



MEMTECH INTERNATIONAL LTD

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

Second Quarter Financial Statements Announcement For the period ended 30 June 2018



1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year:

Income Statement

For the period ended 30 June 2018

	Group Second Quarter			Group Half Year		
	2018 30-Jun	2017 30-Jun	Increase/ (Decrease)	2018 30-Jun	2017 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	44,973	37,750	19.1%	86,586	74,188	16.7%
Cost of sales	(38,383)	(31,206)	23.0%	(73,943)	(61,050)	21.1%
Gross profit	6,590	6,544	0.7%	12,643	13,138	-3.8%
Other income	602	3,702	-83.7%	1,422	3,970	-64.2%
Sales and marketing expenses	(2,400)	(1,676)	43.2%	(4,226)	(3,790)	11.5%
General and Administration expenses	(3,164)	(2,874)	10.1%	(5,898)	(5,541)	6.4%
Exchange gain/(loss)	413	(60)	NM	(50)	(124)	-59.7%
Other operating expenses	(109)	(164)	-33.5%	(306)	(174)	75.9%
Net gain from liquidation of subsidiary	701	-	NM	701	-	NM
Finance costs	(79)	(178)	-55.6%	(166)	(244)	-32.0%
Profit before tax	2,554	5,294	-51.8%	4,120	7,235	-43.1%
Income tax expenses, net	(454)	(405)	12.1%	(682)	(735)	-7.2%
Profit for the period	2,100	4,889	-57.0%	3,438	6,500	-47.1%
Attributable to:						
Owners of the Company	2,101	4,871	-56.9%	3,438	6,468	-46.8%
Non-controlling interests	(1)	18	NM	-	32	NM



Statement of Comprehensive Income

For the period ended 30 June 2018

	Group Second Quarter			Group Half Year		
	2018 30-Jun	2017 30-Jun	Increase/ (Decrease)	2018 30-Jun	2017 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Profit for the period	2,100	4,889	-57.0%	3,438	6,500	-47.1%
Other comprehensive income (net of tax)						
Items that may be reclassified to profit and loss:						
Currency translation differences	(4,744)	1,260	NM	(1,725)	1,623	NM
Total comprehensive income for the period	(2,644)	6,149	NM	1,713	8,123	-78.9%
Attributable to:						
Owners of the company	(2,626)	6,127	NM	1,718	8,086	-78.8%
Non-controlling interests	(18)	22	NM	(5)	37	NM
Total comprehensive income for the period attributable to Owners of the company	(2,644)	6,149	NM	1,713	8,123	-78.9%

Notes

NM: Not meaningful

1 Profit from operating activities

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

	Group Second Quarter			Group Half Year		
	2018 30-Jun	2017 30-Jun	Increase/ (Decrease)	2018 30-Jun	2017 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Depreciation	2,403	2,052	17.1%	4,678	4,053	15.4%
(Write-back of)/allowance for doubtful receivables, trade	(56)	202	NM	(292)	204	NM
Allowance for/(write-back of) stock obsolescence	368	114	NM	467	(113)	NM
Net (gain)/loss on disposal of property, plant and equipment	(11)	(3,175)	-99.7%	129	(3,183)	NM
Exchange (gain)/loss	(413)	160	NM	50	224	-77.7%



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 30 June 2018

	Group		Company	
	2018 30-Jun	2017 31-Dec	2018 30-Jun	2017 31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets:				
Property, plant and equipment	45,867	43,790	-	-
Investment in subsidiaries	-	-	69,365	75,107
Intangible assets	557	564	-	-
	<u>46,424</u>	<u>44,354</u>	<u>69,365</u>	<u>75,107</u>
Current Assets:				
Cash and cash equivalents	28,489	34,896	1,095	611
Bank deposits pledged	3,045	1,611	-	-
Trade receivables	61,137	70,662	-	-
Bills and other receivables	8,900	6,691	3	3
Amounts due from subsidiaries	-	-	8,779	8,792
Prepayments	3,986	4,625	-	-
Inventories	27,102	24,579	-	-
	<u>132,659</u>	<u>143,064</u>	<u>9,877</u>	<u>9,406</u>
Current Liabilities:				
Trade payables and accruals	36,658	39,676	188	516
Bills and other payables	9,512	9,499	8	15
Amounts due to subsidiaries	-	-	6,500	5,000
Provision for taxation	389	707	-	-
Other liabilities	860	784	-	-
Loans and borrowings	2,494	1,498	-	-
	<u>49,913</u>	<u>52,164</u>	<u>6,696</u>	<u>5,531</u>
Net Current Assets	82,746	90,900	3,181	3,875
Non-Current Liabilities:				
Loans and borrowings	2,192	3,342	-	-
Other liabilities	646	754	-	-
Deferred taxation	3,787	3,840	-	-
	<u>6,625</u>	<u>7,936</u>	<u>-</u>	<u>-</u>
Net Assets	<u>122,545</u>	<u>127,318</u>	<u>72,546</u>	<u>78,982</u>



Statement of Financial Position (Cont'd)

As at 30 June 2018

	Group		Company	
	2018	2017	2018	2017
	30-Jun	31-Dec	30-Jun	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Equity Attributable to Owners of the Company				
Share capital	57,808	57,808	57,808	57,808
Treasury shares	(2,127)	(1,441)	(2,127)	(1,441)
Currency translation reserve	(3,194)	(1,474)	-	-
Statutory reserve fund	9,477	10,457	-	-
Acquisition reserve	(714)	(714)	-	-
Revenue reserves	60,974	62,356	16,865	22,615
	<u>122,224</u>	<u>126,992</u>	<u>72,546</u>	<u>78,982</u>
Non-controlling interests	<u>321</u>	<u>326</u>	<u>-</u>	<u>-</u>
Total Equity	<u><u>122,545</u></u>	<u><u>127,318</u></u>	<u><u>72,546</u></u>	<u><u>78,982</u></u>

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

	Group Secured		Group Unsecured	
	2018	2017	2018	2017
	30-Jun	31-Dec	30-Jun	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less or on demand	-	-	2,494	1,498
Amount repayable after one year	-	-	2,192	3,342
	<u>-</u>	<u>-</u>	<u>4,686</u>	<u>4,840</u>



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 Cashflows

For the period ended 30 June 2018

	Group Second Quarter		Group Half Year	
	2018 30-Jun	2017 30-Jun	2018 30-Jun	2017 30-Jun
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit before tax	2,554	5,294	4,120	7,235
Adjustments for:				
Depreciation of property, plant and equipment	2,403	2,052	4,678	4,053
Amortisation of intangible assets	-	4	-	10
Interest expense	79	108	166	174
Interest income	(59)	(13)	(158)	(23)
(Write-back of)/allowance for doubtful receivables, trade	(56)	202	(292)	204
Allowance for/(write-back of) stock obsolescence	368	114	467	(113)
Net (gain)/loss on disposal of property, plant and equipment	(11)	(8)	129	(16)
Net gain on disposal of non-current asset held for sale	-	(3,167)	-	(3,167)
Net gain on liquidation of a subsidiary	(701)	-	(701)	-
Unrealised exchange (gain)/loss, net	(703)	101	(605)	98
Total adjustments	1,320	(607)	3,684	1,220
Operating cash flows before changes in working capital	3,874	4,687	7,804	8,455
Changes in working capital				
Trade and other receivables	2,654	1,663	8,091	8,820
Inventories	(3,942)	(987)	(3,175)	(2,510)
Trade and other payables	6,678	(5,243)	(1,822)	(8,910)
Total changes in working capital	5,390	(4,567)	3,094	(2,600)
Cash flows generated from operations	9,264	120	10,898	5,855
Interest received	59	13	170	34
Interest paid	(79)	(108)	(166)	(174)
Income taxes paid	(416)	(344)	(1,155)	(1,002)
Net cash flows generated from/(used in) operating activities	8,828	(319)	9,747	4,713
Cash flows from investing activities:				
Purchases of property, plant and equipment	(4,213)	(2,702)	(8,003)	(4,564)
Proceeds from disposal of property, plant and equipment	131	883	180	891
Proceeds from disposal of non-current asset held for sale	-	5,057	-	5,057
Net cash (used in)/generated from investing activities	(4,082)	3,238	(7,823)	1,384
Cash flows from financing activities:				
Proceeds from loans and borrowings	312	1,161	312	1,161
Dividends Paid	(5,800)	(2,523)	(5,800)	(2,523)
Repayments of loans and borrowings	(312)	(278)	(389)	(556)
Bank deposits (pledged)/received	(2,081)	568	(1,517)	(89)
Purchase of treasury shares	(690)	-	(690)	-
Net cash used in financing activities	(8,571)	(1,072)	(8,084)	(2,007)
Net (decrease)/increase in cash and cash equivalents	(3,825)	1,847	(6,160)	4,090
Effects of exchange rate changes on opening cash and cash equivalents	(1,534)	495	(247)	645
Cash and cash equivalents at the beginning of the period	33,848	29,746	34,896	27,353
Cash and cash equivalents at the end of the period	28,489	32,088	28,489	32,088



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 30 June 2018

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Issued Capital				
Balance at 1 January, 31 March and 30 June	57,808	57,808	57,808	57,808
Treasury Shares				
Balance at 1 January and 31 March	(1,441)	(1,441)	(1,441)	(1,441)
Purchase of treasury Shares	(686)	-	(686)	-
Balance at 30 June	(2,127)	(1,441)	(2,127)	(1,441)
Statutory Reserve Fund				
Balance at 1 January and 31 March	10,457	10,035	-	-
Reclassification of statutory fund to revenue reserves	(980)	-	-	-
Balance at at 30 June	9,477	10,035	-	-
Acquisition reserve				
Balance at 1 January and 31 March	(714)	(714)	-	-
Currency Translation Reserve				
Balance at 1 January	(1,474)	(6,222)	-	-
Net effect of exchange translation differences	3,007	362	-	-
Balance at 31 March	1,533	(5,860)	-	-
Net effect of exchange translation differences	(4,727)	1,256	-	-
Balance at 30 June	(3,194)	(4,604)	-	-
Revenue Reserves				
Balance at 1 January	62,356	51,176	22,615	25,874
Net profit/(loss) for the period	1,337	1,597	(172)	(136)
Balance at 31 March	63,693	52,773	22,443	25,738
Net profit/(loss) for the period	2,101	4,871	222	(158)
Reclassification of statutory fund to revenue reserves	980	-	-	-
Dividend paid	(5,800)	(2,523)	(5,800)	(2,523)
Balance at 30 June	60,974	55,121	16,865	23,057
Non- controlling interests				
Balance at 1 January	326	191	-	-
Net profit for the period	1	14	-	-
Net effect of exchange translation differences	12	1	-	-
Balance at 31 March	339	206	-	-
Net (loss)/profit for the period	(1)	18	-	-
Net effect of exchange translation differences	(17)	4	-	-
Balance at 30 June	321	228	-	-
Total Equity				
Balance at 1 January	127,318	110,833	78,982	82,241
Total for the period	4,357	1,974	(172)	(136)
Balance at 31 March	131,675	112,807	78,810	82,105
Total for the period	(9,130)	3,626	(6,264)	(2,681)
Balance at 30 June	122,545	116,433	72,546	79,424



1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares, excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

	2018	2017
	30-Jun	31-Dec
	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.

	2018	2017
	30-Jun	31-Dec
	No. of shares	No. of shares
Issued ordinary shares excluding treasury shares	<u>140,080,878</u>	<u>140,880,878</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.

	2018	2017
	30-Jun	31-Dec
	No. of shares	No. of shares
Balance as at beginning and end of the year	3,119,120	3,119,120
Open market purchase	800,000	-
Balance as at end of the year	<u>3,919,120</u>	<u>3,119,120</u>



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 2018. Except for the adoption of these new/revised FRSs, the Group has consistently adopted the same accounting policies and methods of computation as stated in the audited financial statements of the Group for the year ended 31 December 2017.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The adoption of the new/revised FRSs has no material financial impact on the Group's financial statements.



6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group Second Quarter		Group Half Year	
	2018 30-Jun	2017 30-Jun	2018 30-Jun	2017 30-Jun
	US cents	US cents	US cents	US cents
Earnings per ordinary share for the period after deducting any provision for preference dividends:				
(i) Based on weighted average number of ordinary shares on issue *	1.5	3.5	2.4	4.6
(ii) On a fully diluted basis *	1.5	3.5	2.4	4.6

*Earning per ordinary share included an exchange gain of US\$0.7million due to reclassification from foreign currency translation reserve to income statement upon the liquidation of a Huzhou subsidiary. The reclassification has no effect on net asset value of the company.

	Group Second Quarter		Group Half Year	
	2018 30-Jun	2017 30-Jun	2018 30-Jun	2017 30-Jun
	'000	'000	'000	'000
Weighted average number of shares:				
(i) Based on weighted average number of ordinary shares on issue	140,777	140,881	140,829	140,881
(ii) On a fully diluted basis	140,777	140,881	140,829	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

	Group		Company	
	2018 30-Jun	2017 31-Dec	2018 30-Jun	2017 31-Dec
	US cents	US cents	US cents	US cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	87.3	90.1	51.8	56.1
Number of shares ('000)	140,081	140,881	140,081	140,881



- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue and Profitability Analysis

2Q2018 vs. 2Q2017

The Group’s revenue increased 19.1% year-on-year (“yoy”) to US\$45.0 million for 2Q2018. The growth in revenue was led by the Group’s Automotive segment which reported a 32.6% yoy increase to US\$22.3 million. Growth in the automotive segment was mainly due to projects with key customers going into mass production. The Group’s Consumer Electronics segment increased 2.9% yoy to US\$14.3 million. The subdued growth in the Consumer Electronics segment was the result of key customers pushing back the launch of certain projects while other projects reached end-of-life due to customers refreshing product lines and transitioning into newer models. The Group expects to ramp-up production of projects in the Consumer Electronics segment in 2H2018.

Adding additional growth to the Group’s topline was the Industrial & Medical segment which increased 79.1% yoy to US\$4.5 million due to new project wins going into mass production. Conversely, the Group’s Telco segment declined 14.8% yoy to US\$3.8 million.

Segment (US\$’000)	2Q2018	2Q2017	Change (%)
Automotive	22,302	16,822	32.6
Consumer Electronics	14,349	13,943	2.9
Telco	3,804	4,464	(14.8)
Industrial & Medical	4,517	2,523	79.1
Total	44,973	37,750	19.1

The Group’s gross profit increased 0.7% yoy to US\$6.6 million. Conversely, the Group’s gross profit margin declined from 17.3% for 2Q2017 to 14.7% for 2Q2018. The reason for the decline in gross profit margin was mainly attributable to (1) a rise in raw material prices and product packaging cost, (2) an increase in staff cost, (3) an increase in the outsourcing of tooling.



Other income decreased 83.7% yoy to US\$0.6 million for 2Q2018 in the absence of a one-time gain amounting to US\$3.1 million from the sale of the Group's land and factory in Huzhou, China in 2Q2017. The Group's other income comprised mainly of government incentives and subsidies due to its use of innovative manufacturing technologies.

Sales and marketing expenses increased 43.2% yoy to US\$2.4 million for 2Q2018 mainly due to an increase in salaries for sales and marketing staff, and an increase in transportation costs.

The Group's General and Administration expenses increased 10.1% yoy to US\$3.2 million for 2Q2018 mainly due to higher staff costs arising from annual salary adjustments.

The Group reported a foreign exchange gain amounting to US\$0.4 million for 2Q2018 mainly due to the appreciation of the US Dollar against the Chinese Renminbi.

Net gain of US\$0.7 million from liquidation of subsidiary arose from reclassification of the exchange gain in the currency translation reserve to the income statement in accordance with SFRS (I)-21.

As a result, the Group reported a 56.9% yoy decline in net profit attributable to owners of the Company of US\$2.1 million for 2Q2018. Excluding the one-off items which are the net gain from liquidation of subsidiary in 2Q2018 and the disposal gain as a result of the Group's sale of its land and factory in Huzhou, China in 2Q2017, the Group would have reported a net profit decline of 20.3% yoy.

Balance Sheet Analysis

The net book value of property, plant and equipment increased from US\$43.8 million as at 31 December 2017 to US\$45.9 million as at 30 June 2018 mainly due to additions for expected new projects along with upgrading and replacement of machinery.

The Group's inventories increased US\$2.5 million to US\$27.1 million as at 30 June 2018 due mainly to higher material prices

The Group's cash and cash equivalents declined from US\$34.9 million as at 31 December 2017 to US\$28.5 million as at 30 June 2018 while the Group's borrowings amounted to US\$4.7 million. This resulted in a net cash position of US\$23.8 million as at 30 June 2018 (31 December 2017: US\$30.1 million).



Cash Flow Analysis

The Group generated US\$9.3 million net cash from operating activities for 2Q2018 as compared to net cash used in operating activities amounting to US\$0.3 million for 2Q2017. Net cash used in investing activities was US\$4.1 million for 2Q2018 as compared to net cash generated from investing activities amounting to US\$3.2 million for 2Q2017. This was mainly attributable to the purchase of property, plant and equipment as required to support orders from new key customers for 2Q2018 as compared to 2Q2017, where the Group received proceeds from the sale of its land and factory in Huzhou. Net cash used in financing activities increased to US\$8.6 million for 2Q2018 as compared to US\$1.1 million for 2Q2017 primarily due to the payment of higher dividends.

Overall, the Group maintained a healthy financial position as at 30 June 2018. The Group's current ratio was 2.7 times with cash and cash equivalents amounting to US\$28.5 million or approximately 20 US cents per share.

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

These results are in line with the statement made in the 1Q2018 results announcement for the period ended 31 March 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 overall business landscape remains challenging due to rising competition, foreign exchange rate volatility, rising labour costs and a more cautious market sentiment as a result of the ongoing trade tensions.

Despite the headwinds, the Group continues to leverage on its material science know-how and niche capabilities in plastic and rubber to develop new business avenues from both new and existing customers. Furthermore, the Group has placed an emphasis on streamlining operations and boosting productivity by investing in automation to enhance its competitive edge. Concurrently, the Group has maintained 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.



Business development initiatives are ongoing as the Group continues to source for opportunities within the Automotive, Consumer Electronics and Industrial & Medical segments. The Group remains poised 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. Entering into the seasonally stronger second half of the year, new projects in the Automotive and Consumer Electronics segments remain on track for mass production in 2H2018.

Heading into the second half of the year and barring any unforeseen circumstances, the Group remains confident of its economic prospects. The Group will continue to navigate potential headwinds in the form of foreign exchange rate volatility and rising labour costs while continuing to monitor the trade situation closely. Looking ahead, the Group's resilient balance sheet with a net cash position of US\$23.8 million provides the impetus for the Group to execute its growth strategies within each business segment.

11 Dividend

(a) *Current Financial Period Reported On*

None.

(b) *Corresponding Period of the Immediately Preceding Financial Year*

None.

(c) *Date payable*

Not Applicable.

(d) *Books closure date*

Not Applicable.

12 If no dividend has been declared/recommended, a statement to that effect

Not Applicable.



13 If the Group has obtained a general mandate from shareholders for interested person transactions (“IPTs”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to the effect.

The Group has not obtained a general mandate from shareholders for IPTs.

14 Negative Confirmation of the Board pursuant 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 1Q2018 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)

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

13 August 2018