date, it may deter a takeover offer by a third party for the Company.*



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## LETTER TO SHAREHOLDERS

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*Accordingly, we advise that the Independent Directors, after taking the above into consideration, recommend Shareholders who:*

- (a) wish to realise their investments in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Offer Price; and/or*
- (b) believe that the current market price of the Shares may not be sustained after the close of the Offer; and/or*
- (c) believe that even if the Company remains listed, trading liquidity may reduce materially; and/or*
- (d) believe that a higher offer may not be made,*

***ACCEPT** the Offer. Alternatively, such Shareholders should sell their Shares in the open market if they are able to obtain a price higher than the Offer Price after deducting related expenses (such as brokerage and trading costs). The Independent Directors may also wish to consider highlighting that there is no assurance that the market price and/or trading volume of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date after the close of the Offer and that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.*

### 11.4 Exemption relating to Directors' Recommendation

Mr. Chua Keng Hiang, Mr. Teo Kiang Kok and Mr. Teng Cheong Kwee are regarded as independent for the purposes of the Offer and are required to make a recommendation to Shareholders in respect of the Offer.

As each of Mr. Chuang Wen Fu, Mr. Gu Cheng Hua, Mr. Yap Chin Kuan, Mr. Teow Joo Hwa and Mr. Chuang Tze Mon (the "**Excluded Directors**") is acting in concert with the Offeror in connection with the Offer, he will face conflict of interests in relation to the Offer that would render it inappropriate for him to join the Independent Directors in making a recommendation to Shareholders in connection with the Offer. The SIC had ruled on 7 May 2019 that the Excluded Directors are exempted from the requirement to make a recommendation on the Offer.

All the Directors (including, for the avoidance of doubt, the Excluded Directors) are jointly and severally responsible for the accuracy of facts stated, opinions expressed and completeness of the information given by the Company to Shareholders on the Offer, including information contained in documents, announcements and advertisements issued by or on behalf of the Company in connection with the Offer.

### 11.5 Recommendations of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the advice of the IFA as set out in the IFA Letter, **CONCUR** with the advice given by the IFA in respect of the Offer. The advice of the IFA is set out in section 11.3 above.

Accordingly, the Independent Directors recommend the Shareholders to **ACCEPT** the Offer if they are unable to obtain a price higher than the Offer Price (net of related expenses) in the open market.

**Shareholders are advised to read and consider the recommendation of the Independent Directors and the IFA Letter set out in Appendix I of this Circular carefully and in its entirety before deciding whether or not to accept the Offer.**

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## LETTER TO SHAREHOLDERS

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In making their recommendation, the IFA and the Independent Directors have not had regard to the general or specific investment objectives, financial situation, tax status or position, risk profiles or unique needs and constraints and circumstances of any individual Shareholder or group of Shareholders. As each Shareholder or group of Shareholders would have different investment objectives and profiles, the Independent Directors, as advised by the IFA, recommend that any individual Shareholder or group of Shareholders who may require specific advice in the context of his investment objectives or portfolio, including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

**Shareholders are advised that the opinion and advice of the IFA and the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.**

### 12. OVERSEAS SHAREHOLDERS

#### 12.1 Availability of the Offer to Overseas Shareholders

The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or in the Depository Register (as the case may be) (the “**Overseas Shareholders**”), may be affected by the laws of the relevant overseas jurisdiction. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.

Overseas Shareholders should refer to section 15 of the Offer Document, which is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

### **15. OVERSEAS SHAREHOLDERS**

**15.1 Overseas Shareholders.** *This Offer Document, the relevant Acceptance Forms and/or any related documents do not constitute an offer to sell or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document, the relevant Acceptance Forms and/or any related documents in any jurisdiction in contravention of applicable law.*

***For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the relevant Acceptance Forms and/or any related documents may not be sent.***

*The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.*

**15.2 Copies of Documents.** *Where there are potential restrictions on sending this Offer Document, the relevant Acceptance Forms and/or any related documents to any overseas jurisdictions, the Offeror and OCBC Bank each reserves the right not to send this Offer Document, the relevant Acceptance Forms and/or any related documents to such overseas jurisdictions. Any affected Overseas Shareholder may nonetheless obtain copies of this Offer Document, the relevant Acceptance Forms and/or any related documents during normal business hours from (i) CDP (if he is a Depositor) at **9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588**; or (ii) the office of the Receiving Agent (if he is holding Shares which are not deposited with CDP (“**in scrip form**”) at **112 Robinson Road #05-01, Singapore 068902**. Alternatively, an affected Overseas Shareholder may write to CDP (if he is a Depositor) or the Receiving Agent (if he is holding Shares in scrip form) to request for this Offer Document, the relevant Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.*

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## LETTER TO SHAREHOLDERS

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**15.3 Overseas Jurisdiction.** *It is the responsibility of any Overseas Shareholder who wishes to (i) request for this Offer Document, the relevant Acceptance Forms and/or any related document and (ii) accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable in such jurisdictions and the Offeror, its related corporations, the Consortium Members, OCBC Bank, CDP, the Receiving Agent and/or any other person acting on its behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, the Consortium Members, OCBC Bank, CDP, the Receiving Agent and/or any other person acting on its behalf may be required to pay. In (i) requesting for this Offer Document, the relevant Acceptance Forms and/or any related documents and (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and OCBC Bank that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.*

**15.4 Notice.** *The Offeror and OCBC Bank each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all of the Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Shareholder) to receive or see such announcement or advertisement.*

### 12.2 Copies of Circular

Potential restrictions in sending this Circular and any related documents to overseas jurisdictions could result in such documents not being sent to any Overseas Shareholder. Copies of this Circular may however be obtained during normal business hours up to the Closing Date from the office of the Share Registrar at 112 Robinson Road #05-01, Singapore 068902. Alternatively, any Overseas Shareholder may write to the Share Registrar at the aforementioned address to request for this Circular and any related documents to be sent to an address in Singapore by ordinary post at his own risk (the last date for despatch in respect of such a request shall be a date falling five (5) Market Days prior to the Closing Date).

### 13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 16.2 of the Offer Documents sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are set out below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

**16.2 Information Pertaining to CPFIS Investors and SRS Investors.** *CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice. CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date.*

*CPFIS Investors and SRS Investors who validly accept the Offer through appropriate intermediaries will receive the Offer Price payable in respect of their Offer Shares in their respective CPF investment accounts and SRS investment accounts.*

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## LETTER TO SHAREHOLDERS

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### 14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on 28 June 2019, and should take note of the procedures for acceptance of the Offer as set out in Appendix 2 to the Offer Document, the FAA and/or the FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by the CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

### 15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (excluding those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer and the Excluded Documents) are fair and accurate and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular (excluding those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer and the Excluded Documents) misleading.

The recommendation of the Independent Directors to Shareholders set out in section 11.5 of this Circular is the sole responsibility of the Independent Directors. In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are, to the best of their knowledge and belief, fair and accurate in all material respects.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, the Offer Document and the Excluded Documents), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately and correctly reflected or reproduced in this Circular in its proper form and context.

The Directors jointly and severally accept full responsibility accordingly.

### 16. ADDITIONAL INFORMATION

The attentions of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of  
**MEMTECH INTERNATIONAL LTD.**

Chuang Wen Fu  
Executive Chairman

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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14 June 2019

The Independent Directors  
Memtech International Ltd.  
89 Short Street  
Golden Wall Centre #04-01  
Singapore 188216

Dear Sirs / Madam

### VOLUNTARY CONDITIONAL CASH OFFER BY OVERSEA-CHINESE BANKING CORPORATION LIMITED, FOR AND ON BEHALF OF M-UNIVERSE INVESTMENTS PTE. LTD.

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#### 1. INTRODUCTION

On 14 May 2019 (the “**Offer Announcement Date**”), Oversea-Chinese Banking Corporation Limited (“**OCBC Bank**”) announced, for and on behalf of M-Universe Investments Pte. Ltd. (the “**Offeror**”), that the Offeror intends to make a voluntary conditional cash offer (the “**Offer**”) for all of the issued ordinary shares (the “**Shares**”) in the capital of Memtech International Ltd. (“**Memtech**” or the “**Company**”), other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations or their respective nominees (the “**Offer Shares**”), in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and the Singapore Code on Take-overs and Mergers (the “**Code**”).

The Offeror is the bid vehicle for the Consortium Members (as defined below) who have agreed, pursuant to a consortium agreement among the Consortium Members (the “**Consortium Agreement**”), to undertake the Offer through the Offeror. The Consortium Members are:

- (i) Mr Chuang Wen Fu (“**CWF**”), Ms Chuang-Kao Jung Mi (“**CJM**”), Mr Chuang Tze Mon (“**CTM**”) and Ms Chuang Tze Dey (“**CTD**”) (collectively, the “**Chuang Family**”);
- (ii) Keytech Investment Pte. Ltd. (“**Keytech**”) (an investment holding company through which the Chuang Family and the management team of the Company primarily hold interests in the Company) and the Keytech Directors (as defined in Section 5.3 of the Offer Document); and
- (iii) Universal Global Technology Co., Limited (“**UGT**”),

(collectively, the “**Consortium Members**”).

The Offer is conditional on the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror, its related corporations or their respective nominees holding not less than 90% of the total number of Shares as at the close of the Offer (the “**Acceptance Condition**”). The Offeror reserves

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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the right to reduce the Acceptance Condition to a lower level which is more than 50% of the total number of Shares (as required by Rule 15.1 of the Code), subject to the consent of the Securities Industry Council. The Offer is made at the final offer price of S\$1.35 in cash for each Offer Share (the “**Offer Price**”).

In connection with the Offer, the Company has appointed PricewaterhouseCoopers Corporate Finance Pte Ltd (“**PwCCF**”) as the Independent Financial Adviser (“**IFA**”) to the directors of the Company who are considered independent (“**Independent Directors**”) for the purpose of making a recommendation to the Shareholders in relation to the Offer.

This letter (“**IFA Letter**”) is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer. This IFA Letter forms part of the Circular to Shareholders dated 14 June 2019 (the “**Circular**”) which provides, *inter alia*, the details of the Offer and the recommendations of the Independent Directors thereon.

### 2. TERMS OF REFERENCE

We have confined our evaluation of the Offer solely from a financial point of view on the bases set out herein.

We have relied upon and assumed, *inter alia*, the accuracy, adequacy and completeness of all publicly available information or information provided to or discussed with us by the Company or otherwise reviewed by or for us. We have not independently verified such information or its accuracy, adequacy or completeness. We do not represent or warrant, expressly or impliedly, and do not accept any responsibility for the accuracy, completeness or adequacy of such information. We have not conducted any valuation or appraisal of any assets or liabilities, (including without limitation, real properties) nor have we evaluated the solvency of the Company, the Company and its subsidiaries and its associated companies (the “**Group**”), the Offeror (and parties acting in concert with them) or any other relevant party to the Offer under any applicable laws relating to bankruptcy, insolvency or similar matters. We are not legal, regulatory or tax experts. We are the financial advisers only and have relied on, without independent verification, the assessments made by advisers to the Company with respect to such issues. We have nevertheless made reasonable enquiries and exercised reasonable judgement as we deemed necessary or appropriate in assessing such information and we are not aware of any reason to doubt the reliability of the information.

In addition, we have assumed that the Offer will be consummated in accordance with the terms set forth in the Offer Document without any waiver, amendment or delay of any terms or conditions and that no conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. We have further assumed, *inter alia*, that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Offer will be obtained and that no delays, limitations, conditions or restrictions will be imposed that would have any material adverse effect on the Company or on the contemplated benefits of the Offer.



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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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Our opinion as set out in this IFA Letter is based upon prevailing market, economic, industry, monetary and other conditions (if applicable) and the information made available to us as of 3 June 2019 (the “**Latest Practicable Date**”). Developments after the Latest Practicable Date may affect the contents of this IFA Letter and we assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect the contents of this IFA Letter. Our opinion is limited to the fairness and reasonableness, from a financial point of view, of the Offer. We express no opinion as to the fairness and reasonableness of the Offer to, or any consideration received in connection therewith by, the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Offer.

We have not been requested to, and we do not, express any opinion on the structure of the Offer, the specific amount of the Offer Price, or any other aspects of the Offer, or to provide services other than the delivery of this IFA Letter. We were not involved in negotiations pertaining to the Offer nor were we involved in the deliberation leading up to the decision to put forth the Offer to the Shareholders. We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Shares and/or any other alternative transaction.

Our terms of reference also do not require us to evaluate or comment on the rationale for, risks and/or merits of the Offer or the future prospects and earnings potential of the Company or the Group, nor do our terms of reference require us to evaluate or comment on the merits of the statements or opinions stated in any research reports on the Company, including any other reports issued by any other party. We have accordingly not made such evaluation or comments. Such evaluation or comments, if any, remains the sole responsibility of the Directors, although we may draw upon their views to the extent deemed necessary or appropriate by us in arriving at our opinion as set out in this IFA Letter. In addition, our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects, earnings potential and/or financial position of the Company and/or the Group. The Independent Directors may wish to advise Shareholders to take note of any announcement relevant to their consideration of the Offer, which may be released by the Company after the Offer Document Latest Practicable Date.

The Directors have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information in connection with the Company, the Group, the Offer and the Circular has been disclosed to us, that such information constitutes a full and true disclosure in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group as stated in the Circular to be incomplete, inaccurate or misleading in any material respect. The Directors have jointly and severally accepted the responsibility for the accuracy and completeness of such information. We have relied upon such confirmation by the Directors and the accuracy and completeness of all information given to us by the Directors and/or management of the Company (“**Management**”) and have not independently verified such information, whether written or verbal, and accordingly cannot and do not represent and warrant, expressly or impliedly, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information.

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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We have relied upon the assurances of the Directors that the Circular has been approved by the Directors (including those who may have delegated detailed supervision of the Circular) who collectively and individually accept full responsibility for the accuracy of the information given in the Circular (other than this IFA Letter and information extracted *in toto* from the Offer Document) and confirm after making all reasonable enquiries that, as at the Latest Practicable Date, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Company and/or the Group in the context of the Offer and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading in any material respect. For the purposes of providing this IFA Letter and our evaluation of the Offer from a financial point of view, we have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing.

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situation, tax position, risk profile, tax status or positions or particular needs and constraints or other particular circumstances of any Shareholder and do not assume any responsibility for, nor hold ourselves out as advisers to, any person other than the Independent Directors. As each Shareholder would have different investment objectives and profiles, the Independent Directors may wish to advise any Shareholder who may require specific advice in relation to his specific investment portfolio to consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other appropriate professional adviser immediately.

This IFA Letter is addressed to the Independent Directors and is for their benefit in connection with and for the purpose of their consideration of the Offer. However, the recommendations made by them shall remain the responsibility of the Independent Directors. This IFA Letter is not addressed to and may not be relied upon by any third party including, without limitation, Shareholders of the Company, employees or creditors of the Company. This IFA Letter does not constitute, and should not be relied on, as advice or a recommendation to, or confer any rights or remedies upon, any Shareholders as to how such person should deal with their Shares in relation to the Offer or any matter related thereto.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided and will not provide any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for, and express no views (express or implied) on, the contents of the Circular (other than this IFA Letter).

Our opinion in relation to the Offer should be considered in the context of the entirety of this IFA Letter and the Circular.

### 3. THE OFFER

The following paragraphs have been extracted from Section 2 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to**



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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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read the entire Offer Document including relevant sections, as extracted below, carefully.

### 2. THE OFFER

2.1 **Offer.** *On the terms and subject to the conditions set out in this Offer Document, for and on behalf of the Offeror, OCBC Bank hereby makes the Offer for all the Offer Shares, in accordance with Section 139 of the SFA and the Code.*

2.2 **Offer Price.** *The price for each Share (the “Offer Price”) is as follows:*

***For each Share: S\$1.35 in cash.***

***The Offer Price is final and the Offeror does not intend to revise the Offer Price.***

2.3 **Offer Shares.** *The Offer is extended to all the Shares in issue, other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations or their respective nominees.*

2.4 **No Encumbrances.** *The Offer Shares are to be acquired:*

(i) *fully paid;*

(ii) *free from all Encumbrances; and*

(iii) *together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Offer Announcement Date.*

2.5 **Adjustment for Distributions.** *In the event any Distribution is or has been announced, declared, paid or made by the Company on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer, the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer falls, as follows:*

2.5.1 *if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “Books Closure Date”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay to such Accepting Shareholder the Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or*

2.5.2 *if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “Adjusted Offer Price”) and the Offeror shall pay to such*

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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*Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.*

- 2.6 Acceptance Condition.** *The Offer is conditional on the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which will result in the Offeror, its related corporations or their respective nominees holding not less than 90 per cent. of the total number of Shares as at the close of the Offer (the “Acceptance Condition”).*

*Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which will result in the Offeror meeting the Acceptance Condition.*

*The Offeror reserves the right to reduce the Acceptance Condition to a lower level which is more than 50 per cent. of the total number of Shares (as required by Rule 15.1 of the Code), subject to the consent of the SIC. In the event that the Acceptance Condition is revised, the conditions for the SIC’s consent will include (i) the revised Offer being kept open for at least 14 days following the posting of the written notification to Shareholders of such revision, and (ii) Shareholders who have accepted the initial Offer will be allowed to withdraw their acceptance within eight days of the notification of such revision.*

*Save for the Acceptance Condition, the Offer is unconditional in all other respects.*

- 2.7 No Options.** *As at the Latest Practicable Date, based on the latest information available to the Offeror, there are no outstanding options exercisable in respect of the Shares.*

- 2.8 No Undertakings.** *As at the Latest Practicable Date, save for the Reinvestment Irrevocable Undertakings, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any party to accept or reject the Offer.*

- 2.9 Warranty.** *A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably warrant that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof (i) fully paid, (ii) free from all Encumbrances, and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain (if any) all Distributions announced, declared, paid or made by the Company on or after the Offer Announcement Date.*

- 2.10 Choices.** *Shareholders can, in relation to all or part of their Offer Shares, either:*

*2.10.1 accept the Offer in respect of such Offer Shares in accordance with the procedures set out in **Appendix 2** to this Offer Document; or*

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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**2.10.2** *take no action and let the Offer lapse in respect of their Offer Shares.*

### 4. DETAILS OF THE OFFER

Please refer to Appendix 1 to the Offer Document for details of the Offer on (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer.

### 5. INFORMATION ON THE OFFEROR AND THE CONSORTIUM MEMBERS

Please refer to Section 5 of the Offer Document for information and further disclosures on the Offeror and the Consortium Members.

### 6. INFORMATION ON THE COMPANY

Please refer to Section 6 of the Offer Document for information and further disclosures on the Company.

### 7. IRREVOCABLE UNDERTAKINGS

The following paragraphs have been extracted from Section 7 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

#### **7. IRREVOCABLE UNDERTAKINGS**

**7.1** ***Reinvestment Irrevocable Undertakings.** It is the intention of the Chuang Family, Keytech and the Keytech Directors to retain their existing direct and/or indirect equity interests in the Company. To this end, as at the Latest Practicable Date, each of Keytech and the Direct Shareholders (the “**Reinvestment Undertaking Shareholders**”) has given an irrevocable undertaking (the “**Reinvestment Irrevocable Undertakings**”) to the Offeror to, inter alia:*

**7.1.1** *tender all the Offer Shares that it/he/she holds in aggregate as at the date of the Reinvestment Irrevocable Undertakings and any other Shares which it/he/she may subsequently acquire (directly or indirectly or through a nominee) after the date of the Reinvestment Irrevocable Undertakings, in acceptance of the Offer by no later than 5.00 p.m. (Singapore time) on the third Business Day after the Despatch Date in accordance with the procedures prescribed in this Offer Document and the relevant Acceptance Forms;*

**7.1.2** *in the case of Keytech, reinvest the entire amount of the consideration due to it for its Offer Shares under the Offer to subscribe for new Offeror Shares at the Offer Price (the “**Keytech Reinvestment**”); and*

**7.1.3** *in the case of each of the Direct Shareholders, reinvest the entire amount of the consideration due to him/her for his/her Offer Shares under the Offer be applied to subscribe for new Keytech Shares at a subscription price based on the Offer Price, the proceeds of which shall in turn be applied by Keytech to subscribe for new Offeror Shares at a subscription price based on the Offer Price (together with the Keytech Reinvestment, the “Reinvestments”).*

*The Direct Shareholders are directors of Keytech and/or members of the Chuang Family who have a direct shareholding interest in the Company and comprise the following:*

- (i) CWF;*
  - (ii) CTD;*
  - (iii) CTM;*
  - (iv) GCH, an Executive Director and Chief Executive Officer of the Company;*
  - (v) YCK, an Executive Director of the Company and President of Dongguan Memtech Electronic Products Co., Ltd.;*
  - (vi) TJH, an Executive Director of the Company and President of Taitech Precision Electronic (Kunshan) Co., Ltd.;*
  - (vii) HNB, Vice-President of plastic division of Kunshan Plant;*
  - (viii) WJ, General Manager of Nantong Plant;*
  - (ix) BYS, General Manager of Dongguan Memtech Electronic Product Co., Ltd; and*
  - (x) ZLQ, Group Financial Controller,*
- (collectively, the “Direct Shareholders”).*

*As at the Latest Practicable Date, the Reinvestment Undertaking Shareholders collectively hold 80,923,460 Shares, representing approximately 57.77 per cent. of the Company. Details of the Shares held by the Reinvestment Undertaking Shareholders that will be tendered in acceptance of the Offer and the amount of consideration entitled to which will be applied pursuant to the Reinvestments are set out below:*

## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

No.	Undertaking Shareholder	No. of Shares to be tendered in acceptance of the Offer	Percentage of the total number of Shares (%)	Amount of consideration entitled to, which will be applied to subscribe for new Offeror Shares (S\$)	Amount of consideration entitled to, which will be applied to subscribe for new Keytech Shares, which in turn will be used by Keytech to subscribe for new Offeror Shares (S\$)
1.	Keytech	61,678,400	44.03	83,265,840	–
2.	CWF	5,542,800	3.96	–	7,482,780
3.	CTD	4,504,400	3.22	–	6,080,940
4.	CTM	3,983,200	2.84	–	5,377,320
5.	HNB	1,504,500	1.07	–	2,031,075
6.	GCH	1,445,800	1.03	–	1,951,830
7.	WJ	1,188,180	0.85	–	1,604,043
8.	BYS	407,600	0.29	–	550,260
9.	YCK	400,000	0.29	–	540,000
10.	ZLQ	198,580	0.14	–	268,083
11.	TJH	70,000	0.05	–	94,500
<b>Total</b>		<b>80,923,460</b>	<b>57.77</b>	<b>83,265,840</b>	<b>25,980,831</b>

**7.2 Termination.** *The Reinvestment Irrevocable Undertakings will terminate or lapse upon the earlier of:*

- (i) *the Offer being withdrawn or lapsing;*
- (ii) *the Offeror failing to release the Offer Announcement within three Business Days from the date of Reinvestment Irrevocable Undertakings or such other date as may be extended by mutual written agreement of the Offeror (on the one hand) and the relevant Reinvestment Undertaking Shareholder (on the other hand); and*
- (iii) *the Offer not being formally made by the Offeror (by the posting of the Offer Document) within the time period prescribed under the Code (or such later date as the SIC may permit).*

**7.3 SIC Confirmation.** *Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the Consortium Agreement, the Reinvestment Irrevocable Undertakings and the Reinvestments do not constitute a special deal for the purposes of Rule 10 of the Code.*

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### 8. RATIONALE FOR THE OFFER

The following paragraphs have been extracted from Section 8 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

#### **8. RATIONALE FOR THE OFFER**

**8.1 Opportunity for Shareholders to Exit their Investment in the Shares at a Premium.** *The Offer Price represents a premium of approximately 31.5 per cent., 31.6 per cent., 35.6 per cent. and 30.2 per cent. over the VWAP per Share for the one-month, three-month, six-month and twelve-month periods respectively up to and including the Last Trading Day and a premium of approximately 23.9 per cent. over the closing price per Share of S\$1.09 as quoted on the SGX-ST on the Last Trading Day. The Offer therefore represents an attractive cash exit opportunity for Shareholders to liquidate and realise their entire investment at a premium to the prevailing market prices, without incurring any brokerage and other trading costs.*

**8.2 Low Trading Liquidity.** *The trading volume of the Shares has been generally low, with an average daily trading volume<sup>1</sup> of approximately 523,680 Shares, 383,479 Shares, 227,176 Shares and 211,939 Shares during the one-month, three-month, six-month and twelve-month periods respectively up to and including the Last Trading Day. Each of these represents less than approximately 0.4 per cent. of the total number of issued Shares (excluding treasury Shares) for any of the aforementioned relevant periods.*

*The low trading liquidity may not provide Shareholders with sufficient opportunity to efficiently exit their investments in the Company. Hence, the Offer represents a unique cash exit opportunity for Shareholders to liquidate and realise their entire investment at a premium to the prevailing market prices at a fixed price with certainty amidst uncertain economic environment in part due to the ongoing US-Sino trade dispute, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.*

**8.3 No Necessity for Access to Equity Capital Markets.** *Since the Company's initial public offering in 2004, the Company has not carried out any exercise to raise equity capital on the SGX-ST. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future as the Company has various other available funding sources such as bank borrowing facilities. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST.*

**8.4 Costs of Maintaining Listing Status.** *In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Listing Manual. In the event that the Company is delisted from the SGX-ST,*

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*the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.*

**8.5 Greater Management Flexibility.** *The Offeror is making the Offer with a view to delist the Company from the SGX-ST and exercise its rights of compulsory acquisition. The Offeror believes that privatising the Company will provide the Offeror with more flexibility to manage the business of the Company and optimise the use of the Company’s management and resources.*

<sup>1</sup> *The average daily trading volume is computed based on the total volume of Shares traded divided by the number of Market Days with respect to the one-month period, three-month period, six-month period and twelve-month period up to and including the Last Trading Day. “Market Day” refers to a day on which the SGX-ST is open for the trading of securities.*

### 9. THE OFFEROR’S INTENTIONS IN RELATION TO THE COMPANY

The following paragraphs have been extracted from Section 9 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

#### **9. OFFEROR’S INTENTIONS IN RELATION TO THE COMPANY**

*The Offeror intends for the Company to continue its existing business activities and there are currently no plans to (i) introduce any major changes to the business of the Company or the operations of any of its subsidiaries, (ii) re-deploy any of the fixed assets of the Company or (iii) discontinue the employment of any of the existing employees of the Company or its subsidiaries, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Company.*

### 10. COMPULSORY ACQUISITION

The following paragraphs have been extracted from Section 10 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

#### **10. COMPULSORY ACQUISITION**

**10.1 Compulsory Acquisition Rights.** *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer or acquires Shares during*



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*the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Offer Announcement Date), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the “Dissenting Shareholders”) on the same terms as those offered under the Offer.*

*In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Dissenting Shareholders, the Offeror intends to exercise its right of compulsory acquisition. In such event, the Company will become a wholly owned subsidiary of the Offeror pursuant to such compulsory acquisition and the Offeror will then proceed to delist the Company from the SGX-ST.*

**10.2 Dissenting Shareholders’ Right.** *In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares, the Dissenting Shareholders have a right to require the Offeror to acquire their Shares at the Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.*

### 11. LISTING STATUS OF THE COMPANY

The following paragraphs have been extracted from Section 11 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

#### **11. LISTING STATUS OF THE COMPANY**

**11.1 Listing Status of the Company.** *Under Rule 723 of the Listing Manual, the Company must ensure that at least 10 per cent. of the total number of the Shares (excluding treasury shares) is at all times held by the public (the “Free Float Requirement”).*

*Under Rule 1105 of the Listing Manual, in the event that the Offeror and parties acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10 per cent. of the issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.*

*Further, under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the Shares (excluding treasury shares), thus causing the percentage of the Company’s total number of Shares (excluding*



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*treasury shares) in public hands to fall below 10 per cent., the SGX-ST will suspend trading of Shares at the close of the Offer.*

*In addition, under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not complied with, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, for the proportion of the Shares held by members of the public to be raised to at least 10 per cent., failing which the Company may be delisted from the SGX-ST.*

**11.2 Intention of the Offeror.** *In the event the Offeror is unable to exercise the right to compulsorily acquire all the Shares not acquired under the Offer as set out in Section 10 of this Offer Document and the Company does not meet the Free Float Requirement under Rule 723 of the Listing Manual, the Offeror and the Consortium Members do not intend to maintain or support any action taken or to be taken to meet the Free Float Requirement or maintain the present listing status of the Company.*

*Accordingly, the Offeror and the Consortium Members do not intend to place out any Shares held by the Offeror and the Consortium Members to members of the public to meet the Free Float Requirement. If the Company does not meet the requirements under Rule 723 of the Listing Manual, the SGX-ST may suspend trading of the Shares on the SGX-ST following the close of the Offer.*

*In addition, the Offeror intends to, and hereby reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.*

*If, for any reason, the Company continues to meet the requirements under Rule 723 of the Listing Manual following the close of the Offer, the Company will remain listed, and trading of the Shares will be maintained, on the SGX-ST.*

## 12. FINANCIAL ASSESSMENT OF THE OFFER

For the purpose of our analyses in this IFA Letter, we wish to highlight the following dates:

- (a) 10 May 2019 (the “**Last Trading Day**”), being the last full Market Day immediately prior to the Offer Announcement Date;
- (b) 14 May 2019, being the date that OCBC Bank announced, for and on behalf of M-Universe Investments Pte. Ltd., that the Offeror intends to make a voluntary conditional cash offer for all the Shares in the capital of the Company (the “**Offer Announcement Date**”); and
- (c) 3 June 2019, being the Latest Practicable Date prior to the printing of this Circular, save that where parts of the Offer Document (including the letter from OCBC Bank to the Shareholders

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in the Offer Document) are reproduced, references to the "Latest Practicable Date" in such reproduction shall mean the Offer Document LPD.

In the course of our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have considered the following factors based on publicly available information and information made available to us by the Company as of the Latest Practicable Date:

- (a) Historical share price performance of the Shares;
- (b) Historical share price performance relative to market index;
- (c) Liquidity analysis;
- (d) Net asset value ("**NAV**") of the Group;
- (e) NAV per Share relative to the Offer Price;
- (f) Valuation multiples of selected listed companies which are broadly comparable with the Group;
- (g) Valuation multiples of selected transactions which are broadly comparable with the Group;
- (h) Recent selected successful privatisation take-over transactions on the SGX-ST;
- (i) Brokers' price target for the Shares;
- (j) Historical dividend yield of the Company; and
- (k) Other relevant considerations in relation to the Offer which may have a significant bearing on our evaluation.

**The figures and underlying financial data used in our analyses in this section of this IFA Letter have been extracted from, amongst others, Bloomberg L.P., Capital IQ, SGX-ST, the publicly available financial information of the Company and relevant public documents of the Company covered by those sources as at the Latest Practicable Date. We have not independently verified (nor have we assumed responsibility or liability for independently verifying) or ascertained and make no representations or warranties, express or implied, on the accuracy or completeness or adequacy of such information. We note that the accounting standards used by the respective Comparable Companies may be different. The differences between the accounting standards used by the Company and the Comparable Companies may therefore render comparisons between these companies less useful than if they all used the same accounting standards.**

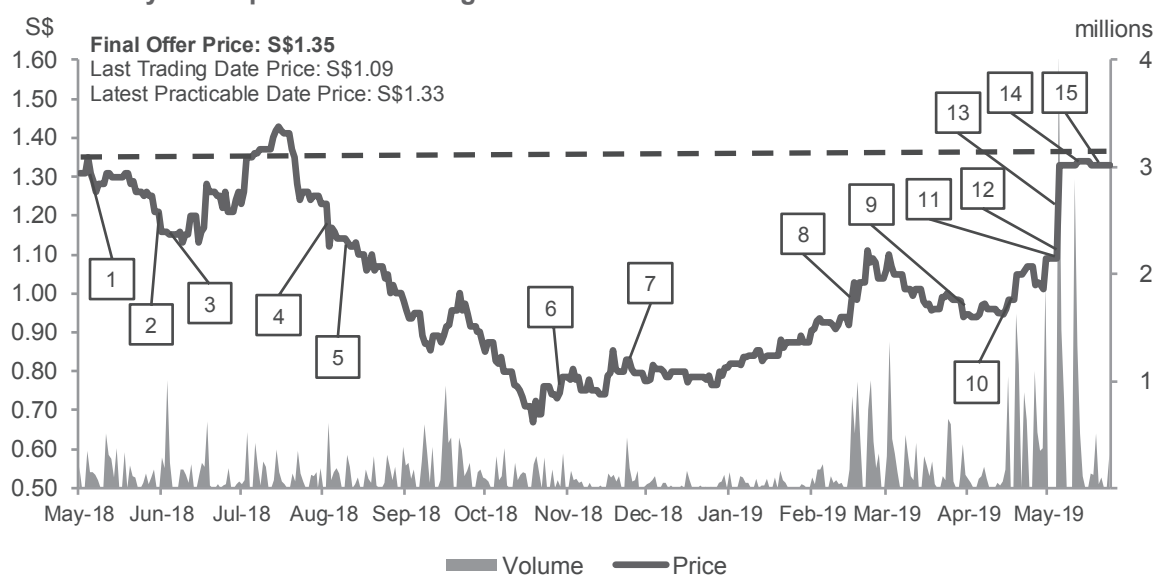
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### 12.1 Historical share price performance of the Shares

In assessing the reasonableness of the Offer Price from a financial point of view, we have taken into consideration the historical share price performance and trading volume of the Company over a reasonable period of time, based on the assumption that the stock market provides an efficient mechanism by which such price expectations may be expressed. We wish to highlight that under ordinary circumstances, the market valuation of shares traded on a recognised stock exchange may be affected by, *inter alia*, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time. **Therefore, this analysis serves as an illustrative guide only.**

We set out a chart below which shows the trend of the daily closing prices and the volume traded for the Shares from 11 May 2018 (being the 12-month period preceding the Last Trading Day) and up to and including the Latest Practicable Date:

**Closing price (in S\$) and volume (in million) of the Shares for the period from 11 May 2018 up to and including the Latest Practicable Date**



Source: Bloomberg L.P., Memtech's SGX-ST announcements

A summary of the salient announcements on key corporate developments by the Company during the 12-month period preceding the Last Trading Day and up to and including the Latest Practicable Date is set out below:

No.	Date	Event Description
1	16 May 2018	The Company announced the dissolution of wholly-owned subsidiary Huzhou Memtech Electronic industries Co. Ltd. ("MTH")
2	14 June 2018	The Company announced a share buy-back by way of market acquisition for 610,800 outstanding shares to be held in treasury.

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No.	Date	Event Description
3	18 June 2018	The Company announced a share buy-back by way of market acquisition for 189,200 outstanding shares to be held in treasury.
4	13 August 2018	The Company released its Financial Statements and Related Announcements for the Second Quarter and/ or Half Yearly Results of FY2018.
5	17 August 2018	Disclosure of Interest/ Changes in Interest of Director/ Chief Executive Officer for the acquisition of 100,000 ordinary shares at \$115,000 by the spouse of Executive Director Teow Joo Hwa.
6	8 November 2018	The Company released its Financial Statements and Related Announcements for the Third Quarter of FY2018.  General Announcement made by the Company reporting US\$3.1 million net profit for 3Q2018.
7	3 December 2018	The Company released its Sustainability Report for FY2017.
8	27 February 2019	The Company released Financial Statement and Related Announcement: Full Yearly Report for the period ended 31 December 2018.  General Announcement made by the Company reporting US\$9.6 million net profit for FY2018.  The Company declared a Dividend/ Distribution rate of SGD\$0.03 (Per Share/ Unit).
9	9 April 2019	The Company released Annual Reports and Related Documents.  The Company announced details for the Annual General Meeting which would be held at M Hotel Singapore, Anson III, Level 2, 81 Anson Road, Singapore 079908 on Thursday, 25 April at 2019 at 2.00 p.m.
10	25 April 2019	The Company released Financial Statements and Related Announcements for the First Quarter of FY2019.  General Announcement made by the Company reporting US\$1.2 million net profit for 1Q2019.  The Company provided the Results of the Annual General Meeting held on 25 April 2019.
11	13 May 2019	The Company submitted a request to halt the trading of its shares with immediate effect.

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No.	Date	Event Description
12	14 May 2019	General Announcement made by the Company reporting M-Universe's voluntary conditional cash offer of S\$1.35 per share for Memtech International Ltd.
13	15 May 2019	The Company submitted a request for the lifting of the trading halt.
14	24 May 2019	The Company announces the appointment of PricewaterhouseCoopers Corporate Finance Pte Ltd as the Independent Financial Advisor.
15	31 May 2019	OCBC Bank announces the despatch of Offer Document The Company released its Sustainability Report for FY2018.

*Source: Memtech's SGX-ST announcements*

Based on the analysis above, we note the following:

- (a) Over the 12-month period preceding the Last Trading Day and up to the Last Trading Day, the closing prices of the Shares have been in the range of a low of S\$0.67 to a high of S\$1.43. The Offer Price of \$1.35 represents a premium of S\$0.68 (or 101.5%) above the lowest transacted price and a discount of S\$0.08 (or 5.6%) below the highest transacted price of the Shares. The closing prices of the Shares had been below the Offer Price for the entire period since 1 August 2018 and up to the Last Trading Day;
- (b) Since 15 May 2019 (first Market Day after the Last Trading Day and lifting of the trading halt) and up to the Latest Practicable Date, the Shares has been trading close to the Offer Price of between S\$1.33 and S\$1.34.
- (c) Prior to the Offer Announcement Date, the closing price of the Shares on the Last Trading Day was S\$1.09. On 15 May 2019 (being the first Market Day after the Offer Announcement Date and the lifting of the trading halt), the price of the Shares rose to close at S\$1.33; and
- (d) The Offer Price represents a slight premium of S\$0.02 (or 1.5%) above the last transacted price of the Shares of S\$1.33 as at the Latest Practicable Date.

We have sought to benchmark the Offer Price against the VWAP of the Shares for selected reference periods. The table below shows the premium of the Offer Price over the last transacted price, as well as the 1-month, 3-month, 6-month and 12-month period VWAP preceding and including the Last Trading Day.

We have made reasonable enquiries and Management has confirmed to us that they are not aware of any information not previously announced concerning the Company which, if known, might otherwise explain such variances in the price and trading volume.

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	Last Trading Day	1-month VWAP	3-month VWAP	6-month VWAP	12-month VWAP
Benchmark price per Share (S\$)	1.090	1.027	1.026	0.995	1.037
Offer Price as a premium to the benchmark price	23.9%	31.5%	31.6%	35.6%	30.2%

Source: Bloomberg L.P.

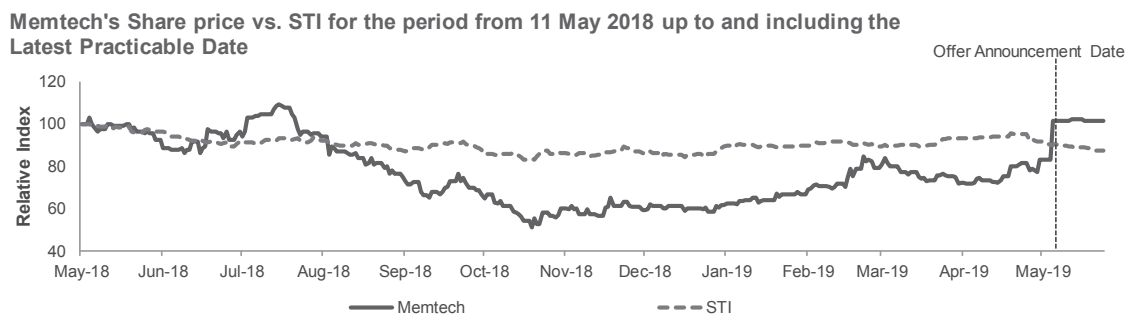
We note the following:

- (a) The Offer Price represents a premium of approximately 23.9% to the closing price of S\$1.09 per Share as at the Last Trading Day; and
- (b) The Offer Price represents a premium of approximately 31.5%, 31.6%, 35.6%, and 30.2% above the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day, respectively.

**The market prices of the Shares have shown appreciable differences before and after the Last Trading Day. As such, Shareholders should note that there is no assurance that the market prices of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date up to the close of the Offer. Shareholders should also note that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.**

### 12.2 Historical share price performance relative to market index

To gauge the market price performance of the Shares vis-à-vis the general performance of the Singapore equity market, we have compared the market price movements of the Shares against the FTSE Straits Times Index (“STI”), which is a market capitalisation-weighted stock market index that is regarded as the benchmark index for the Singapore stock market based on the top 30 companies listed on the SGX Mainboard, for the 12-month period preceding the Last Trading Day and up to and including the Latest Practicable Date as illustrated below:



Source: Bloomberg L.P.

We note that the Shares had generally underperformed the STI over the 12-month period preceding the Last Trading Day and up to and including the Latest Practicable Date. In addition, the closing prices of the Shares appear to have been supported by the Offer subsequent to the



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Offer Announcement Date and up to the Latest Practicable Date.

**Shareholders should note that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.**

### 12.3 Liquidity analysis

#### 12.3.1 Liquidity analysis of the Shares

As at the Latest Practicable Date, the Company had a free float of approximately 41.3%. The Independent Directors should also note that the average daily trading volume of the Shares is approximately 211,939 Shares during the 12-month period up to and including the Last Trading Day.

We have also considered the historical trading volume and liquidity of the Shares for the 1-month, 3-month, 6-month and 12-month periods preceding and including the Last Trading Day as well as for the 1-month, 3-month, 6-month and 12-month periods preceding up to and including the Latest Practicable Date:

Reference Period	ADTVolume	ADTValue	ADTValue/Market Cap <sup>(1)</sup>	ADTVolume/Shares Outstanding <sup>(2)</sup>
Last Trading Day	1,887,400	2,005,154	1.31%	1.35%
1M period preceding and including the Last Trading Day	523,680	537,778	0.35%	0.37%
3M period preceding and including the Last Trading Day	383,479	393,406	0.26%	0.27%
6M period preceding and including the Last Trading Day	227,176	226,129	0.15%	0.16%
12M period preceding and including the Last Trading Day	211,939	219,703	0.14%	0.15%
Latest Practicable Date	304,400	404,903	0.22%	0.22%
1M period preceding and including the Latest Practicable Date	768,040	960,707	0.52%	0.55%
3M period preceding and including the Latest Practicable Date	497,029	566,863	0.30%	0.35%
6M period preceding and including the Latest Practicable Date	307,428	338,888	0.18%	0.22%
12M period preceding and including the Latest Practicable Date	243,228	261,732	0.14%	0.17%

Source: Bloomberg L.P., Capital IQ

#### Notes:

- (1) The average daily trading value (“ADTValue”) of Shares traded over the reference period divided by the market capitalisation of the Company on either the Last Trading Day or the Latest Practicable Date, where relevant.
- (2) The average daily trading volume (“ADTVolume”) of Shares traded over the reference period divided by the total number of Shares outstanding of the Company on either the Last Trading Day or the Latest Practicable Date, where relevant.

Ordinarily, relative liquidity is one of the factors affecting the Share price performance at any given point in time. In benchmarking the Offer Price against the historical price of the Shares, we have compared the relative liquidity of the Company’s Shares in relation to all the companies listed on SGX Mainboard (excluding the Company) with market capitalisation of between S\$150 million and S\$190 million as at the Latest Practicable Date, excluding the Company.

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### 12.3.2 Liquidity analysis for the SGX Mainboard listed companies with market capitalisation of between S\$150 million and S\$190 million<sup>(1)</sup>

No.	Company Name	Market Capitalisation (S\$ mn)	Shares Outstanding (mn)	Percentage Free Float (%) <sup>(2)</sup>	12M ADTValue / Market Cap <sup>(3)</sup>	12M ADTVolume / Shares Outstanding <sup>(4)</sup>
1	Challenger Technologies Limited	190	345	19.5	0.02%	0.02%
2	Boardroom Limited	185	210	11.6	0.00%	0.00%
3	Avarga Limited	182	947	45.3	0.03%	0.03%
4	International Cement Group Ltd.	181	5,664	6.7	0.00%	0.00%
5	Second Chance Properties Ltd	181	755	19.7	0.00%	0.06%
6	PropNex Limited	179	370	13.9	0.19%	0.16%
7	Singapore Reinsurance Corporation Limited	176	605	82.6	0.01%	0.01%
8	APAC Realty Limited	174	355	27.8	0.43%	0.35%
9	Hock Lian Seng Holdings Limited	169	512	42.5	0.02%	0.02%
10	MYP Ltd.	161	1,592	9.4	0.00%	0.00%
11	Civmec Limited	158	501	43.1	0.01%	0.00%
12	MindChamps PreSchool Limited	156	242	26.3	0.02%	0.02%
13	Sing Holdings Limited	152	401	54.1	0.03%	0.03%
14	Heaton Holdings Limited	151	325	32.8	0.02%	0.02%
15	Hotung Investment Holdings Limited	150	96	69.6	0.03%	0.03%
	Minimum	150	96	6.7	0.00%	0.00%
	<b>Median</b>	<b>174</b>	<b>401</b>	<b>27.8</b>	<b>0.02%</b>	<b>0.02%</b>
	<b>Mean</b>	<b>170</b>	<b>861</b>	<b>33.7</b>	<b>0.05%</b>	<b>0.05%</b>
	Maximum	190	5,664	82.6	0.43%	0.35%
	<b>Memtech on Last Trading Day</b>	<b>153</b>	<b>140</b>	<b>41.3</b>	<b>0.14%</b>	<b>0.15%</b>
	<b>Memtech on Latest Practicable Date</b>	<b>186</b>	<b>140</b>	<b>41.3</b>	<b>0.14%</b>	<b>0.17%</b>

Source: Bloomberg L.P., Capital IQ

#### Notes:

- (1) All figures are as the Latest Practicable Date, unless otherwise stated.
- (2) Free float percentages are extracted from Capital IQ.
- (3) 12-month average daily trading value ("12M ADTValue") traded leading up to and including the Latest Practicable Date, divided by market capitalisation as at the Latest Practicable Date.
- (4) 12-month average daily trading volume ("12M ADTVolume") traded leading up to and including the Latest Practicable Date, divided by the total number of shares outstanding as at the Latest Practicable Date.

Based on the table above, we note that in the 12-month period preceding and including the Last Trading Day, the Company's average daily trading value as a percentage of its market capitalisation and average daily trading volume as a percentage of its total shares outstanding are within range and above the median and mean liquidity measure of SGX Mainboard listed companies with market capitalisation between S\$150 million and S\$190 million.

The trading volume of the Shares have shown appreciable differences before and after the Offer Announcement Date. As such, Shareholders should note that there is no assurance that the trading volume of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date up to the close of the Offer. Shareholders should also note that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.

As suggested by the analysis above, the trading of the Shares does not suffer from illiquid trading conditions and the historical market prices of the Shares serves as a meaningful reference point for comparison with the Offer Price. The past liquidity of the Shares should not be relied upon in any way as an indication of the future liquidity of the Shares.

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In the event that the Company does not meet the free float requirements of the Listing Manual, the Offeror does not intend to maintain the present listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted. Therefore, it is likely to be difficult for Shareholders to sell their Shares in the absence of a public market for the Shares as there is no arrangement for such Shareholders to exit their investments in the Shares.

### 12.4 NAV of the Group

The main components of the unaudited financial position of the Group as at 31 March 2019 are set out below:

	Unaudited As at 31 March 2019	
	(US\$'000)	(S\$'000) <sup>(1)</sup>
Non-current assets	53,241	72,120
Current assets	128,875	174,574
Non-current liabilities	5,621	7,614
Current liabilities	47,722	64,644
<b>Net assets</b>	<b>128,773</b>	<b>174,436</b>
<b>Total equity</b>	<b>128,773</b>	<b>174,436</b>
Non-controlling interests	402	545
<b>Equity/NAV attributable to the owners of the Company</b>	<b>128,371</b>	<b>173,891</b>
NAV attributable to Shareholders per Share (\$)	0.916	1.241

Source: Memtech's announcement relating to the unaudited financial results for first quarter FY2019 ("1Q2019 results")

#### Notes:

(1) Based on an assumed exchange rate of US\$1.00:S\$1.3546 from Capital IQ.

As at 31 March 2019, the unaudited NAV attributable to owners of the Company was approximately S\$173.9 million (US\$128.4 million) and the resultant NAV per Share was approximately S\$1.24 (US\$0.92). We note that the majority of the assets of the Group comprise mainly trade receivables and property, plant and equipment ("PPE"), accounting for 35.2% and 26.2% of the total assets of the Group as at 31 March 2019 respectively.

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.

In line with accounting policy, all PPE are initially recorded at cost and subsequently measured at

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cost less accumulated depreciation and any accumulated impairment loss. Accordingly we note that the difference between the market value of the PPE and its carrying value is not reflected in the NAV of the Group as at 31 March 2019. Management has also confirmed that all of the Group's assets are used in the continuing operations of the business, and that the Group does not have any idle or non-operational assets as at 31 March 2019, which can be sold without affecting the continuing operations of the business. We understand from Management that it is their intention to continue its current operations. As such, we are in the view that a revalued NAV ("RNAV") may not be relevant or the appropriate approach for the valuation of the Company and Group.

We wish to highlight that if a valuation of the PPE is performed, the RNAV can be potentially different from the NAV as at 31 March 2019. Management has confirmed that there has been no recent independent market valuation of its PPE and/or any other assets. As such, we are unable to comment whether the RNAV per Share is likely to be higher or lower than the Offer Price. Shareholders should note that even in the event that a valuation exercise is performed, it would be challenging to find comparable companies to benchmark the premium/(discount) of the Offer Price over the RNAV as such companies typically do not record the market value of its operational assets.

### 12.5 NAV per Share relative to the Offer Price

We were not provided with the Group's NAV as at the Latest Practicable Date. For the analysis in this section, we have relied on the latest available information from the Group's unaudited 1Q2019 results announcement to obtain a NAV of S\$173.9 million as at 31 March 2019<sup>1</sup>. Therefore, for the purpose of this analysis, NAV per Share is determined to be approximately S\$1.24<sup>1</sup> as at the Latest Practicable Date.

Offer Price	NAV per share (S\$)	Premium to NAV per share
1.35	1.24	8.7%

*Source: Memtech's 1Q2019 results announcement*

From the above table, we note that the Offer Price is at a premium of 8.7% to the NAV per Share of S\$1.24 as at 31 March 2019.

We have compared the premium / (discount) of the historical closing price to the NAV per Share, over the 12-month period preceding the Last Trading Day up to and including the Latest Practicable Date, as set out below.

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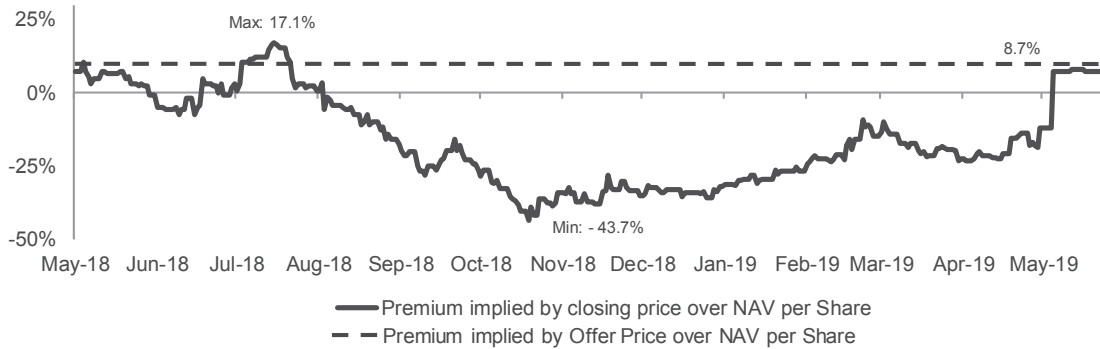
<sup>1</sup> Refer to paragraph 12.4 of this IFA Letter

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### Premium implied by the historical closing price of the Share to NAV per Share, for the period from 11 May 2018 up to and including the Latest Practicable Date



Source: Capital IQ

From the graph above, we note that the premium of the Offer Price to the NAV per Share of 8.7% is within the historical premium / (discount) range of (43.7)% to 17.1% and above the simple average discount of (16.1)%.

Management has confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief that other than those already provided for or disclosed in the Group's financial information as at 31 March 2019, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the unaudited NAV of the Group as at 31 March 2019.

**Shareholders should note that the above computation is solely for illustration purposes as the NAV of the Company is not necessarily a realisable value given that the market value of the assets may vary depending on, amongst others, the prevailing market and economic conditions.**

### 12.6 Valuation multiples of selected listed companies which are broadly comparable with the Group

In our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have compared the implied multiples for the Offer against those of companies which we consider to be broadly comparable to the Group.

We have used the following broad criteria to screen for Comparable Companies

- (a) The Company's peers stated in brokers' research reports;
- (b) Similar companies that are principally engaged in precision plastic components manufacturing, providing solutions to the automotive, consumer electronics, telecommunications, industrial and medical industries;
- (c) Companies listed on the SGX-ST; and

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(d) Asia Pacific as a main revenue contributor by geography.

Based on the above mentioned criteria, we have identified 3 companies (the “**Comparable Companies**”).

We have had discussions with Management about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Capital IQ, publicly available annual reports and/or public announcements of the selected Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The selected Comparable Companies’ accounting policies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Group.

**We wish to highlight that the Comparable Companies listed herewith are not exhaustive and to the best of our knowledge and belief, there are no publicly listed companies which may be considered directly comparable to the Group in terms of, *inter alia*, operations, market capitalisation, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. Accordingly, any comparisons made with respect to the Comparable Companies can only serve as an illustrative guide.**

Brief descriptions of the Comparable Companies are set out as follows:

Description of Comparable Companies	
Company	Description
<b>Sunningdale Tech Ltd</b>	Sunningdale Tech Ltd manufactures and sells dies, tools, jigs, fixtures, high precision steel molds, and plastic components.
<b>Hi-P International Limited</b>	Hi-P International Limited operates as an integrated contract manufacturer serving the wireless telecommunications, consumer electronics, computing and peripherals, Internet of Things, medical devices, and industrial devices markets.
<b>Fu Yu Corporation Limited</b>	Fu Yu Corporation Limited, an investment holding company, engages in the manufacture and sub-assembly of precision plastic parts and components in Singapore, Malaysia, and China. The company is also involved in the fabrication of precision molds and dies; trading activities; and provision of management services.

Source: Capital IQ

We have considered the following widely-used valuation multiples:



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Valuation Multiple	Description
<b>P/E</b>	“ <b>P/E</b> ” or “ <b>price-to-earnings</b> ” multiple illustrates the ratio of the market price of a company’s shares relative to its earnings per share. The P/E multiple is affected by, <i>inter alia</i> , the capital structure of a company, its tax position as well as its accounting policies relating to revenue recognition, depreciation and intangible assets.
<b>EV/EBITDA</b>	“ <b>EV</b> ” or “ <b>Enterprise Value</b> ” is the sum of a company’s market capitalisation, minority interests, short-term and long-term debt less cash and cash equivalents. “ <b>EBITDA</b> ” stands for historical earnings before interest, tax, depreciation and amortisation expenses. The EV/EBITDA multiple compares the market value of a company’s business to its pre-tax operating cash flow performance. The EV/EBITDA multiple is an earnings-based valuation methodology. However, unlike the P/E multiple, it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.
<b>P/NAV</b>	“ <b>P/NAV</b> ” is the ratio of the market capitalisation of a company relative to its net asset value (“ <b>NAV</b> ”). The P/NAV multiple is affected by differences in their respective accounting policies including their depreciation and asset valuation policies. The net asset value of a company provides an estimate of the value of a company assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, as well as any minority interests, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is backed by the assets of a company.

For illustrative purposes only, the table below sets out the valuation multiples for the Comparable Companies as at the Latest Practicable Date:

Valuation Metrics of Comparable Companies <sup>(1)</sup>						
Company	Stock Exchange	Market Capitalisation (S\$ million)	Enterprise Value (“EV”) (S\$ million) <sup>(2)</sup>	EV/EBITDA (x) <sup>(3)</sup>	P/E (x) <sup>(5)</sup>	P/NAV (x) <sup>(6)</sup>
Sunningdale Tech Ltd	SGX-ST	244	256	4.9 x	13.8 x	0.6 x
Hi-P International Limited	SGX-ST	949	817	4.5 x	12.1 x	1.6 x
Fu Yu Corporation Limited	SGX-ST	148	73	3.7 x	14.7 x	0.9 x
Minimum				3.7 x	12.1 x	0.6 x
Median				4.5 x	13.8 x	0.9 x
Mean				4.3 x	13.5 x	1.0 x
Maximum				4.9 x	14.7 x	1.6 x
Memtech (as implied by the Offer Price)	SGX-ST	189	164	6.8 x <sup>(4)</sup>	20.9 x	1.1 x

Source: Capital IQ

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**Notes:**

- (1) The above mentioned statistics and multiples are based on the last twelve months company information as at the Latest Practicable Date.
- (2) Enterprise Value = Market Capitalisation + Total Debt + Total Preferred Equity + Minority Interest – Cash & Short Term Investments
- (3) EV / EBITDA = Enterprise Value / EBITDA (includes equity income from affiliates)
- (4) EV / EBITDA for Memtech refers to the Company's EV implied by the Offer Price relative to its EBITDA
- (5) P / E = Share price / Normalised diluted earnings per share (excludes unusual items in the calculation of earnings)
- (6) Price / NAV = Share price / NAV per share

Based on the above, we note the following:

- (a) The EV/EBITDA multiple of 6.8x implied by the Offer Price is above the range of the corresponding EV/EBITDA multiples of the Comparable Companies from 3.7x to 4.9x;
- (b) The P/E multiple of 20.9x implied by the Offer Price is above the range of the corresponding P/E multiples of Comparable Companies from 12.1x to 14.7x; and
- (c) The P/NAV multiple of 1.1x implied by the Offer Price is within the range of the corresponding P/NAV multiples of the Comparable Companies from 0.6x to 1.6x, above the median and mean of 0.9x and 1.0x of the P/NAV multiples of the Comparable Companies respectively.

**Shareholders should note that any comparison made with respect to the Comparable Companies merely serve to provide an illustrative perceived market valuation of the Company as at the Latest Practicable Date.**

### **12.7 Valuation multiples of selected transactions which are broadly comparable with the Group**

For the purposes of assessing the financial terms of the Offer, we have compared the valuation ratios of the Group implied by the Offer Price, with those of completed transactions involving targets that are predominately engaged in precision plastic components manufacturing, providing solutions to the automotive, consumer electronics, telecommunications, industrial and medical industries, particularly based in Singapore, Hong Kong and Taiwan, which in our opinion, are broadly comparable to the Group ("**Comparable Transactions**").

**We wish to highlight that the Comparable Transactions listed herewith are not exhaustive and to the best of our knowledge and belief, there may not be any entity that is directly comparable to the Group in terms of, *inter alia*, operations, market capitalisation, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. Accordingly, any comparisons made with respect to the Comparable Transactions can only serve as an illustrative guide.**

Comparable Transactions indicated below have been selected based on the availability of financial data.

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Details of the Comparable Transactions from 1 Jan 2015 up to the Latest Practicable Date are set out as follows:

Valuation Metrics of Comparable Transactions								
Announcement Date	Target/Issuer	Buyers/Investors	Total Transaction Value (\$ million)	Percent Sought (%)	Implied EV (\$ million)	Implied EV/EBITDA (x) <sup>(1)</sup>	Implied Equity Value/LTM Net Income (x) <sup>(2)</sup>	Implied Equity Value/Book Value (x) <sup>(3)</sup>
27 Jul 2017	Fischer Tech Ltd	Ying Shing Enterprises Limited	182	100	141	6.2 x	12.9 x	1.5 x
23 Dec 2015	Interplex Holdings Ltd.	Baring Private Equity Asia	905	100	450	5.0 x	6.3 x	1.7 x
1 Sep 2015	Chosen Holdings Limited	Shaw Kwei & Partners	75	100	68	5.5 x	17.4 x	1.0 x
Minimum						5.0 x	6.3 x	1.0 x
<b>Median</b>						<b>5.5 x</b>	<b>12.9 x</b>	<b>1.5 x</b>
<b>Mean</b>						<b>5.6 x</b>	<b>12.2 x</b>	<b>1.4 x</b>
Maximum						6.2 x	17.4 x	1.7 x
14 May 2019	Memtech (as implied by the Offer Price)				164	6.8 x	20.9 x	1.1 x

Source: Capital IQ

### Notes:

- (1) Implied EV / EBITDA refers to the Target's EV implied by the total transaction value relative to its EBITDA;
- (2) Implied Equity Value / LTM Net Income refers to the Target's Equity Value implied by the total transaction value relative to its Last Twelve Months ("LTM") Net Income;
- (3) Implied Equity Value / Book Value refers to the Target's Equity Value implied by the total transaction value relative to its Book Value.

Based on the table above, we note that:

- (a) The Implied EV/EBITDA multiple of 6.8x is above the range of corresponding Implied EV/EBITDA multiples for the Comparable Transactions from 5.0x to 6.2x;
- (b) The Implied Equity Value/LTM Net Income multiple of 20.9x is above the range of corresponding Implied Equity Value/LTM Net Income for the Comparable Transactions from 6.3x to 17.4x; and
- (c) The Implied Equity Value/Book Value multiple of 1.1x is within the range of corresponding Implied Equity Value/Book Value for the Comparable Transactions from 1.0x to 1.7x, but below the median of 1.5x and mean of 1.4x.

### 12.8 Recent selected successful privatisation take-over transactions on the SGX-ST

This analysis serves as general indication of the relevant premium/(discount) that offerors have paid in order to acquire the level of acceptances required to delist/privatise the target companies without having regard to specific industry characteristics or other considerations.

As stated in the Offer Document, we note that, in the event that the Company does not meet the free float requirement pursuant to the Rule 723 of the Listing Manual, the Offeror does not intend

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to preserve the listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted, and, if and when entitled, the Offeror intends to exercise its rights of compulsory acquisition pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore.

We have referred to voluntary general offers (“VGO”) and mandatory general offers (“MGO”) where the offeror had majority control (owning 50% or more of the issued shares in the target company as at the date of the offer announcement) and the offer resulted in a successful privatisation and delisting of the target company (“Selected Successful Delisting/Privatisation Transactions”). This resulting premium/(discount) analysis serves as a general indication of the relevant premium/(discount) that an offeror would have to pay to acquire the level of acceptances required to delist and privatise the target company without having regard to their specific industry characteristics or other considerations.

We wish to highlight that the target companies set out under the Selected Successful Delisting/Privatisation Transactions are not directly comparable to the Company in terms of operations, market capitalisation, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. Each of the Selected Successful Delisting/Privatisation Transactions must be considered on its own commercial and financial merits. We also wish to highlight that the list of Selected Successful Delisting/Privatisation Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

Details of the Selected Successful Delisting/Privatisation Transactions announced from 1 May 2017 up to the Latest Practicable Date are set out as follows:

Announcement Date	Company	Note	Type	Premium/(discount) of offer price/(to)				
				Last transacted price (%) <sup>(1)</sup>	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	12-month VWAP (%)
29 May 2017	Changtian Plastic & Chemical Limited	(2)	VGO	45.3	46.6	48.2	49.6	62.9
19 Jun 2017	China Flexible Packaging Holdings Limited	(3)	VGO	23.2	24.3	28.2	43.5	59.4
20 Sep 2017	Poh Tiong Choon Logistics Limited	(4)	VGO	1.6	30.0	41.3	47.7	56.6
03 Nov 2017	Cogent Holdings Limited	(5)	VGO	164.9	160.2	167.9	177.6	158.1
28 Dec 2017	CWG International Ltd	(6)	VGO	27.5	29.5	29.2	30.8	10.3
11 Jan 2018	Tat Hong Holdings Limited	(7)	VGO	29.9	34.0	35.5	27.6	30.9
19 Jul 2018	Wheelock Properties (Singapore) Limited	(8)	VGO	20.7	29.0	22.7	17.8	13.3
29 Oct 2018	Cityneon Holdings Limited	(9)	MGO	4.1	6.9	11.9	15.7	19.2
07 Jan 2019	Declout Limited	(10)	VGO	60.5	66.7	66.7	58.5	51.2
18 Jan 2019	Courts Asia Limited	(11)	VGO	34.9	35.8	34.0	23.5	(16.7)
Minimum				1.6	6.9	11.9	15.7	(16.7)
Median				28.7	32.0	34.8	37.2	41.1
Mean				41.3	46.3	48.6	49.2	44.5
Maximum				164.9	160.2	167.9	177.6	158.1
14 May 2019	Memtech International Ltd.			23.9	31.5	31.6	35.6	30.2

Source: Respective companies' filings

Notes:

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- (1) Last transacted price is calculated based on the last price on either the last trading day or last trading date as defined in the respective circulars.
- (2) On 29 May 2017, RHT Capital announced, for and on behalf of United Tech Industries Limited, that the offeror intends to make an offer to acquire all the issued and paid-up ordinary shares of a par value of S\$0.50 each in the capital of Changtian Plastic & Chemical Limited, other than those shares already owned, controlled or agreed to be acquired by the offeror and the parties acting in concert with it at S\$1.30 in cash for each offer share. The market premia is calculated based on \$0.895 per share. The time reference for calculation of premia is 24 May 2017, being the last full trading day of the company prior to the date of the offer announcement.
- (3) On 19 June 2017, TCMPL announced, for and on behalf of Harmony Gowell Company Limited, that the offeror intends to make: (i) the offer to acquire all the issued and paid-up ordinary shares of a par value of US\$0.01 each in the capital of China Flexible Packaging Holdings Limited, other than those shares already owned, controlled or agreed to be acquired by the offeror and the parties acting in concert with it at S\$1.25 in cash for each offer share. The market premia is calculated based on \$1.015 per share. The time reference for calculation of premia is 14 June 2017, being the last full trading day of the company prior to the date of the offer announcement.
- (4) On 20 September 2017, UOB announced, for and on behalf of Respond Logistics Pte. Ltd., that the offeror intends to make the offer for all the offer shares of Poh Tiong Choon Logistics Limited, other than those already held by the offeror as at the offer announcement date. The market premia is calculated based on \$1.28 per share. The time reference for calculation of premia is 19 September 2017, being the last full trading day of the company prior to the date of the offer announcement.
- (5) On 3 November 2017, Bank of China Limited, Singapore Branch announced, for and on behalf of COSCO SHIPPING International (Singapore) Co., Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued ordinary shares in the capital of Cogent Holdings Limited, including all shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the offeror. The market premia is calculated based on \$0.385 per share. The time reference for calculation of premia is 28 January 2016, being the last full trading day of the company prior to the date of the WSJ Article.
- (6) On 28 December 2017, RHT Capital Pte. Ltd. announced, for and on behalf of Elidom Investment Co., Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of CWG International Ltd. other than those already held by the company as treasury shares and those already held by the offeror as at the date of the offer. The market premia is calculated based on \$0.153 per share. The time reference for calculation of premia is 28 December 2017, being the last full trading day of the company prior to the date of the offer announcement.
- (7) On 11 January 2018, OCBC Bank announced, for and on behalf of the offeror, THSC Investments Pte. Ltd, inter alia, that subject to and contingent upon the satisfaction of the pre-conditions, the offeror intends to make the offer for all the offer shares of Tat Hong Holdings Ltd. The market premia is calculated based on S\$0.385 per share. The time reference for calculation of premia is 20 September 2017, being the last full trading day of the company prior to the date of the offer announcement.
- (8) On 19 July 2018, DBS Bank Limited, for and on behalf of the offeror, Star Attraction Limited, announced that it intends to make a voluntary unconditional general offer for the offer shares of Wheelock Properties (Singapore) Limited. The market premia is calculated based on S\$1.712 per share. The time reference for calculation of premia is 13 July 2018, being the last full trading day of the company prior to the date of the offer announcement.
- (9) On 29 October 2018, Credit Suisse wishes to announce, for and on behalf of West Knighton Limited, that it has purchased an aggregate of 168,692,268 ordinary shares in the capital of Cityneon Holdings Limited. As a consequence of the acquisition, the offeror is required to make a mandatory unconditional cash offer for all the shares, other than those already owned, controlled or agreed to be acquired by the offeror. The market premia is calculated based on S\$1.249 per share. The time reference for calculation of premia is 24 October 2018, being the last full trading day of the company prior to the date of the offer announcement.
- (10) On 7 January 2019, KPMG Corporate Finance Pte Ltd announced, for and on behalf of Exeo Global Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of DeClout Limited. The market premia is calculated based on S\$0.081 per share. The time reference for

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calculation of premia is 6 September 2018, being the last undisturbed trading date of the company prior to the date of the offer announcement.

- (11) On 18 January 2019, PrimePartners Corporate Finance Pte. Ltd. announced, *inter alia*, that the offeror, a wholly-owned subsidiary of Nojima, intends to make a voluntary conditional cash offer for all the issued and outstanding Courts Asia Limited shares. The market premia is calculated based on S\$0.152 per share. The time reference for calculation of premia is 16 January 2019, being the last full trading day of the company prior to the date of the offer announcement.

Based on the information above, we note the following:

- (a) The premium of the Offer Price over the last transacted price on the Last Trading Day of 23.9% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 1.6% to 164.9% but below the median and mean of 28.7% and 41.3% respectively;
- (b) The premium of the Offer Price over the 1-month VWAP of 31.5% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 6.9% to 160.2%, but below the median and mean of 32.0% and 46.3% respectively;
- (c) The premium of the Offer Price over the 3-month VWAP of 31.6% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 11.9% to 167.9%, but below the median and mean of 34.8% and 48.6% respectively;
- (d) The premium of the Offer Price over the 6-month VWAP of 35.6% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 15.7% to 177.6%, but below the median and mean of 37.2% and 49.2% respectively; and
- (e) The premium of the Offer Price over the 12-month VWAP of 30.2% is within the range of the corresponding premia/(discounts) of Selected Successful Delisting/Privatisation Transactions from (16.7%) to 158.1% but below the median and mean of 41.1% and 44.5% respectively.

We wish to highlight that market conditions of the Singapore capital markets based on the STI have been relatively volatile in recent months. As such, we have additionally referenced the 12-month VWAP in our analysis to represent a longer view of the market for the consideration of Shareholders.

**Shareholders should note that the level of premium/(discount) an offeror would normally pay in any particular delisting and privatisation transaction depends on, *inter alia*, factors such as potential synergy that the offeror can gain by acquiring the target company, the significance of the cash reserves, the trading liquidity of the target company's shares, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profile of the target company's business and assets, size of consideration and existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Successful Delisting/Privatisation Transactions set out above is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.**



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### 12.9 Brokers' price target for the Shares

We have compiled research reports by brokers in relation to the Shares and/or the Offer from Bloomberg L.P. and Capital IQ.

Broker	Date	Recommendation	Target Price (\$)
<b>Post Offer Announcement</b>			
CGS-CIMB	15 May 2019	Accept the offer	
<b>Pre Offer Announcement</b>			
UOB Kay Hian	26 Apr 2019	Buy	1.33
CGS-CIMB	27 Feb 2019	Hold	1.08
<b>Brokers' recent ratings</b>	Minimum		1.08
	<b>Median</b>		<b>1.21</b>
	<b>Mean</b>		<b>1.21</b>
	Maximum		1.33
<b>Memtech Offer Price</b>			<b>1.35</b>

Source: Bloomberg L.P., Capital IQ

We note that:

- (a) The Offer Price represents a premium of 1.5% to the Share price target estimated by UOB Kay Hian and 25.0% to the Share price target estimated by CGS-CIMB, pre Offer Announcement; and
- (b) Following the Offer Announcement, the CGS-CIMB broker research report recommended Shareholders to "Accept the offer".

**We wish to highlight that the above broker research report universe may not be exhaustive and price targets for the Shares and other statements and opinions contained in the reports within the universe used represent the individual views of the broker research analyst based on the circumstances (including, inter alia, market, economic, industry and monetary conditions as well as market sentiment and investor perceptions regarding the future prospects of the Company) prevailing at the date of the publication of the respective broker research reports. The opinions of the brokers may change over time as a result of, among other things, changes in market conditions, the Company's market development and the emergence of new information relevant to the Company. As such, the above price targets may not be an accurate prediction of future market prices of the Shares.**

**Any recommendation or price targets expressed in such broker research reports represent the individual views of the respective brokers only.**

## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

### 12.10 Historical dividend yield of the Company

We set out below information on the dividend per Share declared by the Company in respect of the last three financial years:

Dividends declared	FY2016	FY2017	FY2018
Dividends per share (S\$)	0.025	0.055	0.030
Average Memtech Share Price <sup>(1)</sup>	0.62	0.90	1.18
Dividend yield <sup>(2)</sup>	4.0%	6.1%	2.5%

Source: Bloomberg L.P.

#### Notes:

- (1) Average daily closing price of the Shares for each respective financial year; and
- (2) Computed based on dividends per Share divided by the average Share price.

Based on the above, we note that over the last three financial years, the Company had regularly declared annual dividends of S\$0.025 in FY2016, S\$0.055 in FY2017 and S\$0.030 in FY2018, representing dividend yields of between 2.5% and 6.1% per annum.

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

For the purposes of analysing the Offer, we have considered that the Shareholders who accept the Offer may re-invest the proceeds from the Offer in selected alternative equity investments including the equity of the Comparable Companies.

For illustration purposes, the dividend yields of these selected alternative investments based on their dividends declared over FY2018 are as follows:

Dividend yields of Comparable Companies	
Comparable Company	FY2018 dividend yield <sup>(1)</sup>
Sunningdale Tech Ltd	5.2%
Hi-P International Limited	3.5%
Fu Yu Corporation Limited	8.7%
Minimum	3.5%
<b>Median</b>	5.2%
<b>Mean</b>	5.8%
Maximum	8.7%
<b>Memtech International Ltd.</b>	<b>2.5%</b>

Source: Bloomberg L.P.

#### Note:

- (1) FY2018 dividend yield is computed by dividing dividends per share by the average daily closing share price of the Comparable Companies.

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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Based on the above dividend analysis, we note the Memtech's FY2018 dividend yield of 2.5% is below the range of the corresponding dividend yields of the Comparable Companies from 3.5% to 8.7%.

We wish to highlight that the above dividend analysis serves only as an illustrative guide and is not an indication of the Company's future dividend policy nor that of any of the Comparable Companies. There is no assurance that the Company will continue or any of the above selected alternative investments will continue to pay dividends in the future and/or maintain the level of dividends paid in past periods.

Notwithstanding the above, it is uncertain whether the Company and the Comparable Companies can maintain its historical dividend yields at the levels set out above, hence it is uncertain whether the Shareholders will be able to achieve their desired levels of investment income by liquidating their investment in the Company and reinvesting their proceeds in the Comparable Companies or other alternative investments.

### 12.11 Other relevant considerations in relation to the Offer which may have a significant bearing on our evaluation

#### 12.11.1 Final Offer Price

Pursuant to the section 2.2 of the Offer Document, the Offeror has announced that it does not intend to revise the Offer Price. Shareholders should note that the Offer Price of S\$1.35 per Share is final and will not be revised.

#### 12.11.2 Irrevocable Undertakings

The following paragraphs have been extracted from Section 7 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

<p><b>7. IRREVOCABLE UNDERTAKINGS</b></p> <p><b>7.1 <i>Reinvestment Irrevocable Undertakings.</i></b> <i>It is the intention of the Chuang Family, Keytech and the Keytech Directors to retain their existing direct and/or indirect equity interests in the Company. To this end, as at the Latest Practicable Date, each of Keytech and the Direct Shareholders (the “Reinvestment Undertaking Shareholders”) has given an irrevocable undertaking (the “Reinvestment Irrevocable Undertakings”) to the Offeror to, inter alia:</i></p> <p><b>7.1.1</b> <i>tender all the Offer Shares that it/he/she holds in aggregate as at the date of the Reinvestment Irrevocable Undertakings and any other Shares which it/he/she may subsequently acquire (directly or indirectly or through a nominee) after the date of the Reinvestment Irrevocable Undertakings, in acceptance of</i></p>
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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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*the Offer by no later than 5.00 p.m. (Singapore time) on the third Business Day after the Despatch Date in accordance with the procedures prescribed in this Offer Document and the relevant Acceptance Forms;*

**7.1.2** *in the case of Keytech, reinvest the entire amount of the consideration due to it for its Offer Shares under the Offer to subscribe for new Offeror Shares at the Offer Price (the “Keytech Reinvestment”); and*

**7.1.3** *in the case of each of the Direct Shareholders, reinvest the entire amount of the consideration due to him/her for his/her Offer Shares under the Offer be applied to subscribe for new Keytech Shares at a subscription price based on the Offer Price, the proceeds of which shall in turn be applied by Keytech to subscribe for new Offeror Shares at a subscription price based on the Offer Price (together with the Keytech Reinvestment, the “Reinvestments”).*

*The Direct Shareholders are directors of Keytech and/or members of the Chuang Family who have a direct shareholding interest in the Company and comprise the following:*

- (i) CWF;*
  - (ii) CTD;*
  - (iii) CTM;*
  - (iv) GCH, an Executive Director and Chief Executive Officer of the Company;*
  - (v) YCK, an Executive Director of the Company and President of Dongguan Memtech Electronic Products Co., Ltd.;*
  - (vi) TJH, an Executive Director of the Company and President of Taitech Precision Electronic (Kunshan) Co., Ltd.;*
  - (vii) HNB, Vice-President of plastic division of Kunshan Plant;*
  - (viii) WJ, General Manager of Nantong Plant;*
  - (ix) BYS, General Manager of Dongguan Memtech Electronic Product Co., Ltd; and*
  - (x) ZLQ, Group Financial Controller,*
- (collectively, the “Direct Shareholders”).*

*As at the Latest Practicable Date, the Reinvestment Undertaking Shareholders collectively hold 80,923,460 Shares, representing approximately 57.77 per cent. of the Company. Details of the Shares held by the Reinvestment Undertaking Shareholders that will be tendered in acceptance of the Offer and the amount of consideration entitled*

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to which will be applied pursuant to the Reinvestments are set out below:

No.	Undertaking Shareholder	No. of Shares to be tendered in acceptance of the Offer	Percentage of the total number of Shares (%)	Amount of consideration entitled to, which will be applied to subscribe for new Offeror Shares (S\$)	Amount of consideration entitled to, which will be applied to subscribe for new Keytech Shares, which in turn will be used by Keytech to subscribe for new Offeror Shares (S\$)
1.	Keytech	61,678,400	44.03	83,265,840	–
2.	CWF	5,542,800	3.96	–	7,482,780
3.	CTD	4,504,400	3.22	–	6,080,940
4.	CTM	3,983,200	2.84	–	5,377,320
5.	HNB	1,504,500	1.07	–	2,031,075
6.	GCH	1,445,800	1.03	–	1,951,830
7.	WJ	1,188,180	0.85	–	1,604,043
8.	BYS	407,600	0.29	–	550,260
9.	YCK	400,000	0.29	–	540,000
10.	ZLQ	198,580	0.14	–	268,083
11.	TJH	70,000	0.05	–	94,500
<b>Total</b>		<b>80,923,460</b>	<b>57.77</b>	<b>83,265,840</b>	<b>25,980,831</b>

**7.2 Termination.** *The Reinvestment Irrevocable Undertakings will terminate or lapse upon the earlier of:*

- (i) *the Offer being withdrawn or lapsing;*
- (ii) *the Offeror failing to release the Offer Announcement within three Business Days from the date of Reinvestment Irrevocable Undertakings or such other date as may be extended by mutual written agreement of the Offeror (on the one hand) and the relevant Reinvestment Undertaking Shareholder (on the other hand); and*
- (iii) *the Offer not being formally made by the Offeror (by the posting of the Offer Document) within the time period prescribed under the Code (or such later date as the SIC may permit).*

**7.3 SIC Confirmation.** *Pursuant to an application made by the Offeror to the SIC to seek certain rulings in relation to the Offer, the SIC has confirmed that the Consortium*

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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*Agreement, the Reinvestment Irrevocable Undertakings and the Reinvestments do not constitute a special deal for the purposes of Rule 10 of the Code.*

### 12.11.3 Compulsory Acquisition and Listing Status of the Company

The following paragraphs have been extracted from Section 10 and 11 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

#### **10. COMPULSORY ACQUISITION**

**10.1 Compulsory Acquisition Rights.** Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer or acquires Shares during the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Offer Announcement Date), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) on the same terms as those offered under the Offer.

*In the event that the Offeror becomes entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of the Dissenting Shareholders, the Offeror intends to exercise its right of compulsory acquisition. In such event, the Company will become a wholly owned subsidiary of the Offeror pursuant to such compulsory acquisition and the Offeror will then proceed to delist the Company from the SGX-ST.*

**10.2 Dissenting Shareholders’ Right.** In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of Shares, the Dissenting Shareholders have a right to require the Offeror to acquire their Shares at the Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

#### **11. LISTING STATUS OF THE COMPANY**

**11.1 Listing Status of the Company.** Under Rule 723 of the Listing Manual, the Company must ensure that at least 10 per cent. of the total number of the Shares (excluding treasury shares) is at all times held by the public (the “**Free Float Requirement**”).

*Under Rule 1105 of the Listing Manual, in the event that the Offeror and parties acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied*



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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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*that at least 10 per cent. of the issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.*

*Further, under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the Shares (excluding treasury shares), thus causing the percentage of the Company's total number of Shares (excluding treasury shares) in public hands to fall below 10 per cent., the SGX-ST will suspend trading of Shares at the close of the Offer.*

*In addition, under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not complied with, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, for the proportion of the Shares held by members of the public to be raised to at least 10 per cent., failing which the Company may be delisted from the SGX-ST.*

**11.2 Intention of the Offeror.** *In the event the Offeror is unable to exercise the right to compulsorily acquire all the Shares not acquired under the Offer as set out in Section 10 of this Offer Document and the Company does not meet the Free Float Requirement under Rule 723 of the Listing Manual, the Offeror and the Consortium Members do not intend to maintain or support any action taken or to be taken to meet the Free Float Requirement or maintain the present listing status of the Company.*

*Accordingly, the Offeror and the Consortium Members do not intend to place out any Shares held by the Offeror and the Consortium Members to members of the public to meet the Free Float Requirement. If the Company does not meet the requirements under Rule 723 of the Listing Manual, the SGX-ST may suspend trading of the Shares on the SGX-ST following the close of the Offer.*

*In addition, the Offeror intends to, and hereby reserves its right, to take steps at an appropriate time, whether during or after the Offer, to seek a voluntary delisting of the Company from the SGX-ST, where permitted by, and in accordance with, the relevant requirements of the Listing Manual and the Code.*

*If, for any reason, the Company continues to meet the requirements under Rule 723 of the Listing Manual following the close of the Offer, the Company will remain listed, and trading of the Shares will be maintained, on the SGX-ST.*

### 12.11.4 Unaudited 1QFY2019 results announcement

The Company had, in its results announcement dated 25 April 2019 in relation to the 1QFY2019 results, disclosed that while the Group remains confident in its long-term growth prospects, it is currently facing a challenging operating environment. We note that the Group had stated a commentary which we reproduce in italics below:

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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*“The business landscape remains challenging as rising labour costs, higher raw material prices and increasing utility costs to meet new environmental and regulatory standards have provided headwinds to the Group’s operations. Furthermore, ongoing trade war uncertainty and a global slowdown in the automotive market has led to a more cautious market sentiment.*

*Despite the headwinds, the Group continues to develop new business avenues from both new and existing customers, leveraging on its material science know-how and niche capabilities in plastic and rubber. One of the Group’s key competitive advantages has been its consistent ability to provide innovative solutions for customers. This has allowed the Group to secure new projects with multinational customers across the Automotive, Consumer Electronics and Industrial & Medical segments. The Group will continue to pursue business development initiatives to capture prevailing market opportunities within high-growth trends such as electric vehicles, internet of things applications such as smart home devices and audio-related products.*

*At the same time, the Group has placed great emphasis on enhancing cost controls, streamlining operations and boosting productivity by investing in automation to enhance its competitive edge. The Group also will continue its focus on improving earnings quality through the gradual elimination of lower margin processes while taking on projects related to higher margin, complex engineering parts.*

*Heading into the remainder of FY2019, the Group continues to keep a close watch on the Automotive segment, stepping up business development initiatives and proactively engaging potential new customers amid cautious market sentiment. In addition, the Group will continue to monitor trade war tensions closely. To mitigate any potential impact, the Group is in the preliminary stages of exploring potential manufacturing locations in new geographic regions such as Vietnam. The Group is also exploring inorganic growth opportunities that are synergistic to the Group’s operations. Backed by a strong balance sheet with a net cash position of US\$21.2 million, the Group remains confident in its long-term growth prospects.”*

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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### 13. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer to the Independent Directors, we have taken into account a range of factors which we consider, based on available information, to be pertinent and have significant bearing on our assessment of the Offer. Accordingly, it is important that this IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

#### 13.1 The Offer

**Based on our analysis including the qualifications made therein, we are of the opinion that, on balance, the Offer is FAIR AND REASONABLE, from a financial point of view.**

In determining that the Offer is **FAIR AND REASONABLE**, we have considered the following principal factors:

- (a) The Offer Price is at a premium of 1.5% to the closing price of S\$1.33 per Share as at the Latest Practicable Date;
- (b) The Offer Price is at a premium of 23.9% to the closing price of S\$1.09 per Share as at the Last Trading Day;
- (c) The Offer Price represents a premium of approximately 31.5%, 31.6%, 35.6%, and 30.2% above the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Last Trading Day, respectively.
- (d) The Offer Price is at a premium of 8.7% to the NAV per Share of S\$1.24 as at 31 March 2019;
- (e) We have used the following valuation multiples and compared them to those of Comparable Companies. We wish to highlight that, to the best of our knowledge and belief, there are no publicly listed companies which may be considered directly comparable to Memtech. Therefore, any comparison made with respect to the Comparable Companies may not be very meaningful and can only serve as an illustrative guide:
  - i. The EV/EBITDA multiple of 6.8x implied by the Offer Price is above the range of the corresponding EV/EBITDA multiples of the Comparable Companies from 3.7x to 4.9x;
  - ii. The P/E multiple of 20.9x implied by the Offer Price is above the range of the corresponding P/E multiples of Comparable Companies from 12.1x to 14.7x; and
  - iii. The P/NAV multiple of 1.1x implied by the Offer Price is within the range of the corresponding P/NAV multiples from 0.6x to 1.6x, above the median and mean of 0.9x and 1.0x respectively;
- (f) Similar to the above (section 13.1 (e)), we have used the following valuation multiples and compared them to those of Comparable Transactions. We wish to highlight that, to the best of

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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our knowledge and belief, there may not be any entity that is directly comparable to Memtech. Therefore, any comparison made with respect to the Comparable Transactions may not be very meaningful and can only serve as an illustrative guide:

- i. The Implied EV/EBITDA multiple of 6.8x is above the range of corresponding Implied EV/EBITDA multiples for the Comparable Transactions from 5.0x to 6.2x;
  - ii. The Implied Equity Value/Net Income multiple of 20.9x is above the range of corresponding Implied Equity Value/Net Income for the Comparable Transactions from 6.3x to 17.4x; and
  - iii. The Implied Equity Value/Book Value multiple of 1.1x is within the range of corresponding Implied Equity Value/Book Value for the Comparable Transactions from 1.0x to 1.7x, but below the median of 1.5x and mean of 1.4x.
- (g) The premium of the Offer Price over the last transacted price on the Last Trading Day of 23.9% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 1.6% to 164.9% but below the median and mean of 28.7% and 41.3% respectively;
- (h) The premium of the Offer Price over the 1-month VWAP of 31.5% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 6.9% to 160.2%, but below the median and mean of 32.0% and 46.3% respectively;
- (i) The premium of the Offer Price over the 3-month VWAP of 31.6% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 11.9% to 167.9%, but below the median and mean of 34.8% and 48.6% respectively;
- (j) The premium of the Offer Price over the 6-month VWAP of 35.6% is within the range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions from 15.7% to 177.6%, but below the median and mean of 37.2% and 49.2% respectively;
- (k) The premium of the Offer Price over the 12-month VWAP of 30.2% is within the range of the corresponding premia/(discounts) of Selected Successful Delisting/Privatisation Transactions from (16.7%) to 158.1% but below the median and mean of 41.1% and 44.5% respectively.
- (l) The Offer Price represents a premium of 1.5% and 25.0% to the Share price target estimated by UOB Kay Hian and CGS-CIMB, pre Offer Announcement;
- (m) The FY2018 dividend yield of 2.5% is below the range of the corresponding dividend yields of the Comparable Companies from 3.5% to 8.7%; and
- (n) Given that the Offeror and parties acting in concert with it own, control, have acquired or have agreed to acquire holdings of approximately 57.8% of the issued Shares of the Company as at the Latest Practicable Date, it may deter a takeover offer by a third party for the Company.

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## APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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Accordingly, we advise that the Independent Directors, after taking the above into consideration, recommend Shareholders who:

- (a) wish to realise their investments in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Offer Price; and/or
- (b) believe that the current market price of the Shares may not be sustained after the close of the Offer; and/or
- (c) believe that even if the Company remains listed, trading liquidity may reduce materially; and/or
- (d) believe that a higher offer may not be made,

**ACCEPT** the Offer. Alternatively, such Shareholders should sell their Shares in the open market if they are able to obtain a price higher than the Offer Price after deducting related expenses (such as brokerage and trading costs). The Independent Directors may also wish to consider highlighting that there is no assurance that the market price and/or trading volume of the Shares will continue to remain at the levels prevailing as at the Latest Practicable Date after the close of the Offer and that past trading performance of the Shares should not be relied upon as an indication of its future trading performance.

For the purposes of providing this letter and our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing. We are not required to express, and we do not express, an opinion on the future growth prospects and earnings potential of the Company.

Our opinion is only based on a financial analysis and does not incorporate any assessment of commercial, legal, tax, regulatory or other matters. Our opinion also does not incorporate an assessment of the price at which the Shares may trade following the success or failure of the Offer. Such factors (including the aforesaid illustrations) are beyond the ambit of our review and do not fall within our terms of reference in connection with the Offer.

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situations, risk profiles, tax positions or particular needs or constraints of any specific Shareholders and we neither assume any responsibility for, nor hold ourselves out as advisers to any person other than the Independent Directors. As each Shareholder would have different objectives and profiles, we recommend that any individual Shareholder who may require specific advice in relation to his/her investment objectives or portfolio should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Shareholders should note that trading of the Shares are subject to, *inter alia*, the performance and prospects of the Company, prevailing economic conditions, economic outlook and stock market

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## **APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS**

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conditions and sentiments. Accordingly, save as highlighted about in this IFA Letter, our advice on the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established beyond the Latest Practicable Date.

This IFA Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Offer. The recommendation made by the Independent Directors to the Shareholders in relation to the Offer remains the responsibility of the Independent Directors.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Independent Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose (other than for the purpose of the Offer) at any time and in any manner without the prior written consent of PwCCF in each specific case.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**PricewaterhouseCoopers Corporate Finance Pte Ltd**

Ling Tok Hong  
Managing Director

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## APPENDIX II – ADDITIONAL GENERAL INFORMATION

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### 1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Description
Mr. Chuang Wen Fu	19 Goodman Road, Singapore 438983	Executive Chairman
Mr. Gu Cheng Hua	102,5#, Wen Fen Yi Jin Yuan, Nantong, Jiangsu China	Executive Director and Chief Executive Officer
Mr. Yap Chin Kuan	27 Tanah Merah Kechil Ridge, Singapore 465548	Executive Director
Mr. Teow Joo Hwa	77D Lorong Marican, Singapore 417275	Executive Director
Mr. Chuang Tze Mon	19 Goodman Road, Singapore 438983	Executive Director
Mr. Chua Keng Hiang	Block 942, Tampines Avenue 5, #10-237, Singapore 520942	Non-executive and Lead Independent Director
Mr. Teo Kiang Kok	9 Jalan Ilmu, Capitol Park, Singapore 299202	Non-executive and Independent Director
Mr. Teng Cheong Kwee	16B Margoliouth Road, #06-03, Chatelet, Singapore 258542	Non-executive and Independent Director

### 2. HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated in the Republic of Singapore on 27 November 2003 as a private company limited by shares under the Companies Act. On 22 July 2004, the Company was listed on the Official List of the SGX-ST.

The Company and its subsidiaries are principally engaged in the business of precision components manufacturing, providing high-tech solutions to the automotive, consumer electronics, telecommunications, industrial and medical industries.

### 3. SHARE CAPITAL

#### 3.1 Issued Share Capital

As at the Latest Practicable Date, the issued and paid-up share capital of the Company is US\$57,808,000 comprising 140,080,878 Shares (excluding 3,919,120 treasury Shares). The Shares are ordinary shares carrying equal ranking rights to dividend, voting at general meetings and return of capital. As at the Latest Practicable Date, the Company does not have any other class of share capital.

#### 3.2 Capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the Company's registered office at 89 Short Street, Golden Wall Centre #04-01, Singapore 188216. The relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted and reproduced in Appendix V to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution and/or the Companies Act.



## APPENDIX II – ADDITIONAL GENERAL INFORMATION

### 3.3 Number of Shares issued since the end of the last financial year

As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2018, being the end of the last financial year.

### 3.4 Convertible Instruments

As at the Latest Practicable Date, the Company has not granted any other instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting any Shares.

## 4. DISCLOSURE OF INTERESTS

### 4.1 Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

### 4.2 Dealings in Offeror Securities by the Company

The Company has not dealt for value in the Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 4.3 Interests of the Directors in Offeror Securities

As at the Latest Practicable Date, none of the Directors has any direct or deemed interests in the Offeror Securities.

### 4.4 Dealings in Offeror Securities by the Directors

None of the Directors has dealt for value in the Offeror Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 4.5 Interests of the Directors in Company Securities

Save as disclosed in the table below, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in the Company Securities:

Directors	Direct interest		Deemed interest	
	Number of Shares	As a percentage of total number of issued Shares (%)	Number of Shares	As a percentage of total number of issued Shares (%)
Chuang Wen Fu <sup>(1)</sup>	5,542,800	3.96	61,678,400 <sup>(6)</sup>	44.03
Gu Cheng Hua	1,445,800	1.03	–	–
Yap Chin Kuan	400,000	0.29	592,000 <sup>(2)</sup>	0.42
Teow Joo Hwa	70,000	0.05	100,040 <sup>(3)</sup>	0.07
Chuang Tze Mon <sup>(1)</sup>	3,983,200	2.84	–	–
Chua Keng Hiang	1,200,000 <sup>(4)</sup>	0.86	–	–
Teng Cheong Kwee	20,000	0.01	–	–
Teo Kiang Kok	–	–	–	–
<b>Substantial Shareholders</b>				
Keytech Investment Pte Ltd <sup>(5)</sup>	61,678,400	44.03	–	–
<b>Others</b>				
Chuang Tze Dey <sup>(1)</sup>	4,504,400	3.22	–	–

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## APPENDIX II – ADDITIONAL GENERAL INFORMATION

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### 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 100,040 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 24 individuals including the Company’s Executive Directors, Messrs Chuang Wen Fu (19.9%), Gu Cheng Hua (5.8%), Yap Chin Kuan (10.9%) and Teow Joo Hwa (12.2%) and the Company’s Executive Officers, Heng Ngee Boon (5.6%), Wang Jian (5.4%), Bai Yi Song (0.5%), Zhang Liuqing (0.3%) and Koh Kok Boon (0.2%). Mr. Chuang Tze Mon, the son of Mr. Chuang Wen Fu has a 16.8% interest in Keytech. Ms. Chuang Tze Dey, the daughter of Mr. Chuang Wen Fu, has a 10.1% interest in Keytech and Mrs. Chuang-Kao Jung Mi, the wife of Mr. Chuang Wen Fu, also has a 2.5% 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) Mr. Chuang Wen Fu is deemed to be interested in 61,678,400 Shares held by Keytech, pursuant to the Securities and Futures Act.
- (7) The percentage of issued Shares is calculated based on the number of issued Shares (excluding treasury shares and subsidiary holdings of the Company) as at the Latest Practicable Date.

### 4.6 Dealings in Company Securities by the Directors

As at the Latest Practicable Date, none of the Directors has dealt for value in the Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 4.7 Interests of the IFA in Company Securities

None of the IFA or any funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities as at the Latest Practicable Date.

### 4.8 Dealings in Company Securities by the IFA

None of the IFA or any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in any Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 4.9 Intentions of the Directors in respect of their Shares

Each of Mr. Chuang Wen Fu, Mr. Chuang Tze Mon, Mr. Gu Cheng Hua, Mr. Yap Chin Kuan and Mr. Teow Joo Hwa, has given a Reinvestment Irrevocable Undertaking to the Offeror, to *inter alia*:

- (a) tender all the Offer Shares that it/he/she holds in aggregate as at the date of the Reinvestment Irrevocable Undertakings and any other Shares which it/he/she may subsequently acquire (directly or indirectly or through a nominee) after the date of the Reinvestment Irrevocable Undertakings, in acceptance of the Offer by no later than 5.00 p.m. (Singapore time) on the third Business Day after the Despatch Date in accordance with the procedures prescribed in the Offer Document, the FAA and/or the FAT; and
- (b) reinvest the entire amount of the consideration due to him/her for his/her Offer Shares under the Offer to subscribe for new ordinary shares in the capital of Keytech at a subscription price based on the Offer Price, the proceeds of which shall in turn be applied by Keytech to subscribe for new Offeror Shares at a subscription price based on the Offer Price.

The details of such Reinvestment Irrevocable Undertakings are set out in section 7 of the Offer Document, which are reproduced in italics in section 3 of this Circular.

Each of Mr. Chua Keng Hiang and Mr. Teng Cheong Kwee has respectively informed the Company that he intends to accept the Offer in respect of all 1,200,000 Shares owned by Mr. Chua Keng Hiang and in respect of all 20,000 Shares owned by Mr. Teng Cheong Kwee.

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## APPENDIX II – ADDITIONAL GENERAL INFORMATION

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### 5. OTHER DISCLOSURES

#### 5.1 Directors' service contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

#### 5.2 Arrangements affecting Directors

- (a) As at the Latest Practicable Date, it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer.
- (b) Save for the Consortium Agreement and the Reinvestment Irrevocable Undertakings, as at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.
- (c) Save for the Consortium Agreement and the Reinvestment Irrevocable Undertakings, as at the Latest Practicable Date, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

### 6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Neither the Company nor its subsidiaries has entered into material contracts (not being a contract entered into in the ordinary course of business) with persons who are Interested Persons during the period beginning three (3) years before the Offer Announcement Date, and ending on the Latest Practicable Date.

### 7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole. As at the Latest Practicable Date, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

### 8. FINANCIAL INFORMATION

#### 8.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated profit and loss statements of the Group for FY2016, FY2017, FY2018, and the unaudited consolidated profit and loss statements of the Group for 1QFY2019 is set out below.

	FY2016 US\$'000	FY2017 US\$'000	FY2018 US\$'000	1QFY2019 US\$'000
<b>Continuing Operations</b>				
<b>Revenue</b>	<b>159,005</b>	<b>170,013</b>	<b>192,452</b>	<b>46,483</b>
Cost of sales	(133,610)	(139,076)	(161,279)	(39,684)
<b>Gross profit</b>	<b>25,395</b>	<b>30,937</b>	<b>31,173</b>	<b>6,799</b>
<b>Other items of income</b>				
Finance income	161	107	375	41
Other income	1,457	5,715	2,954	309
<b>Other items of expense</b>				
Selling and distribution expenses	(8,999)	(8,076)	(9,346)	(2,583)
Administrative expenses	(11,317)	(11,315)	(12,889)	(2,807)
Exchange gain/(loss)	770	(767)	160	(94)
Other expenses	(348)	(254)	(613)	(243)
Impairment gain/(loss) of financial assets	49	(346)	(114)	199
Finance costs	(146)	(296)	(312)	(85)
<b>Profit from continuing operations before income tax</b>	<b>7,022</b>	<b>15,705</b>	<b>11,388</b>	<b>1,536</b>
Income tax expenses	(646)	(1,462)	(1,714)	(289)
<b>Profit from continuing operations after income tax</b>	<b>6,376</b>	<b>14,243</b>	<b>9,674</b>	<b>1,247</b>
<b>Discontinued Operation</b>				
Loss from discontinued operation after income tax	–	–	–	–
<b>Profit after income tax</b>	<b>6,376</b>	<b>14,243</b>	<b>9,674</b>	<b>1,247</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	6,376	14,243	9,674	1,247
- From continuing operations	6,270	14,125	9,601	1,233
- From discontinued operation	–	–	–	–
Non-controlling interests	106	118	73	14
<b>Profit after income tax</b>	<b>6,376</b>	<b>14,243</b>	<b>9,674</b>	<b>1,247</b>
<b>Other comprehensive income:</b>				
Currency translation differences arising from consolidation	(4,404)	4,765	(4,465)	1,485
Net loss on available for sale	–	–	–	–
Other comprehensive (loss)/income for the year	–	–	–	–
<b>Total comprehensive income for the year</b>	<b>1,972</b>	<b>19,008</b>	<b>5,209</b>	<b>2,732</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	1,972	19,008	5,209	2,732
- From continuing operations	1,877	18,873	5,154	2,711
- From discontinued operation	–	–	–	–
Non-controlling interests	95	135	55	21

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## APPENDIX II – ADDITIONAL GENERAL INFORMATION

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This summary financial information should be read together with the audited consolidated financial statements of the Group for FY2016 to FY2018 and related notes thereto, copies of which are available for inspection at the registered office of the Company at 89 Short Street, Golden Wall Centre #04-01, Singapore 188216 during normal business hours for the period during which the Offer remains open for acceptance. The unaudited consolidated financial statements of the Group for 1QFY2019 are set out in Appendix IV of this Circular.

### 8.2 Consolidated Statements of Financial Position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 is set out below.

	<b>US\$'000</b>
<b>Non-current assets</b>	
Property, plant and equipment	42,997
Land use rights	2,385
Intangible assets	542
Investments in subsidiaries	–
Trade receivables	997
Advance prepayment for property, plant and equipment	3,239
	50,160
<b>Current assets</b>	
Inventories	25,802
Prepayments	1,812
Amounts due from related parties	–
Amounts due from subsidiaries	–
Amounts due from directors	–
Income tax receivable	–
Trade receivables	74,796
Bills and other receivables	10,064
Derivative financial instrument	–
Restricted cash	2,587
Cash and cash equivalents	22,156
	137,217
<b>Current liabilities</b>	
Loans and borrowings	3,468
Trade payables and accruals	41,578
Bills and other payables	11,059
Contract liabilities	684
Convertible bonds	–
Derivative financial instrument	–
Corporate bonds	–
Finance lease liabilities	–
Liabilities classified as held for sale	–
Provision for taxation	295
	57,084

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

	US\$'000
<b>Net current (liabilities)/assets</b>	80,133
<b>Non-current liabilities</b>	
Deferred tax liabilities	3,717
Deferred income	–
Loans from non-controlling interests	–
Derivative financial instrument	–
Other non-current liabilities	535
Payables arising from acquisition of a subsidiary	–
Loans and borrowings	–
Finance lease liabilities	–
Advances from customers	–
	4,252
Net assets	126,041
<b>Equity attributable to equity holders of the Company</b>	
Share capital	57,808
Treasury shares	(2,127)
Retained profits	67,069
Other reserves	2,910
	125,660
<b>Non-controlling interests</b>	381
<b>Total equity</b>	126,041

This summary financial information should be read together with the audited consolidated financial statements of the Group for the relevant years and related notes thereto, copies of which are available for inspection at the registered office of the Company at 89 Short Street, Golden Wall Centre #04-01, Singapore 188216 during normal business hours for the period during which the Offer remains open for acceptance.

### 8.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in the audited consolidated financial statements of the Group for FY2018, which are set out in Appendix III of this Circular, and section 4 of the unaudited consolidated financial statements of the Group for 1QFY2019, which are set out in Appendix IV of this Circular.

Save as disclosed in the notes to the audited consolidated financial statements of the Group for FY2018, and the unaudited consolidated financial statements of the Group for 1QFY2019:

- (a) there were no significant accounting policies or any matter from the notes of the financial statements of the Company which are of any major relevance for the interpretation of the accounts of the Group; and
- (b) as at the Latest Practicable Date, there is no change in the accounting policy of the Company which will cause the figures disclosed in this Circular not to be comparable to a material extent.

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## APPENDIX II – ADDITIONAL GENERAL INFORMATION

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### 8.4 Material Changes in Financial Position

Save as disclosed in publicly available information on the Group (including but not limited to the unaudited consolidated financial statements for 1QFY2019), as at the Latest Practicable Date, there has been no known material change in the financial position of the Company since 31 December 2018, being the date of the Company's last published audited financial statements.

### 8.5 Material Changes in Information

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

## 9. GENERAL

9.1 All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

9.2 The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its advice to the Independent Directors set out in section 11.3 of this Circular, the IFA Letter set out in Appendix I to this Circular, and all references thereto, in the form and context in which they appear in this Circular.

## 10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered address of the Company at 89 Short Street, Golden Wall Centre #04-01, Singapore 188216 during normal business hours for the period during which the Offer remain open for acceptance:

- (a) the Constitution;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the audited consolidated financial statements of the Group for FY2018 and its accompanying notes as set out in Appendix III to this Circular;
- (d) the unaudited consolidated financial statements of the Group for 1QFY2019 and its accompanying notes as set out in Appendix IV to this Circular;
- (e) the IFA Letter as set out in Appendix I to this Circular; and
- (f) the letter of consent referred to in paragraph 9.2 to this Appendix II above.



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MEMTECH  
INTERNATIONAL LTD.  
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STAYING THE COURSE

## CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

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

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the financial year ended 31 December 2018

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

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

## BALANCE SHEETS

As at 31 December 2018

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

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

**BALANCE SHEETS**

As at 31 December 2018

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

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

		Attributable to owners of the Company							
	Share capital (Note 26(a)) US\$'000	Treasury shares (Note 26(b)) US\$'000	Revenue reserves US\$'000	Currency translation reserve US\$'000	Statutory reserve fund US\$'000	Acquisition reserve (Note 27(c)) US\$'000	Total reserves US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
<b>Group</b>									
<b>At 1 January 2017</b>	57,808	(1,441)	51,176	(6,222)	10,035	(714)	54,275	191	110,833
Profit for the year	-	-	14,125	-	-	-	14,125	118	14,243
Other comprehensive income for the year	-	-	-	4,748	-	-	4,748	17	4,765
Total comprehensive income for the year	-	-	14,125	4,748	-	-	18,873	135	19,008
<u>Contributions by and distributions to owners</u>									
Dividends on ordinary shares (Note 36)	-	-	(2,523)	-	-	-	(2,523)	-	(2,523)
Total contributions by and distributions to owners	-	-	(2,523)	-	-	-	(2,523)	-	(2,523)
<u>Others</u>									
Transfer from revenue reserves	-	-	(422)	-	422	-	-	-	-
Total others	-	-	(422)	-	422	-	-	-	-
<b>At 31 December 2017</b>	57,808	(1,441)	62,356	(1,474)	10,457	(714)	70,625	326	127,318

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital (Note 26(a))	Treasury shares (Note 26(b))	Revenue reserves	Currency translation reserve	Statutory reserve fund	Acquisition reserve (Note 27(c))	Total reserves		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>									
<b>At 1 January 2018</b>	57,808	(1,441)	62,356	(1,474)	10,457	(714)	70,625	326	127,318
Profit for the year	-	-	9,601	-	-	-	9,601	73	9,674
Other comprehensive income for the year	-	-	-	(4,447)	-	-	(4,447)	(18)	(4,465)
Total comprehensive income for the year	-	-	9,601	(4,447)	-	-	5,154	55	5,209
Contributions by and distributions to owners									
Dividends on ordinary shares (Note 36)	-	-	(5,800)	-	-	-	(5,800)	-	(5,800)
Purchase of treasury shares	-	(686)	-	-	-	-	-	-	(686)
Total contributions by and distributions to owners	-	(686)	(5,800)	-	-	-	(5,800)	-	(6,486)
Others									
Transfer from revenue reserves	-	-	912	-	(912)	-	-	-	-
Total others	-	-	912	-	(912)	-	-	-	-
<b>At 31 December 2018</b>	57,808	(2,127)	67,069	(5,921)	9,545	(714)	69,979	381	126,041

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

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

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



**CONSOLIDATED CASH FLOW STATEMENT**

For the financial year ended 31 December 2018

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

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

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## CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

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

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

### **1. Corporate information**

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

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associates are disclosed in Note 11 and 12 to the financial statements.

### **2. Summary of significant accounting policies**

#### **2.1 Basis of preparation**

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

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

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

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

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

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

#### **New accounting standards effective on 1 January 2018**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 2. Summary of significant accounting policies (continued)

#### 2.3 Standards issued but not yet effective

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

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

Except for SFRS(I)/IFRS 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending change in accounting policy on adoption of SFRS(I)/IFRS 16 is described below:

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

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

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

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

- (i) its carrying amount as if SFRS(I)/IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)****2.3 Standards issued but not yet effective**SFRS(I)/IFRS 16 *Leases (continued)*

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

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

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

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

**2.4 Basis of consolidation and business combinations****(a) Basis of consolidation**

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

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

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

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

**(b) Business combinations and goodwill**

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)****2.4 Basis of consolidation and business combinations (continued)****(b) Business combinations and goodwill (continued)**

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

**2.5 Transactions with non-controlling interests**

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

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

**2.6 Foreign currency**

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)**

**2.6 Foreign currency (continued)**

**(a) Transactions and balances**

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

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

**(b) Consolidated financial statements**

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

**2.7 Property, plant and equipment**

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

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

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

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

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

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.



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## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

### **2. Summary of significant accounting policies (continued)**

#### **2.8 Intangible assets**

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

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

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

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

##### **(a) Club memberships**

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

##### **(b) Technical know-how**

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

#### **2.9 Impairment of non-financial assets**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)****2.9 Impairment of non-financial assets (continued)**

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

**2.10 Subsidiaries**

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

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

**2.11 Associates**

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

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

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

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

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

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

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

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STAYING THE COURSE**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)****2.12 Financial instruments****(a) Financial assets****Initial recognition and remeasurement**

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

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

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

**Subsequent measurement**Investments in debt instruments

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

Amortised cost

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

Investments in equity instruments

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

**De-recognition**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)****2.12 Financial instruments (continued)****(b) Financial liabilities****Initial recognition and measurement**

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

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

**Subsequent measurement**

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

**De-recognition**

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

**2.13 Impairment of financial assets****Financial assets carried at amortised cost**

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

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

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

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

### **2. Summary of significant accounting policies (continued)**

#### **2.14 Cash and cash equivalents**

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

#### **2.15 Inventories**

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

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

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

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

#### **2.16 Provisions**

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

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

#### **2.17 Government grants and subsidies**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)****2.18 Borrowing costs**

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

**2.19 Employee benefits****Defined contribution plans**

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

**(i) Singapore**

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

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

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

**2.20 Leases****As lessee**

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

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

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

### **2. Summary of significant accounting policies (continued)**

#### **2.21 Revenue**

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

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

##### **(a) Sale of goods**

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

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

##### **(b) Interest income**

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

##### **(c) Dividend income**

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

##### **(d) Sale of scrap and materials**

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

#### **2.22 Taxes**

##### **(a) Current income tax**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 2. Summary of significant accounting policies (continued)

#### 2.22 Taxes (continued)

##### (b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)****2.22 Taxes (continued)**

## (c) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

**2.23 Share capital and share issue expenses**

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

**2.24 Treasury shares**

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

**2.25 Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**3. Significant accounting judgements and estimates**

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

**3.1 Judgements made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognised in the consolidated financial statements:

**Determination of functional currency**

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

**3.2 Key sources of estimation uncertainty**

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

**(a) Provision for expected credit loss of trade receivables**

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

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

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

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

**(b) Allowance for obsolete inventories**

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue (continued)

(b) Contract liabilities

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

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

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

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

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

5. Other income

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

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

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STAYING THE COURSE**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2018

**2. Summary of significant accounting policies (continued)****2.12 Financial instruments****(a) Financial assets****Initial recognition and remeasurement**

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

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

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

**Subsequent measurement**Investments in debt instruments

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

Amortised cost

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

Investments in equity instruments

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

**De-recognition**

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8. Income tax expense

Major components of income tax expense

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

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

Relationship between income tax expense and accounting profit

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

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

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 8. Income tax expense (continued)

#### Relationship between income tax expense and accounting profit

##### *Unrecognised tax losses*

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

### 9. Earnings per share

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

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

	Group	
	2018 US\$'000	2017 US\$'000
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	9,601	14,125
	<b>No. of shares</b>	
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for basic and diluted earnings per share computation	140,081	140,881

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Property, plant and equipment

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Property, plant and equipment (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Investment in subsidiaries

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

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

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

The Group has the following significant investments in subsidiaries.

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 11. Investment in subsidiaries (continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. Investment in associates

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

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

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

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

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

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

There is no significant associated company in the Group.

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 13. Investment securities

#### (a) Financial instruments as at 31 December 2018

	Group and Company 2018 US\$'000
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#### At fair value through other comprehensive income

Equity securities (unquoted)	-
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The Group has written off its 11.3% equity interest in Galaxia Display Co., Ltd during the year.

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

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

#### Investments in equity instrument designated at cost

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Intangible assets

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

*Impairment testing of goodwill*

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

Key assumptions used in the value in use calculations

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

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

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

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

Sensitivity to changes in assumptions

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

Impairment loss recognised

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 15. Cash and cash equivalents

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

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

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

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

### 16. Bank deposits pledged

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Trade receivables

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

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

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

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$7,432,000 as at 31 December 2017 and US\$8,851,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

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



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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 17. Trade receivables (continued)

#### Receivables that are impaired

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

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

#### Expected credit losses

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. Bills and other receivables

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

*Bills receivables*

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

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

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

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

19. Amounts due from/(to) subsidiaries

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

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

### 20. Inventories

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

### 21. Non-current assets held for sale

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. Trade payables and accruals

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

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

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

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

23. Bills and other payables

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 23. Bills and other payables (continued)

Bills and other payables are denominated in the following currencies:

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

#### *Bills payables*

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

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

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

#### *Other payables*

Included in other payables are US\$1,900,000 (31 December 2017: US\$2,100,000, 1 January 2017: US\$1,500,000) of staff expenses.

### 24. Loans and borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Loans and borrowings (continued)

Term loans

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

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

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 25. Deferred tax liabilities

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

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

#### Tax consequences of proposed dividends

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

### 26. Share capital and treasury shares

#### (a) *Share capital*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. Share capital and treasury shares (continued)

(b) Treasury shares

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

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

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

27. Other reserves

(a) Foreign currency translation reserve

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

(b) Statutory reserve fund

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

(c) Acquisition reserve

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

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



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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 28. Classification of financial assets carried at amortised cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Commitments

(a) Capital commitments

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

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

(b) Operating lease commitments – as lessee

The Group leases office, hostel and land under lease agreements. These leases expire over the next 3 years (2017: 4 years), with options to renew at the end of the lease terms. There are no restrictions placed upon the Group by entering into these leases and no contingent rent provision included in the contracts.

Future minimum lease payments payable under non-cancellable operating leases at the end of the reporting period are as follows:

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

31. Financial risk management objectives and policies

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

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

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For the financial year ended 31 December 2018

**31. Financial risk management objectives and policies (continued)**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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

**(a) Credit risk**

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

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

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

Trade receivables

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

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

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

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

Excessive risk concentration

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 31. Financial risk management objectives and policies (continued)

#### (a) Credit risk (continued)

##### Exposure to credit risk

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

##### Credit risk concentration profile

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

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

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

##### Financial assets that are neither past due nor impaired

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

##### Financial assets that are either past due or impaired

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(b) Liquidity risk

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

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

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Analysis of financial instruments by remaining contractual maturities

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 31. Financial risk management objectives and policies (continued)

#### (b) Liquidity risk (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

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



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 31. Financial risk management objectives and policies (continued)

#### (b) Liquidity risk (continued)

Company	One year or less US\$'000	One to five years US\$'000	Total US\$'000
<b>1 January 2017</b>			
<b>Financial assets</b>			
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
<b>Financial liabilities</b>			
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
<b>Total net undiscounted financial assets</b>	<b>7,106</b>	<b>–</b>	<b>7,106</b>

#### (c) Foreign currency risk

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

The Group also has transactional currency exposures arising from sales or purchases by an operating units in currencies other than the units' respective functional currencies. Approximately 58% (2017: 52%) of the Group's sales are denominated in the respective functional currencies of the operating units making the sales whilst almost 81% (2017: 84%) of costs are denominated in the units' respective functional currencies. The Group's trade receivables and trade payables balances at the end of the reporting period have similar exposures.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial risk management objectives and policies (continued)

(c) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the USD exchange rates against RMB and SGD, with all other variables held constant.

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

32. Fair value of assets and liabilities

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 33. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

As disclosed in Note 27(b), the subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by its subsidiaries for the financial years ended 31 December 2018 and 2017.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

**34. Related party transactions**

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

**(a) Sale and purchase of goods and services**

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

**(b) Compensation of key management personnel**

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

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

**35. Segment information**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. Segment information (continued)

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities and accordingly SFRS(1)/IFRS 8 does not require this information to be presented. Segment performance is evaluated based on operating profit or loss excluding amortisation of intangible assets and exceptional items.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. Segment information (continued)

Geographical information

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

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

Information about a major customer

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

36. Dividends

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

### 37. Comparative figures

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

The line items affected are as follows:

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

### 38. Authorisation of financial statements for issue

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



**MEMTECH INTERNATIONAL LTD**

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

**First Quarter Financial Statements Announcement  
For the period ended 31 March 2019**



## APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 1QFY2019

Memtech International Ltd.  
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 For the period ended 31 March 2019



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

### Income Statement

*For the period ended 31 March 2019*

	<b>Group</b>		
	<b>First Quarter</b>		
	<b>2019</b>	<b>2018</b>	<i>Increase/</i>
	<b>31-Mar</b>	<b>31-Mar</b>	<i>(Decrease)</i>
	US\$'000	US\$'000	
Revenue	46,483	41,613	11.7%
Cost of sales	(39,684)	(35,481)	11.8%
Gross profit	6,799	6,132	10.9%
Other income	350	820	-57.3%
Sales and marketing expenses	(2,583)	(1,826)	41.5%
General and Administration expenses	(2,807)	(3,049)	-7.9%
Exchange loss	(94)	(463)	-79.7%
Other operating expenses	(243)	(197)	23.4%
Impairment loss of financial assets	199	236	-15.7%
Finance costs	(85)	(87)	-2.3%
Profit before tax	1,536	1,566	-1.9%
Income tax expenses, net	(289)	(228)	26.8%
Profit for the period	1,247	1,338	-6.8%
Attributable to:			
Owners of the Company	1,233	1,337	-7.8%
Non-controlling interests	14	1	NM

## APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 1QFY2019

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### Statement of Comprehensive Income

For the period ended 31 March 2019

	Group First Quarter		
	2019 31-Mar	2018 31-Mar	Increase/ (Decrease)
	US\$'000	US\$'000	
Profit for the period	1,247	1,338	-6.8%
Other comprehensive income (net of tax)			
Items that may be reclassified to profit and loss:			
Currency translation differences	1,485	3,019	-50.8%
Total comprehensive income for the period	<u>2,732</u>	<u>4,357</u>	<u>-37.3%</u>
Attributable to:			
Owners of the company	2,711	4,344	-37.6%
Non-controlling interests	21	13	61.5%
Total comprehensive income for the period attributable to Owners of the company	<u>2,732</u>	<u>4,357</u>	<u>-37.3%</u>

### Notes

NM: Not meaningful

### 1 Profit from operating activities

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

	Group First Quarter		
	2019 31-Mar	2018 31-Mar	Increase/ (Decrease)
	US\$'000	US\$'000	
Depreciation	2,452	2,275	7.8%
Depreciation of the right of use asset	230	-	NA
Write-back of doubtful receivables, trade	(199)	(236)	-15.7%
Allowance for stock obsolescence	125	99	26.3%
Net loss on disposal of property, plant and equipment	20	140	-85.7%
Exchange loss	94	463	-79.7%

## APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 1QFY2019

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

### Statement of Financial Position

*As at 31 March 2019*

	Group		Company	
	2019 31-Mar	2018 31-Dec	2019 31-Mar	2018 31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-Current Assets:</b>				
Property, plant and equipment	47,709	45,382	-	-
Right of use asset	2,217	-	-	-
Trade receivables	1,041	997	-	-
Advance prepayment for property, plant and equipment	1,724	3,239	-	-
Investment in subsidiaries	-	-	69,365	69,365
Intangible assets	550	542	-	-
	<u>53,241</u>	<u>50,160</u>	<u>69,365</u>	<u>69,365</u>
<b>Current Assets:</b>				
Cash and cash equivalents	23,626	22,156	1,655	1,897
Bank deposits pledged	1,721	2,587	-	-
Trade receivables	64,061	74,796	-	-
Bills and other receivables	14,266	10,064	3	3
Amounts due from subsidiaries	-	-	7,767	7,753
Prepayments	2,103	1,812	-	-
Inventories	23,098	25,802	-	-
	<u>128,875</u>	<u>137,217</u>	<u>9,425</u>	<u>9,653</u>
<b>Current Liabilities:</b>				
Trade payables and accruals	34,195	41,578	365	415
Bills and other payables	9,538	11,059	8	10
Amounts due to subsidiaries	-	-	6,500	6,500
Provision for taxation	170	295	-	-
Other liabilities	460	684	-	-
Lease liability	903	-	-	-
Loans and borrowings	2,456	3,468	-	-
	<u>47,722</u>	<u>57,084</u>	<u>6,873</u>	<u>6,925</u>
<b>Net Current Assets</b>	<b>81,153</b>	<b>80,133</b>	<b>2,552</b>	<b>2,728</b>
<b>Non-Current Liabilities:</b>				
Other liabilities	505	535	-	-
Lease liability	1,313	-	-	-
Deferred taxation	3,803	3,717	-	-
	<u>5,621</u>	<u>4,252</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>	<b>128,773</b>	<b>126,041</b>	<b>71,917</b>	<b>72,093</b>

## APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 1QFY2019

Memtech International Ltd.  
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### Statement of Financial Position (Cont'd)

As at 31 March 2019

	Group		Company	
	2019 31-Mar	2018 31-Dec	2019 31-Mar	2018 31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Equity Attributable to Owners of the Company</b>				
Share capital	57,808	57,808	57,808	57,808
Treasury shares	(2,127)	(2,127)	(2,127)	(2,127)
Currency translation reserve	(4,443)	(5,921)	-	-
Statutory reserve fund	9,545	9,545	-	-
Acquisition reserve	(714)	(714)	-	-
Revenue reserves	68,302	67,069	16,236	16,412
	<u>128,371</u>	<u>125,660</u>	<u>71,917</u>	<u>72,093</u>
<b>Non-controlling interests</b>	402	381	-	-
<b>Total Equity</b>	<u>128,773</u>	<u>126,041</u>	<u>71,917</u>	<u>72,093</u>

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

	Group Secured		Group Unsecured	
	2019 31-Mar	2018 31-Dec	2019 31-Mar	2018 31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less or on demand	-	-	2,456	3,468
Amount repayable after one year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,456</u>	<u>3,468</u>

## APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 1QFY2019

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

### Consolidated Statement of Cash flows

*For the period ended 31 March 2019*

	Group First Quarter	
	2019 31-Mar US\$'000	2018 31-Mar US\$'000
Cash flows from operating activities:		
Profit before tax	1,536	1,566
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	2,452	2,275
Depreciation of the right of use assets	230	-
Interest expense	59	87
Interest income	(41)	(99)
Interest expense of the right of use assets	26	-
Write-back of doubtful receivables, trade	(199)	(236)
Allowance for stock obsolescence	125	99
Net loss on disposal of property, plant and equipment	20	140
Unrealised exchange loss, net	238	98
Total adjustments	2,910	2,364
Operating cash flows before changes in working capital	4,446	3,930
<u>Changes in working capital</u>		
Trade and other receivables	5,327	5,437
Inventories	2,903	767
Trade and other payables	(8,010)	(8,500)
Total changes in working capital	220	(2,296)
Cash flows generated from operations	4,666	1,634
Interest received	41	111
Interest paid	(59)	(87)
Income taxes paid	(404)	(739)
Net cash flows generated from operating activities	4,244	919
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,707)	(3,790)
Proceeds from disposal of property, plant and equipment	20	49
Net cash used in investing activities	(2,687)	(3,741)
Cash flows from financing activities:		
Repayments of loans and borrowings	(1,095)	(77)
Lease liability	(256)	
Bank deposits received	911	564
Net cash (used in)/generated from financing activities	(440)	487
Net increase/(decrease) in cash and cash equivalents	1,117	(2,335)
Effects of exchange rate changes on opening cash and cash equivalents	353	1,287
Cash and cash equivalents at the beginning of the period	22,156	34,896
Cash and cash equivalents at the end of the period	23,626	33,848

## APPENDIX IV – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR 1QFY2019

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

### Statement of Changes in Equity

As at 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Issued Capital</b>				
Balance at 1 January and 31 March	57,808	57,808	57,808	57,808
<b>Treasury Shares</b>				
Balance at 1 January and 31 March	(2,127)	(1,441)	(2,127)	(1,441)
<b>Statutory Reserve Fund</b>				
Balance at 1 January and 31 March	9,545	10,457	-	-
<b>Acquisition reserve</b>				
Balance at 1 January and 31 March	(714)	(714)	-	-
<b>Currency Translation Reserve</b>				
Balance at 1 January	(5,921)	(1,474)	-	-
Net effect of exchange translation differences	1,478	3,007	-	-
Balance at 31 March	<u>(4,443)</u>	<u>1,533</u>	<u>-</u>	<u>-</u>
<b>Revenue Reserves</b>				
Balance at 1 January	67,069	62,356	16,412	22,615
Net profit/(loss) for the period	1,233	1,337	(176)	(172)
Balance at 31 March	<u>68,302</u>	<u>63,693</u>	<u>16,236</u>	<u>22,443</u>
<b>Non- controlling interests</b>				
Balance at 1 January	381	326	-	-
Net profit for the period	14	1	-	-
Net effect of exchange translation differences	7	12	-	-
Balance at 31 March	<u>402</u>	<u>339</u>	<u>-</u>	<u>-</u>
<b>Total Equity</b>				
Balance at 1 January	126,041	127,318	72,093	78,982
Total for the period	2,732	4,357	(176)	(172)
Balance at 31 March	<u>128,773</u>	<u>131,675</u>	<u>71,917</u>	<u>78,810</u>

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

	<b>2019</b>	<b>2018</b>
	<b>31-Mar</b>	<b>31-Dec</b>
	No. of shares	No. of shares
Ordinary shares	<u>143,999,998</u>	<u>143,999,998</u>

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

	<b>2019</b>	<b>2018</b>
	<b>31-Mar</b>	<b>31-Dec</b>
	No. of shares	No. of shares
Issued ordinary shares excluding treasury shares	<u>140,080,878</u>	<u>140,080,878</u>

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

	<b>2019</b>	<b>2018</b>
	<b>31-Mar</b>	<b>31-Dec</b>
	No. of shares	No. of shares
Balance as at beginning and end of the year	3,919,120	3,919,120
Open market purchase	-	-
Balance as at end of the year	<u>3,919,120</u>	<u>3,919,120</u>

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

The above figures have not been audited or reviewed.

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

Not Applicable.

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

The Group has adopted all the new/revised FRSs that are mandatory for financial year beginning on or after 1 January 2019. Except for the adoption of these new/revised FRSs, the Group has consistently adopted the same accounting policies and methods of computation as stated in the audited financial statements of the Group for the year ended 31 December 2018.

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

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



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

	<b>Group</b>	
	<b>First Quarter</b>	
	<b>2019</b>	<b>2018</b>
	<b>31-Mar</b>	<b>31-Mar</b>
	US cents	US cents
Earnings per ordinary share for the period/year after deducting any provision for preference dividends:		
(i) Based on weighted average number of ordinary shares on issue	0.9	0.9
(ii) On a fully diluted basis	0.9	0.9

	<b>Group</b>	
	<b>First Quarter</b>	
	<b>2019</b>	<b>2018</b>
	<b>31-Mar</b>	<b>31-Mar</b>
	'000	'000
Weighted average number of shares:		
(i) Based on weighted average number of ordinary shares on issue	140,081	140,881
(ii) On a fully diluted basis	140,081	140,881

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

**(a) current financial period reported on; and**

**(b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>31-Mar</b>	<b>31-Dec</b>	<b>31-Mar</b>	<b>31-Dec</b>
	US cents	US cents	US cents	US cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	91.6	89.7	51.3	51.5
Number of shares ('000)	140,081	140,081	140,081	140,081

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- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Revenue and Profitability Analysis**

**1Q2019 vs. 1Q2018**

The Group’s revenue increased 11.7% year-on-year (“yoy”) to US\$46.5 million for 1Q2019. Growth in the Group’s revenue was led by the Consumer Electronics segment which increased 22.3% yoy to US\$15.4 million. Similarly, the Group’s Telco and Industrial & Medical segments increased 70.2% yoy and 56.9% yoy to US\$6.7 million and US\$3.9 million respectively. Conversely, the Group’s Automotive segment declined 9.4% yoy to US\$20.5 million. The global slowdown in the automotive industry has reduced demand.

<b>Segment (US\$’000)</b>	<b>1Q2019</b>	<b>1Q2018</b>	<b>Change (%)</b>
<b>Automotive</b>	20,490	22,607	(9.4)
<b>Consumer Electronics</b>	15,384	12,576	22.3
<b>Telco</b>	6,730	3,955	70.2
<b>Industrial &amp; Medical</b>	3,877	2,472	56.9
<b>Total</b>	46,481	41,610	11.7

In line with the growth in revenue, the Group’s gross profit increased 10.9% yoy to US\$6.8 million for 1Q2019. Gross profit margin remained stable at 14.6%.

The Group’s other operating income declined 57.3% yoy to US\$0.4 million. This was due mainly to lower government incentives received in 1Q2019 as compared to 1Q2018.

The Group’s sales and marketing expenses increased 41.5% yoy to US\$2.6 million for 1Q2019 mainly due to an increase in sales bonuses, promotion expenses as well as an increase in transportation costs.

General and Administration expenses declined 7.9% yoy to US\$2.8 million for 1Q2019 mainly due to a reduction in staff-related costs.

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As a result, the Group reported a 7.8% yoy decline in net profit attributable to owners of the Company amounting to US\$1.2 million for 1Q2019.

### **Balance Sheet Analysis**

The net book value of property, plant and equipment increased from US\$45.4 million as at 31 December 2018 to US\$47.7 million as at 31 March 2019 mainly due to additions for new projects along with the upgrading and replacement of machinery.

The Group's inventories declined from US\$25.8 million as at 31 December 2018 to US\$23.1 million as at 31 March 2019. The inventory at 31 December 2018 was higher because of the buildup of inventory in anticipation of a shorter production cycle in 1Q2019.

The Group's receivables declined from US\$74.8 million as at 31 December 2018 to US\$64.1 million as at 31 March 2019. This was due to the fact that following a record 4Q2018, the Group's receivables declined along with revenue for 1Q2019. Similarly, trade payables and accruals declined from US\$41.6 million as at 31 December 2018 to US\$34.2 million as at 31 March 2019.

The Group's cash and cash equivalents increased from US\$22.2 million as at 31 December 2018 to US\$23.6 million as at 31 March 2019. After factoring in total borrowings amounting to US\$2.5 million, the Group's net cash position stood at US\$21.2 million (31 December 2018: US\$18.7 million).

### **Cash Flow Analysis**

The Group generated US\$4.2 million net cash from operating activities for 1Q2019 as compared to US\$0.9 million for 1Q2018. Net cash used in investing activities was US\$2.7 million for 1Q2019 as compared to net cash used in investing activities amounting to US\$3.7 million for 1Q2018. Net cash used in financing activities amounted to US\$0.4 million for 1Q2019 as compared to net cash generated from financing activities of US\$0.5 million for 1Q2018.

Overall, the Group maintained a healthy financial position as at 31 March 2019. The Group's current ratio was 2.7 times with cash and cash equivalents amounting to US\$23.6 million or approximately 17 US cents per share.

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

These results are in line with the statement made in the full year financial statements announcement for the period ended 31 December 2018.

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

The business landscape remains challenging as rising labour costs, higher raw material prices and increasing utility costs to meet new environmental and regulatory standards have provided headwinds to the Group's operations. Furthermore, ongoing trade war uncertainty and a global slowdown in the automotive market has led to a more cautious market sentiment.

Despite the headwinds, the Group continues to develop new business avenues from both new and existing customers, leveraging on its material science know-how and niche capabilities in plastic and rubber. One of the Group's key competitive advantages has been its consistent ability to provide innovative solutions for customers. This has allowed the Group to secure new projects with multinational customers across the Automotive, Consumer Electronics and Industrial & Medical segments. The Group will continue to pursue business development initiatives to capture prevailing market opportunities within high-growth trends such as electric vehicles, internet of things applications such as smart home devices and audio-related products.

At the same time, the Group has placed great emphasis on enhancing cost controls, streamlining operations and boosting productivity by investing in automation to enhance its competitive edge. The Group also will continue its focus on improving earnings quality through the gradual elimination of lower-margin processes while taking on projects related to higher margin, complex engineering parts.

Heading into the remainder of FY2019, the Group continues to keep a close watch on the Automotive segment, stepping up business development initiatives and proactively engaging potential new customers amid cautious market sentiment. In addition, the Group will continue to monitor trade war tensions closely. To mitigate any potential impact, the Group is in the preliminary stages of exploring potential manufacturing locations in new geographic regions such as Vietnam. The Group is also exploring inorganic growth opportunities that are synergistic to the Group's operations. Backed by a strong balance sheet with a net cash position of US\$21.2 million, the Group remains confident in its long-term growth prospects.

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**11 Dividend**

**(a) Current Financial Period Reported On**

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

None.

**(c) Date payable**

Not Applicable.

**(d) Books closure date**

Not Applicable.

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

Not Applicable.

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

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

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

Chuang Wen Fu and Gu Chenghua, being two directors of Memtech International Limited (“the Company”), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the 1Q2019 financial results to be false or misleading in any material aspect.

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

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

**BY ORDER OF THE BOARD**

Chuang Wen Fu  
Chairman

25 April 2019

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## APPENDIX V – EXTRACTS FROM THE CONSTITUTION

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The provisions in the Company's Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below:

### **Rights in respect of capital**

#### ISSUE OF SHARES

3. (A) Subject to the Act and to these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over shares or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards Dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the Designated Stock Exchange's listing rules.

(B) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

(C) Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be issued subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.

4. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

5. (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).

(B) Notwithstanding Article 5(A) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:–

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (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 (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

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- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided that:-

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;
- (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Designated Stock Exchange for the time being in force (unless such compliance is waived by the Designated Stock Exchange) and these Articles; and
- (3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

(C) The Company may, notwithstanding Articles 5(A) and 5(B) above, authorize the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

6. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

7. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.

8. (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by any Designated Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrear.

(B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.



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### VARIATION OF RIGHTS

9. (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

(B) The provisions in Article 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.

(C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

### ALTERATION OF SHARE CAPITAL

10. The Company may by Ordinary Resolution:-

- (a) consolidate and divide all or any of its share capital;
- (b) sub-divide its shares, or any of them, Provided Always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived;
- (c) convert or exchange any class of shares into or for any other class of shares; and/or
- (d) cancel the number of shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled.

11. (A) The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law.

(B) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes and any applicable rules of the Designated Stock Exchange hereafter, the "Relevant Laws"), on such terms and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it

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in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

### SHARE CERTIFICATES

12. (A) Every share certificate shall be issued under the Seal and shall bear the facsimile signatures or the autographic signatures at least of any two Directors or one of the Director and the Secretary or such other person as may be authorised by the Directors, and shall specify the number and class of shares to which it relates and the amount paid up and the amount (if any) unpaid thereon. The facsimile signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the Directors of the Company. No certificate shall be issued representing shares of more than one class.

(B) The provisions in this Article and in Articles 13 to 16 (so far as they are applicable) shall not apply to transfer of book-entry securities.

13. (A) The Company shall not be bound to register more than three persons as joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased Member.

(B) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the joint holders shall be sufficient delivery to all.

14. Every person whose name is entered as a Member in the Register of Members shall be entitled, within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the closing date of any application for shares or (as the case may be) the date of lodgement of a registrable transfer, to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.

15. (A) Where a Member transfers part only of the shares comprised in a certificate or where a Member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares (in the case of transfer) and the whole of such shares (in the case of sub-division) shall be issued in lieu thereof and the Member shall pay (in the case of sub-division) a maximum fee of S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange. Where some only of the shares comprised in a share certificate are transferred, the new certificate for the balance of such shares shall be issued in lieu thereof without charge.

(B) Any two or more certificates representing shares of any one class held by any Member may at his request be cancelled and a single new certificate for such shares issued in lieu thereof without charge.

16. Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a written indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated Stock Exchange or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from

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time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to, and to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

### CALLS ON SHARES

17. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be made payable by instalments.

18. Each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.

19. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.

20. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

21. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

22. The Directors may if they think fit receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish *pro tanto* the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the Member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits.

### FORFEITURE AND LIEN

23. If a Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

24. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.

25. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder.

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26. A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorize some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid.

27. A Member whose shares have been made forfeit or surrendered shall cease to be a Member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.

28. The Company shall have a first and paramount lien on every share (not being a fully paid share) and Dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article 28.

29. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

30. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorize some person to transfer the shares sold to the purchaser.

31. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

### TRANSFER OF SHARES

32. All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, Provided Always that an instrument of transfer in respect of which the transferee is the CDP shall be effective although not signed or witnessed by or on behalf of the CDP. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

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33. The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.

34. (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

(B) The Directors may decline to register any instrument of transfer unless:-

- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
- (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
- (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
- (d) the instrument of transfer is in respect of only one class of shares.

35. All instruments of transfer which are registered may be retained by the Company.

36. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all Dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:-

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.



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### TRANSMISSION OF SHARES

37. (A) In case of the death of a Member whose name is registered in the Register of Members, the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(B) In the case of the death of a Member who is a Depositor, the survivors or survivor, where the deceased is a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder and where such executors or administrators are entered into the Depository Register in respect of any shares to the deceased Member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(C) Nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.

38. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member.

39. Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share in consequence of the death or bankruptcy of a Member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same Dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to General Meetings of the Company until he shall have been registered as a Member in respect of the share.

40. There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require.

### STOCK

43. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.

44. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

45. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards Dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

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### BONUS ISSUES AND CAPITALIZATION OF PROFITS AND RESERVES

134. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 5(B):

- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:
  - (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
  - (ii) (in the case of an Ordinary Resolution passed pursuant to Article 5(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and/or
- (b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:
  - (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
  - (ii) (in the case of an Ordinary Resolution passed pursuant to Article 5(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or subject to any special rights previously conferred on any shares or class of shares for the time being issued unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

(B) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under this Article 134, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

(C) In addition and without prejudice to the powers provided for by this Article 134, the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any Dividend on any shares entitled to cumulative or non-cumulative preferential Dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by Members in General Meeting and on such terms as the Directors shall think fit.

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### **Rights in respect of voting**

#### CENTRAL DEPOSITORY SYSTEM

41. A reference to a Member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP, the Depositors on behalf of whom CDP holds the shares, Provided that:-

- (a) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP forty-eight (48) hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP as supplied by CDP to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;
- (b) the payment by the Company to CDP of any Dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;
- (c) the delivery by the Company to CDP of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and
- (d) the provisions in these presents relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).

#### GENERAL MEETINGS

46. An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings. The interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not exceed such period as may be prescribed by the Designated Stock Exchange from time to time.

47. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.



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### NOTICE OF GENERAL MEETINGS

48. Any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting or any other Extraordinary General Meeting, by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than such as are not under the provisions of these presents entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-

- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote at thereat;

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing of such Extraordinary General Meeting shall be given to the Designated Stock Exchange.

49. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Member of the Company.

(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(C) In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

50. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:-

- (a) declaring Dividends;
- (b) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;
- (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;
- (d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);
- (e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and
- (f) fixing the Directors fees.

51. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

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### PROCEEDINGS AT GENERAL MEETINGS

52. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any General Meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be Chairman of the General Meeting.

53. No business other than the appointment of a Chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two Members present in person or by proxy, provided that (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present.

54. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.

55. The Chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or *sine die*, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

56. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting.

57. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the General Meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

58. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-

- (a) the Chairman of the meeting; or
- (b) not less than two Members present in person or by proxy and entitled to vote; or
- (c) any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all the Members having the right to vote at the General Meeting; or
- (d) any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding shares conferring a right to vote at the General Meeting, of which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right,

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Provided Always that no poll shall be demanded on the choice of the Chairman of the meeting or on a question of adjournment. A demand for a poll may be withdrawn only with the approval of the meeting.

59. Unless a poll is required, a declaration by the Chairman of the General Meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the General Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman of the meeting may (and if so directed by the General Meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

60. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the General Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

61. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the Chairman of the Meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the General Meeting for the transaction of any business other than the question on which the poll has been demanded.

### VOTES OF MEMBERS

62. Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, and to Article 4, each Member entitled to vote may vote in person or by proxy. On a show of hands every Member who is present in person or by proxy shall have one vote (provided that in the case of a Member who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the General Meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll every Member who is present in person or by proxy shall have one vote for every share of which he holds or represents. For the purposes of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the references to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting.

63. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.

64. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by Membership in relation to General Meetings.

65. No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by Membership in relation to General Meetings of the Company if any call or other sum payable by him to the Company in respect of such shares remains unpaid.

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66. No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the General Meeting whose decision shall be final and conclusive.

67. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

68. (A) A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting, provided that if a Member is a Depositor, the Company shall be entitled and bound:-

(a) to reject any instrument of proxy lodged if the Depositor, is not shown, to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company; and

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered into against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(B) Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

(C) A proxy need not be a Member of the Company.

69. (A) An instrument appointing a proxy for any Member shall be in writing in any usual or common form or in any other form which the Directors may approve and:-

(a) in the case of an individual Member, shall be signed by the Member or his attorney duly authorised in writing; and

(b) in the case of a Member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorized officer of the corporation.

(B) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a Member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.

70. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the General Meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the General Meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the General Meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

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71. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the General Meeting.

72. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

73. Subject to these Articles and the Statutes, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

### CORPORATIONS ACTING BY REPRESENTATIVES

74. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorize such person as it thinks fit to act as its representative at any General Meeting. The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for the purposes of these Articles (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorized is present thereat.

### **Rights in respect of dividends**

#### RESERVES

122. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

#### DIVIDENDS

123. The Company may by Ordinary Resolution declare Dividends but no such Dividend shall exceed the amount recommended by the Directors.

124. If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed Dividends on any class of shares carrying a fixed Dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim Dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

125. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-

- (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.



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## APPENDIX V – EXTRACTS FROM THE CONSTITUTION

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For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

126. (A) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such moneys unclaimed after six (6) years from having been first payable shall be forfeited and shall revert to the Company Provided Always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture. If CDP returns any such Dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such Dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such Dividend or the date on which such other moneys are first payable.

(B) A payment by the Company to CDP of any Dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.

127. No Dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

128. (A) The Directors may retain any Dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(B) The Directors may retain the Dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.

129. The waiver in whole or in part of any Dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

130. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a Dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

131. Any Dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such Member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

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## APPENDIX V – EXTRACTS FROM THE CONSTITUTION

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132. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any Dividend or other moneys payable or property distributable on or in respect of the share.

133. Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such Dividend of transferors and transferees of any such shares.

