



MEDTECS INTERNATIONAL CORPORATION LIMITED

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Half Year Financial Statements

PART I - INFORMATION REQUIRED FOR QUARTERLY - (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS ANNOUNCEMENT

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 immediately preceding financial year.

Unaudited Half Year Results

	Group		
	US\$'000		%
	Latest Half Year 30 June 2017	Previous Half Year 30 June 2016	Increase/ (Decrease)
Revenues	32,235	27,553	17.0
Costs of sales and services	(26,979)	(22,631)	19.2
Gross profit	5,256	4,922	6.8
Other items of income			
Other operating income (expense), net	(53)	(91)	(41.8)
Financial income	8	3	166.67
Other items of expense			
Distribution and selling expenses	(1,085)	(949)	14.3
Administrative expenses	(2,495)	(2,256)	10.6
Financial expenses	(862)	(879)	(1.9)
Profit before tax	769	750	2.5
Income tax expense	(228)	(264)	(13.6)
Net profit for the period	541	486	11.3
Attributable to:			
Equity holders of the Company	542	487	11.3
Non-controlling interests	(1)	(1)	0.0
Net profit for the period	541	486	11.3

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

	US\$'000	
	Latest Half Year 30 June 2017	Previous Half Year 30 June 2016
Depreciation	1,429	1,473
Amortisation of:		
Assets held for leasing	940	1,042
Transaction cost	-	26
Financial expense	672	686
Other finance cost	190	192
Financial income	(8)	(3)

**Statement of Comprehensive Income
For the half year ended 30 June 2017**

	Group		
	US\$'000		%
	Latest Half Year 30 June 2017	Previous Half Year 30 June 2016	Increase/ (Decrease)
Profit after tax	541	486	11.3
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation	399	(153)	(360.8)
Total comprehensive income	940	333	182.3
Attributable to:			
Equity holders of the Company	939	335	180.3
Non-controlling interests	1	(2)	150.0
Total comprehensive income	940	333	182.3

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

Unaudited Half Year Balance Sheet

		Group US\$'000		Company US\$'000	
		30 June 2017	31 Dec 2016	30 June 2017	31 Dec 2016
ASSETS					
Non-current assets					
Property, plant and equipment, net	Note 1	23,840	24,410	153	59
Investment properties		3,227	3,443	–	160
Assets held for leasing		5,319	5,185	–	–
Investment in subsidiaries		–	–	24,885	23,642
Goodwill		709	709	–	–
Deferred tax assets		13	13	22	13
Other non-current assets		4,298	4,384	3,238	3,248
		<u>37,406</u>	<u>38,144</u>	<u>28,298</u>	<u>27,122</u>
Current assets					
Inventories		35,459	34,749	87	87
Trade receivables		15,592	13,811	9,221	9,016
Other current assets	Note 2	17,862	15,434	11,026	10,756
Due from subsidiaries (trade)		–	–	15,274	12,210
Fixed deposits	Note 3	2,708	1,919	–	–
Cash and bank balances		1,399	1,581	120	22
		<u>73,020</u>	<u>67,494</u>	<u>35,728</u>	<u>32,091</u>
TOTAL ASSETS		<u>110,426</u>	<u>105,638</u>	<u>64,026</u>	<u>59,213</u>

EQUITY AND LIABILITIES

	Group US\$'000		Company US\$'000		
	30 June 2017	31 Dec 2016	30 June 2017	31 Dec 2016	
Current liabilities					
Trade payables and other current liabilities	Note 4	11,960	9,384	996	1,575
Due to subsidiaries (trade)		–	–	41,215	34,950
Term loans (current portion)		496	1,175	–	–
Trust receipts and acceptances payable		1,066	867	–	–
Bank loans		29,503	29,575	–	–
Income tax payable		1,615	1,677	–	18
		<u>44,640</u>	<u>42,678</u>	<u>42,211</u>	<u>36,543</u>
NET CURRENT ASSETS		28,380	24,816	(6,483)	(4,452)
Non-current liabilities					
Term loans	Note 5	1,974	107	–	–
Deferred tax liabilities		268	267	(13)	–
Pension benefits obligation		761	727	184	175
		<u>3,003</u>	<u>1,101</u>	<u>171</u>	<u>175</u>
TOTAL LIABILITIES		47,643	43,779	42,382	36,718
NET ASSETS		62,783	61,859	21,644	22,495
Equity attributable to equity holders of the Company					
Share capital		27,471	27,471	27,471	27,471
Share premium		4,721	4,721	4,721	4,721
Equity component of convertible bonds		267	267	267	267
Employee share option reserve		294	294	294	294
Actuarial gains/(losses)		(14)	(14)	17	17
Foreign currency translation reserve		884	485	–	–
Other reserves		(167)	(167)	–	–
Revenue reserves/(deficits)		28,312	27,788	(11,126)	(10,275)
		<u>61,768</u>	<u>60,845</u>	<u>21,644</u>	<u>22,495</u>
Non-controlling interests		1,015	1,014	–	–
Total equity		62,783	61,859	21,644	22,495
TOTAL EQUITY AND LIABILITIES		110,426	105,638	64,026	59,213

Explanatory notes that are material to an understanding of the information:

Note 1 Decrease in property, plant and equipment is due to depreciation.

Note 2 Increase in other current assets is due to advances to suppliers for future purchases.

Note 3 Fixed Deposit includes US\$1.4 million from private placement completed on 15 October 2015.

Note 4 Increase in payable is due to higher purchases for the period

Note 5 Increase in long term loan is due to new term loan in Taiwan

1.(b)(ii) In relation to the aggregate amount of the group's borrowings and the debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

Amount repayable in one year or less, or on demand

As at 30 June 2017 US\$'000		As at 31 December 2016 US\$'000	
Secured	Unsecured	Secured	Unsecured
6,328	24,323	6,100	24,342

Amount repayable after one year

As at 30 June 2017 US\$'000		As at 31 December 2016 US\$'000	
Secured	Unsecured	Secured	Unsecured
–	2,470	–	1,282

Details of any collateral

Secured Group's borrowings repayable in one year or less comprised trust receipts and acceptances payable amounting to approximately US\$1.1 million and US\$867,000 as of 30 June 2017 and 31 December 2016, respectively, which are secured by a pledge of certain merchandise kept in trust for the bank.

1.(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Unaudited Half Year Statement of Cash Flows

Group US\$'000	
Latest Half Year 30 June 2017	Previous Half Year 30 June 2016

OPERATING ACTIVITIES

Profit before tax	769	750
Adjustments for:		
Depreciation	1,429	1,473
Amortization of:		
Assets held for leasing	940	1,042
Transaction cost	-	26
Financial expense	672	686
Other finance costs	190	192
Financial income	(8)	(3)
Operating cash flows before working capital changes	3,992	4,166
Decrease/(increase) in:		
Other current assets	(2,428)	113
Trade receivables	(1,667)	141
Inventories	(680)	(240)
Increase/(decrease) in:		
Pension benefits obligation	34	29
Trade payables and other current liabilities	2,831	(2,312)
Trust receipts and acceptances payable - net	199	(137)
Net cash generated from operations	2,281	1,760
Income taxes paid	(289)	(111)
Other finance costs paid	(190)	(192)
Interest received	8	3
Net cash generated from operating activities	1,810	1,460

1.(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (continuation)

	Group	
	US\$'000	
	Latest Half Year 30 June 2017	Previous Half Year 30 June 2016
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(875)	(1,855)
Decrease / (Increase) in:		
Investment property	216	-
Assets held for leasing	(1,074)	(1,463)
Other non-current assets	86	764
Net cash used in investing activities	(1,647)	(2,554)
FINANCING ACTIVITIES		
Proceeds from (payments of) short-term bank loans - net	(72)	795
Proceeds from (payments of) term loans – net	1,188	963
Fixed Deposit	(789)	(15)
Interest paid	(672)	(686)
Net cash generated from (used in) financing activities	(345)	1,057
Net increase / (decrease) in cash and bank balances	(182)	(37)
Cash and bank balances at beginning of period	1,581	1,887
Cash and bank balances at end of period	1,399	1,850

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

Group	US\$'000									
	Attributed to equity holders of the Group									
	Share capital	Share premium	Employee share option reserve	Equity component of convertible bonds	Actuarial gains (losses)	Translation reserves	Revenue reserves	Other reserves	Non-controlling interests	Total equity
Balance at 31 December 2015	27,471	4,721	294	267	(57)	1,929	26,267	(1,627)	1,017	60,462
Net profit for the period	-	-	-	-	-	-	487	-	(1)	486
Other comprehensive income (loss)	-	-	-	-	-	(153)	-	(153)	(1)	(154)
Total comprehensive income (loss) for the period	-	-	-	-	-	(153)	487	-	(2)	332
Balance at 30 June 2016	27,471	4,721	294	267	(57)	(6)	27,254	(1,627)	1,015	60,794
Net profit (loss) for the period	-	-	-	-	-	-	641	-	(1)	533
Other comprehensive income	-	-	-	-	43	489	-	-	-	532
Total comprehensive income (loss) for the period	-	-	-	-	43	489	641	-	(1)	1,065
Balance at 31 December 2016	27,471	4,721	294	267	(14)	483	27,783	(1,627)	1,014	61,859
Net income	-	-	-	-	-	-	540	-	1	541
Other comprehensive income	-	-	-	-	-	199	(116)	-	-	383
Total comprehensive income for the period	-	-	-	-	-	199	424	-	-	623
Balance at 30 June 2017	27,471	4,721	294	267	(14)	683	27,512	(1,627)	1,015	62,783

Company

US\$'000									
Attributed to equity holders of the Company									
Share capital	Share premium	Employee share option reserve	Equity component of convertible bonds	Actuarial gains (losses)	Revenue reserves	Total reserves	Non-controlling interests	Total equity	
27,471	4,721	294	267	23	(859)	(859)	—	24,385	
—	—	—	—	—	(845)	(845)	—	(845)	
27,471	4,721	294	267	23	(923)	(923)	—	23,540	
—	—	—	—	—	(1,039)	(1,039)	—	(1,039)	(6)
—	—	—	—	(6)	—	—	—	(6)	—
27,471	4,721	294	267	17	(1,075)	(1,075)	—	22,495	
—	—	—	—	—	(851)	(851)	—	(851)	—
27,471	4,721	294	267	17	(1,126)	(1,126)	—	21,644	

Balance at 31 December 2015
 Net loss for the period, representing total comprehensive loss for the period

Balance at 30 June 2016

Net income for the period
 Actuarial losses

Balance at 31 December 2016
 Net loss for the period, representing total comprehensive loss for the period

Balance at 30 June 2017

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 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 reported on.

None

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.

The total number of issued shares as at 30 June 2017 and 31 December 2016 was 549,411,240 shares. There were no treasury shares held by the Company as at the end of the current financial period reported on and as at the end of the immediately preceding year.

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.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statement have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at and for the financial year ended 31 December 2016, except for the changes made in paragraph 5.

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.

In the current financial year, the Group has adopted all the new and revised Financial Reporting Standards ("FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRSs does not result in changes to the Group's accounting policies and have no material effect on the financial statements for the current period.

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 Half 2017	First Half 2016

Earnings per ordinary share for the period
after deducting any provision for preference dividends:

(i) Based on weighted average number of ordinary shares in issue	0.098 US cents	0.089 US cents
(ii) On a fully diluted basis	0.098 US cents	0.089 US cents

Explanatory note to 6 (i) and (ii)

Earnings per share for the financial periods ended 30 June 2017 and 30 June 2016 are calculated based on existing issued share capital of 549,411,240. The half year earnings per share on a fully diluted basis are calculated based on the number of issued shares of 549,411,240. There were no adjustments since the effects of share options are anti-dilutive.

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	
As at 30 June 2017	As at 31 December 2016

Net asset value per ordinary share based on the total number of shares excluding treasury shares as at the end of the period reported on	11.43 US cents	11.26 US cents
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Company	
As at 30 June 2017	As at 31 December 2016

Net asset value per ordinary share based on the total number of shares excluding treasury shares as at the end of the period reported on	3.94 US cents	4.09 US cents
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Explanatory note to 7

The net asset value per ordinary share is calculated based on 549,411,240 issued shares for the financial periods ended 30 June 2017 and 31 December 2016.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Business Overview

The Group's revenue increased by 17.0% from US\$27.6 million in 1H16 to US\$32.2 million in 1H17 due to higher customer demand and new customers in Asia Pacific Region. The Group's net profit increased by 11.3% from US\$486,000 in 1H16 to US\$541,000 in 1H17 due to higher sales.

Revenue

Revenue from the OPM division increased by 14.9% from US\$20.8 million in 1H16 to US\$23.9 million in 1H17 due to higher orders of their customers in Singapore and Philippines.

Revenue from the Hospital Services division grew by 12.3% from US\$5.7 million in 1H16 to US\$6.4 million in 1H17 arising from increased linen consumption and new hospital contracts in Taiwan and Philippines.

Revenue from the Trading and Distribution division increased by 63.6% from US\$1.1 million in 1H16 to US\$1.8 million in 1H17 arising from trading opportunities in Taiwan during the period.

Profitability

The Group's gross profit increased by 8.2% from US\$4.9 million in 1H16 to US\$5.3 million in 1H17 arising from higher revenues.

Gross profit from the OPM division increased by 4.8% from US\$4.2 million in 1H16 to US\$4.4 million in 1H17 arising from higher revenues but gross profit rate margin decreased due to higher labor, material and other overhead cost.

Hospital Services division's gross profit improved by 74.2% from US\$434,000 in 1H16 to US\$756,000 in 1H17 due to higher revenues and improved efficiencies. Gross profit from Trading and Distribution division declined by 82.0% from US\$289,000 in 1H16 to US\$52,000 in 1H17 due to lower rental revenues and higher material cost in Taiwan.

Distribution, selling and administrative expenses increased by 9.4% from \$3.2 million in 1H16 to \$3.5 million in 1H17 due to higher revenues.

Overall, the Group's net profit after tax increased from US\$486,000 in 1H16 to US\$542,000 in 1H17 due to higher sales.

Cash Flow and Balance Sheet

The Group's total assets increased from US\$105.6 million as at 31 December 2016 to US\$110.4 million as at 30 June 2017. Property, plant and equipment decreased from US\$24.4 million as at 31 December 2016 to US\$23.8 million as at 30 June 2017 due to depreciation for the period. The Group's Fixed Deposit increased from US\$1.9 million as at 31 December 2016 to US\$2.7 million as at 30 June 2017 due to higher fixed deposit requirements for bank loans and comprising the unutilised portion amounting to US\$1.4 million from the private placement as announced on 2 September 2015 and completed on 8 October 2015, which will be used in the future for its business development in PRC (in accordance with the stated use of proceeds announced by the Company on 2 September 2015).

The Group's borrowings increased by US\$1.3 million from US\$31.7 million as at 31 December 2016 to US\$33.0 million as at 30 June 2017 due to an additional loan procured by the Group in Taiwan.

The Group's operating cash flow remained positive. For its investing activities, US\$1.6 million was used in the replacement of regular linen inventory and new linens for new contracts.

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

It was stated in the full year financial statement announcement dated 28 February 2017 and in the Company's annual report for the financial year ended 31 December 2016 that "Barring unforeseen circumstances, the Group expects to remain profitable this financial year". The Group's financial results for the financial period ended 30 June 2017 are consistent with the prospects statements made.

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.

Customer demands from US and Europe has seen some improvements in 2017. The Company was also able to secure new customers in the Asia Pacific Region. The Company will continue to look at ways to boost sales as this will allow us to better manage our margins resulting from economies of scale advantages. We will also study ways to manage costs volatility in materials and labour.

The OPM division remains to be the Group's flagship division with the key source of revenues and profits coming from the European customer base. The Group is developing new customers and new sales channels in the Asia Pacific Region for growth opportunities.

The Hospital Services Division remains to be a growth area in the Company with an increasing hospital base in Taiwan and in Philippines.

The Company is expected to benefit in the full operation of its new manufacturing facility in Cambodia and is looking to expand its presence in China through its manufacturing facility in Hangzhou.

The Company also sees a growing business opportunity in the global market as environmental health safety and disease control become a key concern for several countries.

Barring unforeseen circumstances, the Group expects to remain profitable this financial year.

11. Dividend

(a) Current financial period reported on

Any dividend declared (recommended) for the current financial period reported on?

None

(b) Corresponding period of the immediately preceding financial year

Any dividend declared (recommended) for the 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.

No dividend has been declared or recommended for the current financial period ended 30 June 2017.

13. If the group has obtained a general mandate from shareholders for 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 that effect.

The Group does not have a shareholders' mandate for interested person transactions.

14. Negative assurance on interim financial statements

The board of directors hereby confirm that, to the best of its knowledge, nothing has come to its attention which may render the interim financial statements for the period ended 30 June 2017 to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format as set out in Appendix 7H) in accordance with Rule 720(1) of the Catalist Rules.

ON BEHALF OF THE BOARD

Clement Yang Ker-Cheng
Chairman
Date: 14 August 2017

