



## 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 2015	Previous Half Year 30 June 2014	Increase/ (Decrease)
<b>Revenues</b>	28,190	25,961	8.6
Costs of sales and services	(23,860)	(21,804)	9.4
<b>Gross profit</b>	4,330	4,157	4.2
<b>Other items as income</b>			
Other operating income (expense), net	86	163	(47.2)
Financial income	5	315	(98.4)
<b>Other items as expense</b>			
Distribution and selling expenses	(912)	(886)	2.9
Administrative expenses	(2,257)	(2,461)	(8.3)
Financial expenses	(874)	(1,005)	(13.0)
<b>Profit before tax</b>	378	283	33.6
Income tax expense	(63)	(26)	142.3
<b>Net profit for the period</b>	315	257	22.6
<b>Attributable to:</b>			
Equity holders of the Company	315	255	23.5
Non-controlling interests	–	2	(100.0)
	315	257	22.6

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 2015	Previous Half Year 30 June 2014
Depreciation	2,445	1,872
Amortisation of:		
Assets held for leasing	818	1,182
Transaction cost	36	51
Financial expense	737	887
Other finance cost	137	117
Financial income	(5)	(315)

**Statement of Comprehensive Income  
For the half year ended 30 June 2015**

	Group		
	US\$'000		%
	Latest Half Year 30 June 2015	Previous Half Year 30 June 2014	Increase/ (Decrease)
Profit after tax	315	257	22.6
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation	363	37	881.1
Total comprehensive income	678	294	130.6
<b>Attributable to:</b>			
Equity holders of the Company	677	291	132.6
Non-controlling interests	1	3	(66.7)
	678	294	130.6

**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 2015	31 Dec 2014	30 June 2015	31 Dec 2014
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment, net	Note 1	27,955	28,931	826	920
Investment property		3,449	3,501	–	–
Assets held for leasing		4,683	4,431	–	–
Investment in subsidiaries		–	–	31,690	31,690
Goodwill		709	709	–	–
Deferred tax assets		165	52	–	–
Other non-current assets		1,517	1,321	42	42
		<b>38,478</b>	<b>38,945</b>	<b>32,558</b>	<b>32,652</b>
<b>Current assets</b>					
Inventories		36,043	36,580	103	103
Trade receivables	Note 2	15,875	12,909	8,328	8,304
Other current assets	Note 3	15,266	12,516	13,424	10,024
Due from subsidiaries (trade)		–	–	4,714	4,686
Fixed deposits		1,759	2,816	–	–
Cash and bank balances		1,790	943	34	42
		<b>70,733</b>	<b>65,764</b>	<b>26,603</b>	<b>23,159</b>
<b>TOTAL ASSETS</b>		<b>109,211</b>	<b>104,709</b>	<b>59,161</b>	<b>55,811</b>

**EQUITY AND LIABILITIES**

	Group		Company	
	US\$'000		US\$'000	
	30 June 2015	31 Dec 2014	30 June 2015	31 Dec 2014
<b>Current liabilities</b>				
Trade payables and other liabilities	14,680	12,603	2,480	1,425
Due to subsidiaries (trade)	–	–	29,019	24,206
Term loans (current portion)	Note 4 3,417	4,234	2,305	2,540
Trust receipts and acceptances payable	417	1,006	–	738
Bank loans	28,126	24,929	–	–
Income tax payable	407	442	4	2
	<u>47,047</u>	<u>43,214</u>	<u>33,808</u>	<u>28,911</u>
<b>NET CURRENT ASSETS</b>	23,686	22,550	(7,205)	(5,752)
<b>Non-current liabilities</b>				
Term loans	Note 4 4,246	4,276	2,906	3,905
Deferred tax liabilities	176	189	5	–
Pension benefits obligation	820	786	188	181
	<u>5,242</u>	<u>5,251</u>	<u>3,099</u>	<u>4,086</u>
<b>TOTAL LIABILITIES</b>	<u>52,289</u>	<u>48,465</u>	<u>36,907</u>	<u>32,997</u>
<b>Equity attributable to equity holder of the Company</b>				
Share capital	23,378	23,378	23,378	23,378
Share premium	4,880	4,880	4,880	4,880
Equity component of convertible bonds	267	267	267	267
Employee share option reserve	294	294	294	294
Actuarial losses	(170)	(170)	(18)	(18)
Foreign currency translation reserve	871	509	–	–
Other reserves	(167)	(167)	–	–
Revenue reserves	26,552	26,237	(6,547)	(5,987)
	<u>55,905</u>	<u>55,228</u>	<u>22,254</u>	<u>22,814</u>
<b>Non-controlling interests</b>	1,017	1,016	–	–
	<u>56,922</u>	<u>56,244</u>	<u>22,254</u>	<u>22,814</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>109,211</u>	<u>104,709</u>	<u>59,161</u>	<u>55,811</u>

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 trade receivables pertains to higher sales in 1H15.

Note 3 Increase in other current assets pertains to additional deposits.

Note 4 Decrease in term loans was due to payments made on maturing portions of the term loans.

**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 2015 US\$'000		As at 31 December 2014 US\$'000	
Secured	Unsecured	Secured	Unsecured
7,216	26,085	5,369	20,566

Amount repayable after one year

As at 30 June 2015 US\$'000		As at 31 December 2014 US\$'000	
Secured	Unsecured	Secured	Unsecured
2,905	–	6,224	2,286

**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\$ 417,000 and US\$1.0 million as of 30 June 2015 and 31 December 2014, respectively, and
- b.) Secured long-term bank loans of approximately US\$4.9 million and US\$5.9 million as of 30 June 2015 and 31 December 2014, respectively which are collateralized by building and certain machinery and equipment of the Group, with net book values of approximately US\$19.9 million and US\$20.8 million as of 30 June 2015 and 31 December 2014, 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 2015	Previous Half Year 30 June 2014

**OPERATING ACTIVITIES**

Profit before taxation	378	283
Adjustments for:		
Depreciation	2,445	1,872
Amortization of:		
Assets held for leasing	818	1,182
Transaction cost	36	51
Financial expense	737	887
Other finance costs	137	117
Financial income	(5)	(315)
Operating profit before working capital changes	4,546	4,077
Decrease/(increase) in:		
Other current assets	(2,750)	2,798
Trade receivables	(2,889)	1,505
Inventories	607	(1,413)
Increase/(decrease) in:		
Movement in pension obligation	34	38
Trade payables and other liabilities	2,293	298
Trust receipts and acceptances payable - net	(589)	93
Net cash generated from operations	1,252	7,396
Income taxes paid	(224)	(107)
Other finance costs paid	(137)	(117)
Interest received	5	315
Net cash flow generated from operating activities	896	7,487

**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 2015	Previous Half Year 30 June 2014

**INVESTING ACTIVITIES**

Purchases of property, plant and equipment	(1,417)	(125)
Decrease in:		
Assets held for leasing	(1,070)	(962)
Other non-current assets	(196)	(8)
Net cash used in investing activities	(2,683)	(1,095)

**FINANCING ACTIVITIES**

Proceeds (payments of) from short-term bank loans - net	3,197	(1,482)
Payments of term loans - net	(883)	(4,021)
Fixed Deposit	1,057	336
Interest paid	(737)	(887)
Net cash generated from (used in) financing activities	2,634	(6,054)
Net increase in cash and bank balances	847	338
Cash and bank balances at beginning of period	943	2,092
Cash and bank balances at end of period	1,790	2,430

**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
<b>Balance at 31 December 2013</b>	21,745	4,737	294	267	(257)	1,251	25,854	–	27,105	2,641	56,532
Net profit for the period	–	–	–	–	–	–	255	–	255	2	257
Other comprehensive income (loss)	–	–	–	–	–	36	–	–	36	1	37
Total comprehensive income (loss) for the period	–	–	–	–	–	36	255	–	291	3	294
Equity-settled share option to employees - value of employee services	–	–	–	–	–	–	–	–	–	–	–
<b>Balance at 30 June 2014</b>	21,745	4,737	294	267	(257)	1,287	26,109	–	27,396	2,644	56,826
Net profit (loss) for the period	–	–	–	–	–	–	128	–	128	(30)	98
Other comprehensive income	–	–	–	–	87	–	–	–	–	11	98
Total comprehensive income (loss) for the period	–	–	–	–	87	–	128	–	128	(19)	196
Issuance of capital stock	1,633	143	–	–	–	–	–	–	–	–	1,776
Acquisition of Minority Interest	–	–	–	–	–	(778)	–	(167)	(945)	(1609)	(2,554)
Equity-settled share option to employees - value of employee services	–	–	–	–	–	–	–	–	–	–	–
<b>Balance at 31 December 2014</b>	23,378	4,880	294	267	(170)	509	26,237	(167)	26,579	1,016	56,244
Net income	–	–	–	–	–	–	315	–	315	–	315
Other comprehensive income	–	–	–	–	–	362	–	–	362	1	363
Total comprehensive income for the period	–	–	–	–	–	362	315	–	677	1	678
Equity-settled share option to employees - value of employee services	–	–	–	–	–	–	–	–	–	–	–
<b>Balance at 30 June 2015</b>	23,378	4,880	294	267	(170)	871	26,552	(167)	27,256	1,017	56,922



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			
<b>Balance at 31 December 2013</b>	21,745	4,737	294	267	(32)	(5,080)	(5,080)	–	21,931
Net loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(422)	(422)	–	(422)
Equity-settled share option to employees-value of employee services	–	–	–	–	–	–	–	–	–
<b>Balance at 30 June 2014</b>	21,745	4,737	294	267	(32)	(5,502)	(5,502)	–	21,509
Net income for the period	–	–	–	–	–	(485)	(485)	–	(485)
Issuance of capital stock	1,633	143	–	–	–	–	–	–	1,776
Actuarial losses	–	–	–	–	14	–	–	–	14
Equity-settled share option to employees-value of employee services	–	–	–	–	–	–	–	–	–
<b>Balance at 31 December 2014</b>	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)
Equity-settled share option to employees-value of employee services	–	–	–	–	–	–	–	–	–
<b>Balance at 30 June 2015</b>	23,378	4,880	294	267	(18)	(6,547)	(6,547)	–	22,254

**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 2015 and 31 December 2014 was 467,548,965 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.**

There were no treasury shares held by the Company as at the end of the current financial period reported on.

**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 2014, 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 2015. 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 2015	First Half 2014

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	0.071 US cents	0.059 US cents
(ii) On a fully diluted basis	0.071 US cents	0.059 US cents

Explanatory note to 6 (i) and (ii)

Earnings per share for the financial periods ended 30 June 2015 and 30 June 2014, based on existing issued share capital, are calculated on the basis of the weighted average number of issued shares of 446,174,337 and 434,905,705, respectively. The half year earnings per share on a fully diluted basis are calculated based on the weighted average number of shares of 446,174,337 and 434,905,705, 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 2015	As at 31 December 2014

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	12.76 US cents	12.93 US cents
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Company	
As at 30 June 2015	As at 31 December 2014

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	4.99 US cents	5.25 US cents
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Explanatory note to 7

The net asset value per ordinary share is calculated based on 446,174,337 weighted average issued shares for the financial periods ended 30 June 2015 and 31 December 2014.

**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 saw customer demand grow in 1H15 which resulted to an increase of 8.6% from US\$25.9 million in 1H14 to US\$28.2 million in 1H15. With the lower general and administrative expenses and financial expenses, the group net profit improved by 22.6% from US\$257,000 in 1H14 to US\$315,000 in 1H15.

**Revenue**

Revenues from the Original Product Manufacturing (“OPM”) division increased by 10.6% from US\$19.9 million in 1H14 to US\$22.1 million in 1H15 coming from business growth in Cambodia and improved customer demand for the Group’s products.

Revenues from the Hospital Services division grew marginally by 1.5% from US\$5.2 million in 1H14 to US\$5.3 million in 1H15 arising from new hospital contracts in the Taiwan and Philippines. There was an increase in the Trading and Distribution division by 4.8% from US\$782,000 in 1H14 to US\$820,000 in 1H15 arising from normal trading opportunities during the period.

**Profitability**

The Group’s gross profit increased by 4.2% from US\$4.2 million in 1H14 to US\$4.3 million in 1H15 arising from higher revenues. Gross margins decreased from 16.0% in 1H14 to 15.4% in 1H15 due to higher materials and labor cost.

Gross Profit from the OPM division decreased slightly by 1.2% from US\$3.7 million in 1H14 to US\$3.6 million in 1H15 arising from higher material cost and labor cost.

Hospital Services division gross profit increased by 113.1% from US\$0.2 million in 1H14 to US\$0.4 million in 1H15 due to additional contract in Taiwan. Gross Profit from Trading and Distribution division decreased by 10.9% from US\$206,000 in 1H14 to US\$184,000 in 1H15 due to higher cost of trading goods.

Distribution, selling and administrative expenses decreased by 5.3% from US\$3.3 million in 1H14 to US\$3.2 million in 1H15 as a result of cost-cutting activities.

Financial expenses decreased despite increase in loan balances because of lower borrowing cost.

Overall, the Group’s net profit increased from US\$257,000 in 1H14 to US\$315,000 in 1H15 arising from higher revenues and lower general and administrative expenses and financial expenses.

**Cash Flow and Balance Sheet**

The Group’s total assets increased from US\$104.7 million in 31 December 2014 to US\$109.2 in 30 June 2015. Property, plant and equipment decreased from US\$28.9 million in 31 December 2014 to US\$27.9 million in 30 June 2015 due to depreciation for the period. Inventory decreased from US\$36.6 million as at 31 December 2014 to US\$36.0 million as at 30 June 2015 due to higher sales for 1H15.

The Group’s borrowings increased by US\$1.8 million from US\$34.4 million in 31 December 2014 to US\$36.2 million in 30 June 2015 due to additional loan availments.

The Group’s operating cash flow remained positive. On its investing activities, US\$ 2.7 million was used in the replacement of regular inventory for its Hospital Service division and purchase of fixed assets.

**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 26 February 2015 and in the Company's annual report for the financial year ended 31 December 2014 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 2015 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 stabilized and has shown improvement. The Company also continues 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 stable demand from customers in the US, European and Asia Pacific markets.

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 for the current financial period reported on?**

None

*(b) Corresponding period of the immediately preceding financial year*

**Any dividend declared 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 2015.

**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 2015 to be false or misleading in any material respect.

**ON BEHALF OF THE BOARD**

Clement Yang Ker-Cheng  
Chairman  
Date: 14 August 2015

**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 2015 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: 14 August 2015