



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 2016	Previous Half Year 30 June 2015	Increase/ (Decrease)
Revenues	27,553	28,190	(2.3)
Costs of sales and services	(22,631)	(23,860)	(5.2)
Gross profit	4,922	4,330	13.7
Other items of income			
Other operating income (expense), net	(91)	86	(205.8)
Financial income	3	5	(40.0)
Other items of expense			
Distribution and selling expenses	(949)	(912)	4.1
Administrative expenses	(2,256)	(2,257)	(0.0)
Financial expenses	(879)	(874)	0.6
Profit before tax	750	378	98.4
Income tax expense	(264)	(63)	319.0
Net profit for the period	486	315	54.3
Attributable to:			
Equity holders of the Company	487	315	54.6
Non-controlling interests	(1)	–	(100.0)
Net profit for the period	486	315	54.3

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 2016	Previous Half Year 30 June 2015
Depreciation	1,473	2,445
Amortisation of:		
Assets held for leasing	1,042	818
Transaction cost	26	36
Financial expense	686	737
Other finance cost	192	137
Financial income	(3)	(5)

**Statement of Comprehensive Income
For the half year ended 30 June 2016**

	Group		
	US\$'000		%
	Latest Half Year 30 June 2016	Previous Half Year 30 June 2015	Increase/ (Decrease)
Profit after tax	486	315	54.3
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation	(153)	363	(142.1)
Total comprehensive income	333	678	(50.9)
Attributable to:			
Equity holders of the Company	335	677	(50.5)
Non-controlling interests	(2)	1	(300.0)
Total comprehensive income	333	678	(50.9)

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 2016	31 Dec 2015	30 June 2016	31 Dec 2015	
ASSETS					
Non-current assets					
Property, plant and equipment, net	Note 1	24,536	25,140	72	90
Investment properties		3,941	4,068	603	674
Assets held for leasing		5,346	5,079	–	–
Investment in subsidiaries		–	–	25,294	25,294
Goodwill		709	709	–	–
Deferred tax assets		4	4	4	4
Other non-current assets		5,201	5,051	3,041	3,041
		<u>39,737</u>	<u>40,051</u>	<u>29,014</u>	<u>29,103</u>
Current assets					
Inventories		36,267	35,995	100	100
Trade receivables		13,887	13,976	8,261	8,305
Other current assets		15,740	15,853	11,280	11,812
Due from subsidiaries (trade)		–	–	5,136	5,216
Fixed deposits		1,551	1,536	–	–
Cash and bank balances		1,850	1,887	247	26
		<u>69,295</u>	<u>69,247</u>	<u>25,024</u>	<u>25,459</u>
TOTAL ASSETS		<u>109,032</u>	<u>109,298</u>	<u>54,038</u>	<u>54,562</u>

EQUITY AND LIABILITIES

	Group US\$'000		Company US\$'000	
	30 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015
Current liabilities				
Trade payables and other current liabilities	12,801	15,228	2,903	1,844
Due to subsidiaries (trade)	–	–	24,364	24,141
Term loans (current portion)	3,309	2,080	2,080	2,080
Trust receipts and acceptances payable	249	386	–	–
Bank loans	27,378	26,583	–	–
Income tax payable	1,509	1,358	25	16
	<u>45,246</u>	<u>45,635</u>	<u>29,372</u>	<u>28,081</u>
NET CURRENT ASSETS	24,049	23,612	(4,348)	(2,622)
Non-current liabilities				
Term loans	1,941	2,181	959	1,939
Deferred tax liabilities	293	291	–	–
Pension benefits obligation	758	729	167	157
	<u>2,992</u>	<u>3,201</u>	<u>1,126</u>	<u>2,096</u>
TOTAL LIABILITIES	<u>48,238</u>	<u>48,836</u>	<u>30,498</u>	<u>30,177</u>
NET ASSETS	<u>60,794</u>	<u>60,462</u>	<u>23,540</u>	<u>24,385</u>
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)	(57)	(57)	23	23
Foreign currency translation reserve	(4)	149	–	–
Other reserves	(167)	(167)	–	–
Revenue reserves/(deficits)	27,254	26,767	(9,236)	(8,391)
	<u>59,779</u>	<u>59,445</u>	<u>23,540</u>	<u>24,385</u>
Non-controlling interests	1,015	1,017	–	–
Total equity	<u>60,794</u>	<u>60,462</u>	<u>23,540</u>	<u>24,385</u>
TOTAL EQUITY AND LIABILITIES	<u>109,032</u>	<u>109,298</u>	<u>54,038</u>	<u>54,562</u>

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

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

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 2016 US\$'000		As at 31 December 2015 US\$'000	
Secured	Unsecured	Secured	Unsecured
3,931	23,696	4,450	22,519

Amount repayable after one year

As at 30 June 2016 US\$'000		As at 31 December 2015 US\$'000	
Secured	Unsecured	Secured	Unsecured
3,039	2,211	4,018	243

Details of any collateral

Secured Group's borrowings repayable in one year or less comprised of:

- a.) Trust receipts and acceptances payable amounting to approximately US\$249,000 and US\$386,000 as of 30 June 2016 and 31 December 2015, respectively, are secured by a pledge of certain merchandise, which is kept in trust for the bank; and
- b.) Secured long-term bank loans of approximately US\$3.0 million and US\$4.0 million as of 30 June 2016 and 31 December 2015, respectively which are collateralized by buildings, machineries and equipment of the Group in the Philippines and Cambodia, with net book values of approximately US\$17.7 million and US\$18.8 million as of 30 June 2016 and 31 December 2015, respectively.

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 2016	Previous Half Year 30 June 2015

OPERATING ACTIVITIES

Profit before tax	750	378
Adjustments for:		
Depreciation	1,473	2,445
Amortization of:		
Assets held for leasing	1,042	818
Transaction cost	26	36
Financial expense	686	737
Other finance costs	192	137
Financial income	(3)	(5)
Operating cash flows before working capital changes	4,166	4,546
Decrease/(increase) in:		
Other current assets	113	(2,750)
Trade receivables	141	(2,889)
Inventories	(240)	607
Increase/(decrease) in:		
Pension benefits obligation	29	34
Trade payables and other current liabilities	(2,312)	2,293
Trust receipts and acceptances payable - net	(137)	(589)
Net cash generated from operations	1,760	1,252
Income taxes paid	(111)	(224)
Other finance costs paid	(192)	(137)
Interest received	3	5
Net cash generated from operating activities	1,460	896

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 2016	Previous Half Year 30 June 2015

INVESTING ACTIVITIES

Purchases of property, plant and equipment	(1,855)	(1,417)
Decrease / (Increase) in:		
Assets held for leasing	(1,463)	(1,070)
Other non-current assets	764	(196)
Net cash used in investing activities	(2,554)	(2,683)

FINANCING ACTIVITIES

Proceeds from (payments of) short-term bank loans - net	795	3,197
Proceeds from (payments of) term loans – net	963	(883)
Fixed Deposit	(15)	1,057
Interest paid	(686)	(737)
Net cash generated from (used in) financing activities	1,057	2,634

Net increase / (decrease) in cash and bank balances	(37)	847
Cash and bank balances at beginning of period	1,887	943
Cash and bank balances at end of period	1,850	1,790

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	Total reserves	Non-controlling interests	Total equity
Balance at 31 December 2014	23,378	4,880	294	267	(170)	509	26,237	(167)	26,579	1,016	56,244
Net profit for the period	–	–	–	–	–	–	315	–	315	–	315
Other comprehensive income (loss)	–	–	–	–	–	362	–	–	362	1	363
Total comprehensive income (loss) for the period	–	–	–	–	–	362	315	–	677	1	678
Balance at 30 June 2015	23,378	4,880	294	267	(170)	871	26,552	(167)	27,256	1,017	56,922
Net profit (loss) for the period	–	–	–	–	–	–	215	–	215	–	215
Other comprehensive income	–	–	–	–	113	(722)	–	–	(722)	–	(609)
Total comprehensive income (loss) for the period	–	–	–	–	113	(722)	215	–	(507)	–	(394)
Issuance of capital stock	4,093	(159)	–	–	–	–	–	–	–	–	3,934
Balance at 31 December 2015	27,471	4,721	294	267	(57)	149	26,767	(167)	26,749	1,017	60,462
Net income	–	–	–	–	–	–	487	–	487	(1)	486
Other comprehensive income	–	–	–	–	–	(153)	–	–	(153)	(1)	(154)
Total comprehensive income for the period	–	–	–	–	–	(153)	487	–	334	(2)	332
Balance at 30 June 2016	27,471	4,721	294	267	(57)	(4)	27,254	(167)	27,083	1,015	60,794

Company

US\$'000									
Attributed to equity holders of the Company							Non-controlling interests	Total equity	
Share capital	Share premium	Employee share option reserve	Equity component of convertible bonds	Actuarial gains (losses)	Revenue reserves	Total reserves			
Balance at 31 December 2014	23,378	4,880	294	267	(18)	(5,987)	(5,987)	–	22,814
Net loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(560)	(560)	–	(560)
Balance at 30 June 2015	23,378	4,880	294	267	(18)	(6,547)	(6,547)	–	22,254
Net income for the period	–	–	–	–	–	(1,844)	(1,844)	–	(1,844)
Issuance of capital stock	4,093	(159)	–	–	–	–	–	–	3,934
Actuarial losses	–	–	–	–	41	–	–	–	41
Balance at 31 December 2015	27,471	4,721	294	267	23	(8,391)	(8,391)	–	24,385
Net loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(845)	(845)	–	(845)
Balance at 30 June 2016	27,471	4,721	294	267	23	(9,236)	(9,236)	–	23,540

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 2016 and 31 December 2015 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 2015, 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 2016. 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 2016	First Half 2015

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	0.089 US cents	0.071 US cents
(ii) On a fully diluted basis	0.089 US cents	0.071 US cents

Explanatory note to 6 (i) and (ii)

Earnings per share for the financial periods ended 30 June 2016 and 30 June 2015 are calculated based on existing issued share capital of 549,411,240 and 467,548,965, respectively. The half year earnings per share on a fully diluted basis are calculated based on the number of issued shares of 549,411,240 and 467,548,965, respectively. 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 2016	As at 31 December 2015

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	11.07 US cents	12.92 US cents
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Company	
As at 30 June 2016	As at 31 December 2015

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	4.28 US cents	5.22 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 2016 and 31 December 2015.

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 decreased by 2.3% from US\$28.2 million in 1H15 to US\$27.6 million in 1H16 due to lower customer demand and securing less orders for the Original Product Manufacturing ("OPM") division. The group net profit increased by 54.3% from US\$315,000 in 1H15 to US\$486,000 in 1H16 due to production efficiency improvement.

Revenue

Revenue from the OPM division decreased by 5.9% from US\$22.1 million in 1H15 to US\$20.8 million in 1H16 due to lower orders of their customers in Cambodia and Philippines.

Revenue from the Hospital Services division grew by 6.9% from US\$5.3 million in 1H15 to US\$5.7 million in 1H16 arising from increased linen consumption and new hospital contracts in Taiwan.

Revenue from the Trading and Distribution division increased by 35.6% from US\$820,000 in 1H15 to US\$1.1 million in 1H16 arising from trading opportunities during the period and additional rental revenues from the Philippines.

Profitability

The Group's gross profit increased by 13.7% from US\$4.3 million in 1H15 to US\$4.9 million in 1H16 arising from lower materials cost, labor cost and overhead cost. This also resulted in an increase in profitability as gross margins increased from 15.4% in 1H15 to 17.9% in 1H16.

Gross profit from the OPM division increased by 13.8% from US\$3.7 million in 1H15 to US\$4.2 million in 1H16 arising from improved efficiency and lower production cost.

Hospital Services division's gross profit slightly declined by 4.8% from US\$456,000 in 1H15 to US\$434,000 in 1H16 due to higher manpower cost and other overhead cost such as amortisation and depreciation. Gross profit from Trading and Distribution division increased by 57.4% from US\$184,000 in 1H15 to US\$289,000 in 1H16 due to higher rental revenues and lower overhead cost.

Financial expenses increased because of higher borrowing cost, particularly in Taiwan.

Overall, the Group's net profit after tax increased from US\$315,000 in 1H15 to US\$486,000 in 1H16 due to improved efficiency and lower production cost.

Cash Flow and Balance Sheet

The Group's total assets decreased from US\$109.3 million as at 31 December 2015 to US\$109.0 million as at 30 June 2016. Property, plant and equipment decreased from US\$25.1 million as at 31 December 2015 to US\$24.5 million as at 30 June 2016 due to depreciation for the period.

The Group's borrowings increased by US\$1.7 million from US\$31.2 million as at 31 December 2015 to US\$32.9 million as at 30 June 2016 due to an additional loan procured by the Group in Taiwan.

The Group's operating cash flow remained positive. For its investing activities, US\$2.5 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 29 February 2016 and in the Company's annual report for the financial year ended 31 December 2015 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 2016 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.

Demands from US and European markets have been unstable. The Company, however, will continue to expand local demand in the Asia Pacific region through its existing sales channels. The Company aims to improve profitability by focusing on higher margined products and services as well as managing cost items like materials, labor, energy and other production cost.

The OPM division remains to be the Group's flagship division with the key source of revenues and profits coming from the US, European and Asia Pacific customer base.

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 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 2016.

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 2016 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 as 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: 12 August 2016

MEDTECS INTERNATIONAL COPORATION LIMITED
(Incorporated in Bermuda)

**CONFIRMATION BY THE BOARD OF DIRECTORS
PURSUANT TO RULE 705(5) OF THE
LISTING MANUAL SECTION B: RULES OF CATALIST**

We, Clement Yang Ker-Cheng and Wilfrido Candelaria Rodriguez, being two of the Directors of Medtecs International Corporation Limited (the “Company”), do hereby confirm on behalf of the Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Company and of the Group for the half year ended 30 June 2016 to be false or misleading in any material aspect.

For and on behalf of the Board
of MEDTECS INTERNATIONAL CORPORATION LIMITED

Name: Clement Yang Ker-Cheng
Director

Name: Wilfrido Candelaria Rodriguez
Director

Date: 12 August 2016