Mind Your Language

Annual Report 2015

Translation | Editing | Copy Writing

OUR PURPOSE

MYL was founded in 2003 to provide translation, editing and copywriting services at a higher quality, faster turnaround and cheaper cost than our Clients can execute in-house themselves. We achieve this by employing highly qualified linguists at a reasonable cost and making them available to our Clients as and when they are required.

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2015 Scorecard

Sales Growth:	11.0%*
Profit Growth:	2.0%*
Increase in Jobs Processed:	3.3%
Return on Shareholder Equity:	33%*
Upheld Job Complaints:	0.09%

*Unaudited

…From MYL's 2014 Annual Report

"We are confident that we will be back to our winning ways of delivering 15% to 20% growth in top-line sales in 2015."

Solid Growth

I am pleased to report another record year of sales and profitability for MYL, our twelfth year of growth in 13 years. Year-on-year sales growth in 2015 was 11%, and profit growth was 2%.

Our record sales did not translate into the same level of growth in profitability, principally because we invested in more sales and operations staff early in the second half of 2015, precisely at the same time that sales started to fall due to the general slowdown in China. It was poor timing, and we paid the price for that on the bottom line.

We continue to see solid demand for our services, however, and our retention rates remain high, but offsetting the slowdown in our Clients' spending that we began to see in August 2015, and continue to see in the first quarter of 2016, is very difficult. We are also of the belief that it will remain a challenging business environment throughout 2016, as China grapples with a multitude of economic headwinds.

We are optimistic, however, that our competitive positioning in the marketplace means that we will continue to win business at the expense of "*mom and pop shops*" that cannot compete effectively in the new digital age, and the "*global translation behemoths*" that are unable or unwilling to be entrepreneurial at the point of contact with Asian-based customers. The middle ground continues to be a high margin and fertile playing field for the services we provide.

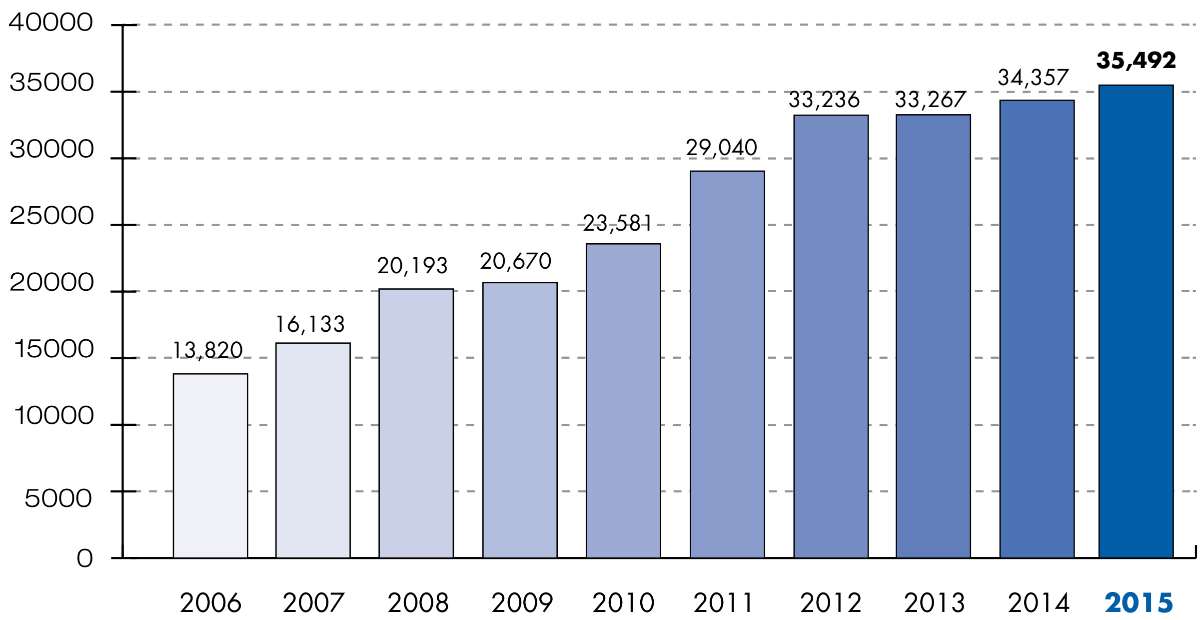
We believe that the future of our industry, namely content origination, website localisation and general translation, is very positive and, economic headwinds to one side, we expect to continue to deliver profitable growth in the years ahead.

As always, I would like to conclude by thanking our staff, linguists and partners, without whom none of what was achieved in 2015 would have been possible.

Gerry Ball
March 1, 2016

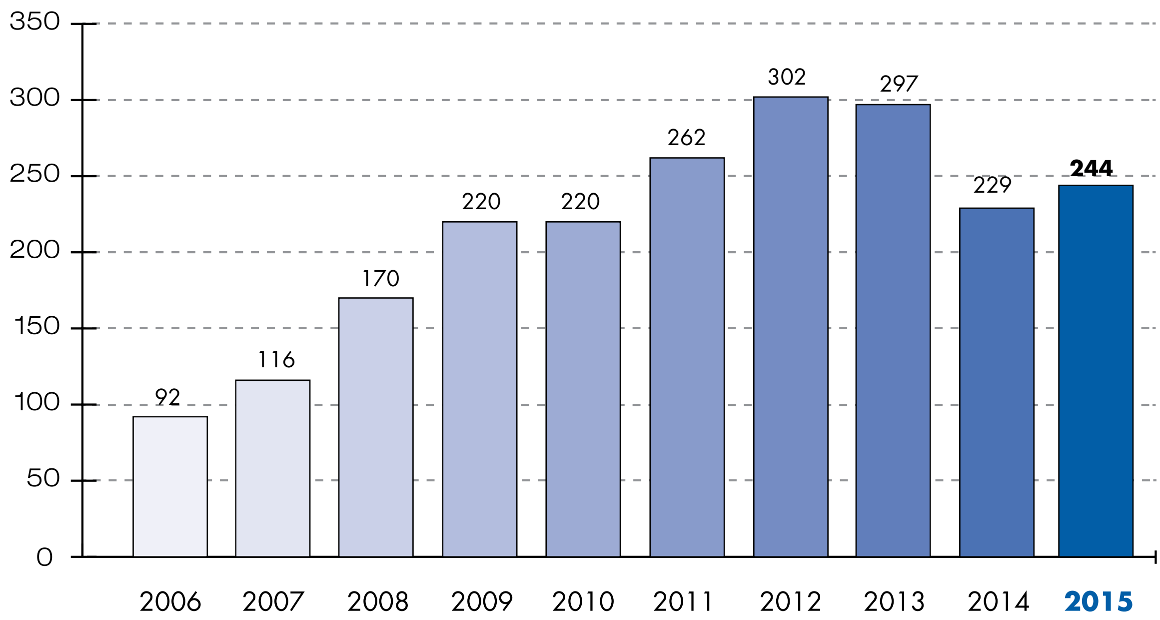
Ten-Year Scorecard

Platform



Even though the growth in the number of jobs has slowed since 2012, the average job size in dollar terms has increased by 77% over the same period.

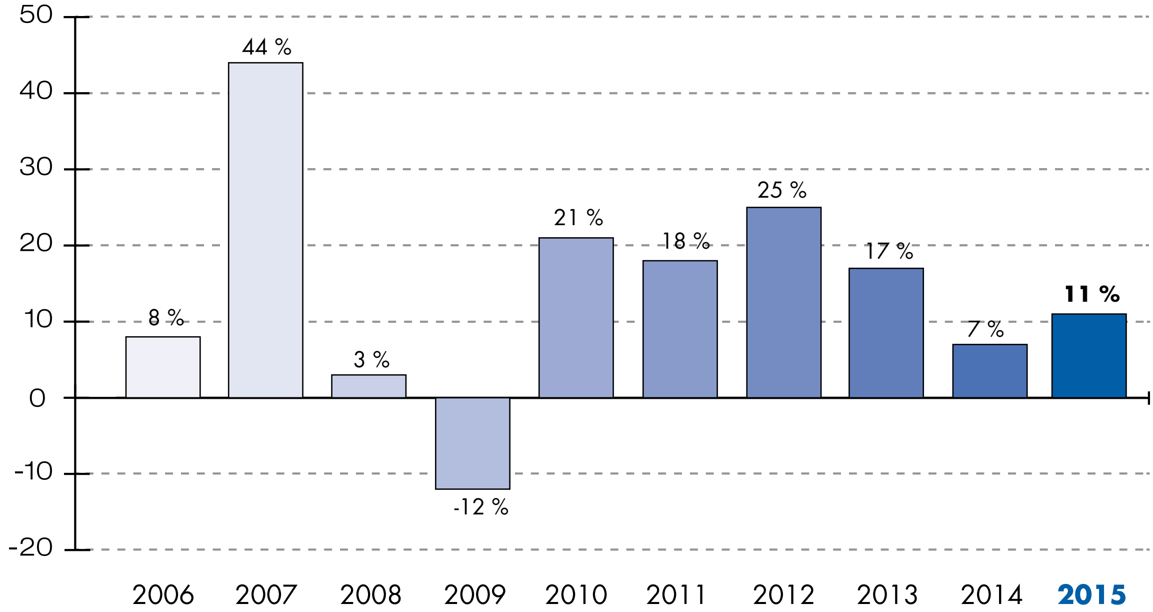
People



After peaking at 302 linguists in 2012, our strategy has been to reduce our linguist resources and focus on key vertical industries where we have proven domain experience.

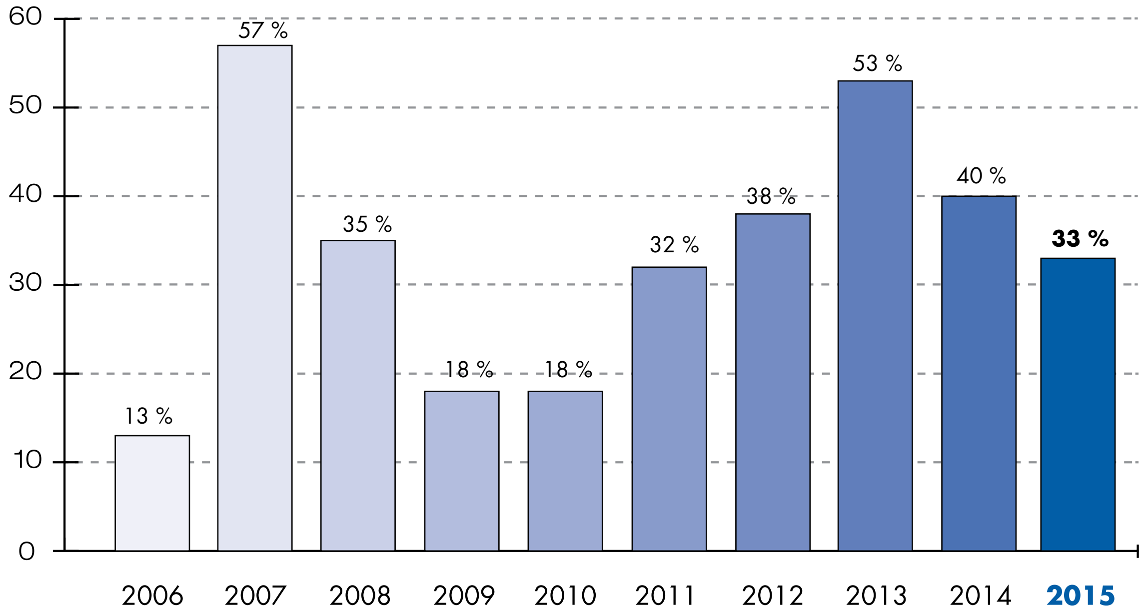
Ten-Year Scorecard

Performance



Our average annual sales growth since 2006 has been 14.20% per annum.

Profits (Return on Equity)



Our total shareholder return, since turning the business profitable in 2006, has been 337% or 33.77%, on average, per annum. Since our inception in 2003, shareholder return has been 25.92%, on average, per annum.

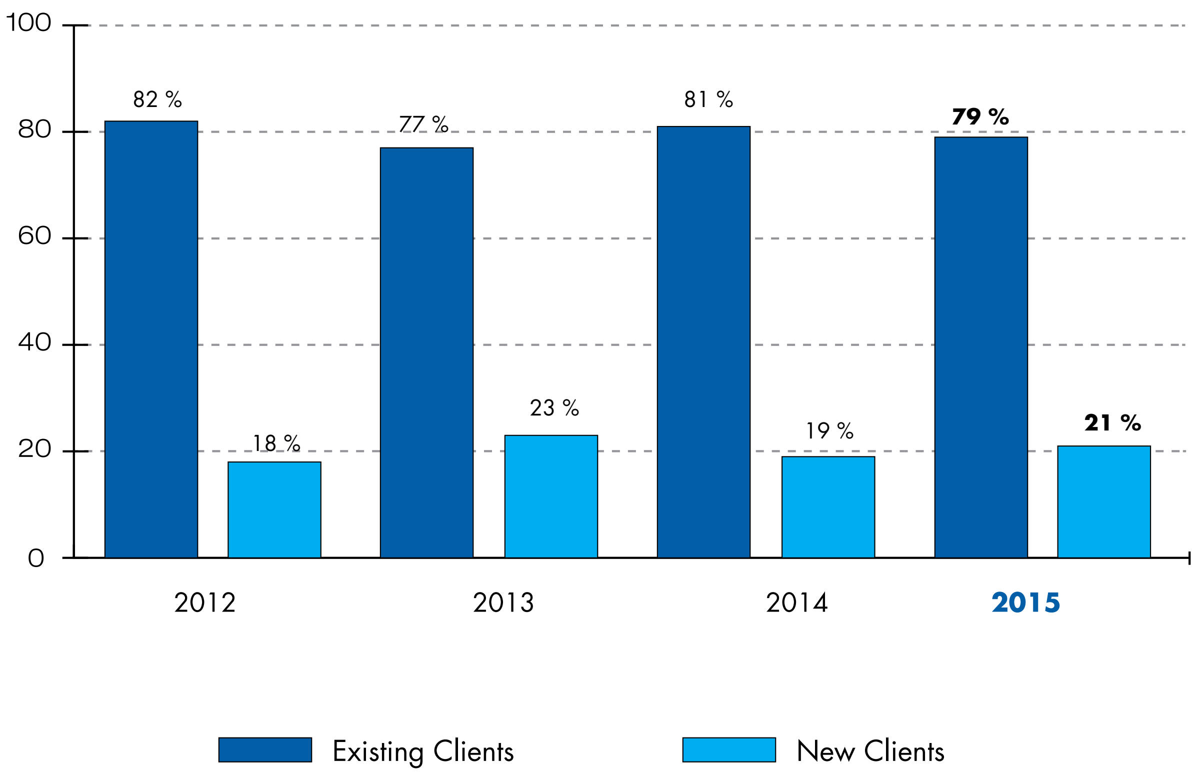
Development Strategy

Our long-term strategy has been to grow the company's top-line at between 15% and 20% a year, and to keep a capital structure that enables us to earn a return on shareholder equity that delivers a minimum of 25% per annum.

We are in line with our sales growth objective over the last six years, with an average annual growth rate of 16.50%, but over the last three years, the average has fallen to 11.66%. Without any major new services that enable us to capture new market space, we expect that our longer-term growth rates will fall to between 10% and 15% a year.

The balance of new business versus existing business continues to be an area that we discuss a lot in our strategy meetings. Attracting more new business at a time when our existing Clients are spending less money would seem to be an obvious strategy to deploy, but winning new business takes considerable resources and long lead times to move the revenue needle materially, so the returns are not as good as they may seem to be on the surface. The numbers below bear this out. Despite expanding our new business sales team in mid-2014, the percentage change in revenue split in 2015 remains in line with the average of the past four years.

Revenue Breakdown



Technology Strategy

We continue to place considerable importance on innovation, and we recognise that without any new transformative innovations that make our Clients' lives easier, it will be more challenging to scale our business significantly.

We are continually assessing developments in machine translation, enhanced translation memory applications and other applications related to faster and easier website content translation, and we do expect to make progress in all of these areas, however, no groundbreaking innovations will be launched in 2016.

Quality Strategy

In 2015, we started an initiative called "*Never Lose a Client*", which, as the name suggests, revolves around building processes that try to ensure that this objective is fulfilled. It worked well from two perspectives:

1. It helped in reducing the number of Clients we lose;

2. It helped us to understand in more depth why we lose Clients from time-to-time, and has provided us with an opportunity to fix the issue.

One innovation that we have designed to enhance quality further (and that is about to be launched at the time of writing) is our *Linguist Rating System*. Using a blend of qualitative and quantitative data, linguists are assigned a rating of up to five stars based on a range of metrics, including the percentage of jobs that are returned to Clients' on time and the responsiveness to Client queries – two factors that our Clients have told us are important to a holistic service.

Interview with MYL's Founder & CEO

You were short again of your of 15% to 20% sales growth objective in 2015, and profit growth was negligible. What went wrong?

We got off to a very good start in 2015, with first half sales up by 19% over the same period in 2014. As we were well ahead of our first half forecast, we decided to hire more staff, but unfortunately it was at precisely the time that sales growth started to slow, and the result was a hit to the top-line in the second half and, therefore, profitability. The timing was poor.

So what are you forecasting for sales growth in 2016?

For the first time in the company's history, we're actually forecasting no growth at all. We think that the slowdown in customer spend that we saw in the second half of 2015 will continue in 2016 (and indeed it has done in January and February), and for that reason we are being realistic with our goals and looking at this period as a time to regroup and refine our strategies.

Has the China slowdown affected you?

It has, but not materially, as less than 10% of our revenue comes from China directly. The China slowdown has affected our Clients outside of China, and that has had a negative knock-on effect concerning what they spend with us.

It sounds like you are quite bearish generally.

I think "realistic" might better describe how we are approaching 2016. Having managed businesses in Asia for the past 20 years, I have seen these cycles play out many times now. This is a clear down cycle that I think will likely last for most of 2016, and as our business is more mature now we are more susceptible to a down cycle than in previous cycles.

Have you restructured the business in light of your prognosis for 2016?

Yes, we have. In February, we took steps to restructure our sales team to tilt it more towards growth and away from Client servicing. This means we will actually be spending more money on our sales team's overhead in 2016 than in 2015. That may sound odd given that we are budgeting for no growth in sales in 2016, but we are playing the long game here.

So what is your strategy exactly?

Our strategy is to invest in deeper sales talent to enable us to build our connections and distribution channels now so that we are well-positioned when the recovery comes. We deployed a similar strategy in 2008/2009 during the financial crisis and, although profitability was lower in 2009, it enabled us to capture valuable market share during the recovery period of 2010-2015, when we doubled the company's revenues and grew profitability substantially as well.

Interview with MYL's Founder & CEO

So this is where your long game of "profitable growth strategy" pays off?

Exactly. We have never had any debt and have opted to manage a steady 15% to 20% a year growth business in the up cycles, so that it is much easier to manage through the down cycles. It's not easy to do this if you are a publicly listed company because shareholders want the fastest growth possible. It's one of the luxuries of staying privately owned; however, as we can sail at the pace that the management team is comfortable with, and, it enables us to have much greater control of the quality of the work that we provide to our Clients.

Mind Your Language Ltd

Unit 901, 9/F, Yue Xiu Building
160-174 Lockhart Road
Wanchai
Hong Kong

T: +852 2526 2397
E: service@myIGlobal.com
W: www.myIGlobal.com