



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



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

	2019	Group First Quarter	
	31-Mar	2018	<i>Increase/ (Decrease)</i>
	US\$'000	31-Mar	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



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%



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
Non-Current Assets:				
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>
Current Assets:				
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>
Current Liabilities:				
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>
Net Current Assets	81,153	80,133	2,552	2,728
Non-Current Liabilities:				
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>
Net Assets	128,773	126,041	71,917	72,093



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
Equity Attributable to Owners of the Company				
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>
Non-controlling interests	402	381	-	-
Total Equity	<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>



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	2018
	31-Mar	31-Mar
	US\$'000	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



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
Issued Capital				
Balance at 1 January and 31 March	57,808	57,808	57,808	57,808
Treasury Shares				
Balance at 1 January and 31 March	(2,127)	(1,441)	(2,127)	(1,441)
Statutory Reserve Fund				
Balance at 1 January and 31 March	9,545	10,457	-	-
Acquisition reserve				
Balance at 1 January and 31 March	(714)	(714)	-	-
Currency Translation Reserve				
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>
Revenue Reserves				
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>
Non- controlling interests				
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>
Total Equity				
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>



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

	2019	2018
	31-Mar	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.

	2019	2018
	31-Mar	31-Dec
	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.

	2019	2018
	31-Mar	31-Dec
	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>



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.



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	
	First Quarter	
	2019	2018
	31-Mar	31-Mar
	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

	Group	
	First Quarter	
	2019	2018
	31-Mar	31-Mar
	'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 sharesexcluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year

	Group		Company	
	2019	2018	2019	2018
	31-Mar	31-Dec	31-Mar	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	91.6	89.7	51.3	51.5
Number of shares ('000)	140,081	140,081	140,081	140,081



- 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.

Segment (US\$’000)	1Q2019	1Q2018	Change (%)
Automotive	20,490	22,607	(9.4)
Consumer Electronics	15,384	12,576	22.3
Telco	6,730	3,955	70.2
Industrial & Medical	3,877	2,472	56.9
Total	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.



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.



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.



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)



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