



## MEDTECS INTERNATIONAL CORPORATION LIMITED

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The contact persons for the Sponsor are Ms Evelyn Wee (Telephone Number: +65 6232 0724) and Mr. Howard Cheam Heng Haw (Telephone Number: +65 6232 0685), R & T Corporate Services Pte. Ltd., at 9 Battery Road #25-01, MYP Centre, Singapore 049910.

### Half Year Financial Statements

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

##### 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 2018	Previous Half Year 30 June 2017	Increase/ (Decrease)
<b>Revenues</b>	32,963	32,235	2.3
Costs of sales and services	(27,952)	(26,979)	3.6
<b>Gross profit</b>	5,011	5,256	(4.7)
<b>Other items of income</b>			
Other operating income (expense), net	(84)	(53)	58.5
Financial income	5	8	(37.5)
<b>Other items of expense</b>			
Distribution and selling expenses	(1,082)	(1,085)	(0.3)
Administrative expenses	(2,391)	(2,495)	(4.2)
Financial expenses	(994)	(862)	15.3
<b>Profit before tax</b>	465	769	(39.5)
Income tax expense	(113)	(228)	(50.4)
<b>Net profit for the period</b>	352	541	(34.9)
<b>Attributable to:</b>			
Equity holders of the Company	353	542	(34.9)
Non-controlling interests	(1)	(1)	0
<b>Net profit for the period</b>	352	541	(34.9)

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 2018	Previous Half Year 30 June 2017
Depreciation	1,249	1,429
Amortisation of:		
Assets held for leasing	1,205	940
Financial expense	814	672
Other finance cost	180	190
Financial income	(5)	(8)

**Statement of Comprehensive Income  
For the half year ended 30 June 2018**

	Group		
	US\$'000		%
	Latest Half Year 30 June 2018	Previous Half Year 30 June 2017	Increase/ (Decrease)
Profit after tax	352	541	(34.9)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation	(196)	399	(149.1)
Total comprehensive income	156	940	(83.4)
<b>Attributable to:</b>			
Equity holders of the Company	147	939	(84.3)
Non-controlling interests	9	1	800.0
Total comprehensive income	156	940	(83.4)

**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		Company	
		US\$'000		US\$'000	
		30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment, net		22,376	23,410	49	61
Investment properties		3,116	3,225	–	53
Assets held for leasing		5,222	5,148	–	–
Investment in subsidiaries		–	–	24,883	24,883
Goodwill		709	709	–	–
Deferred tax assets		12	15	12	15
Other non-current assets		6,018	6,057	3,263	3,266
		<u>37,453</u>	<u>38,564</u>	<u>28,207</u>	<u>28,278</u>
<b>Current assets</b>					
Inventories		35,228	34,312	76	84
Trade receivables		15,408	15,303	9,148	8,393
Other current assets	Note 1	17,972	16,975	15,395	15,600
Due from subsidiaries (trade)		–	–	27,678	20,718
Fixed deposits		2,839	2,654	–	–
Cash and bank balances	Note 2	4,661	1,731	1,026	29
		<u>76,108</u>	<u>70,975</u>	<u>53,323</u>	<u>44,824</u>
<b>TOTAL ASSETS</b>		<u>113,561</u>	<u>109,539</u>	<u>81,530</u>	<u>73,102</u>

**EQUITY AND LIABILITIES**

	Group US\$'000		Company US\$'000		
	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	
<b>Current liabilities</b>					
Trade payables and other current liabilities	8,437	8,115	685	818	
Due to subsidiaries (trade)	–	–	51,713	48,047	
Term loans (current portion)	863	1,039	–	–	
Trust receipts and acceptances payable	–	597	–	–	
Bank loans	32,403	32,809	–	–	
Income tax payable	1,565	1,499	–	1	
	<u>43,268</u>	<u>44,059</u>	<u>52,398</u>	<u>48,866</u>	
<b>NET CURRENT ASSETS</b>	32,840	26,916	925	(4,042)	
<b>Non-current liabilities</b>					
Term loans	Note 2	6,223	1,634	5,000	–
Deferred tax liabilities		245	202	3	–
Pension benefits obligation		746	721	188	182
		<u>7,214</u>	<u>2,557</u>	<u>5,191</u>	<u>182</u>
<b>TOTAL LIABILITIES</b>		<u>50,482</u>	<u>46,616</u>	<u>57,589</u>	<u>49,048</u>
<b>NET ASSETS</b>		<u>63,079</u>	<u>62,923</u>	<u>23,941</u>	<u>24,054</u>
<b>Equity attributable to equity holders of the Company</b>					
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)		73	73	31	31
Foreign currency translation reserve		381	587	–	–
Other reserves		(167)	(167)	–	–
Revenue reserves/(deficits)		29,024	28,671	(8,843)	(8,730)
		<u>62,064</u>	<u>61,917</u>	<u>23,941</u>	<u>24,054</u>
<b>Non-controlling interests</b>		1,015	1,006	–	–
<b>Total equity</b>		<u>63,079</u>	<u>62,923</u>	<u>23,941</u>	<u>24,054</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>113,561</u>	<u>109,539</u>	<u>81,530</u>	<u>73,102</u>

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

Note 1 Increase in other current assets is due to advances for raw material purchases.

Note 2 Increase in Cash and term loan is due to a new loan obtained in 1H2018.

**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 2018 US\$'000		As at 31 December 2017 US\$'000	
Secured	Unsecured	Secured	Unsecured
4,767	27,636	6,198	27,208

Amount repayable after one year

As at 30 June 2018 US\$'000		As at 31 December 2017 US\$'000	
Secured	Unsecured	Secured	Unsecured
5,563	1,523	600	2,073

**Details of any collateral**

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

- a.) Trust receipts and acceptances payable is nil and US\$597,000 as of 30 June 2018 and 31 December 2017, respectively, are secured by a pledge of certain merchandise, which is 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 2018	Previous Half Year 30 June 2017

**OPERATING ACTIVITIES**

Profit before tax	465	769
Adjustments for:		
Depreciation	1,249	1,429
Amortization of:		
Assets held for leasing	1,205	940
Financial expense	814	672
Other finance costs	180	190
Financial income	(5)	(8)
Operating cash flows before working capital changes	3,908	3,992
Decrease/(increase) in:		
Other current assets	(997)	(2,428)
Trade receivables	(186)	(1,667)
Inventories	(952)	(680)
Increase/(decrease) in:		
Pension benefits obligation	25	34
Trade payables and other current liabilities	243	2,831
Trust receipts and acceptances payable - net	(597)	199
Net cash generated from operations	1,444	2,281
Income taxes paid	(1)	(289)
Other finance costs paid	(180)	(190)
Interest received	5	8
Net cash generated from operating activities	1,268	1,810

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 2018	Previous Half Year 30 June 2017

**INVESTING ACTIVITIES**

Purchases of property, plant and equipment	(106)	(875)
Decrease / (Increase) in:		
Investment property	–	216
Assets held for leasing	(1,279)	(1,074)
Other non-current assets	39	86
Net cash used in investing activities	(1,346)	(1,647)

**FINANCING ACTIVITIES**

Payment of short-term bank loans - net	(406)	(72)
Proceeds from term loans – net	4,413	1,188
Fixed Deposit	(185)	(789)
Interest paid	(814)	(672)
Net cash generated from (used in) financing activities	3,008	(345)
Net increase / (decrease) in cash and bank balances	2,930	(182)
Cash and bank balances at beginning of period	1,731	1,581
Cash and bank balances at end of period	4,661	1,399

**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 2016</b>	27,471	4,721	294	267	(14)	485	27,788	(167)	28,106	1,014	61,859
Net profit for the period	–	–	–	–	–	–	540	–	540	1	541
Other comprehensive income (loss)	–	–	–	–	–	399	(16)	–	383	–	383
Total comprehensive income (loss) for the period	–	–	–	–	–	399	524	–	923	1	924
<b>Balance at 30 June 2017</b>	27,471	4,721	294	267	(14)	884	28,312	(167)	29,029	1,015	62,783
Net profit (loss) for the period	–	–	–	–	–	–	359	–	359	–	359
Other comprehensive income	–	–	–	–	87	(297)	–	–	(297)	(9)	(219)
Total comprehensive income (loss) for the period	–	–	–	–	87	(297)	359	–	62	(9)	140
<b>Balance at 31 December 2017</b>	27,471	4,721	294	267	73	587	28,671	(167)	29,091	1,006	62,923
Net income	–	–	–	–	–	–	353	–	353	(1)	352
Other comprehensive income	–	–	–	–	–	(206)	–	–	(206)	10	(196)
Total comprehensive income for the period	–	–	–	–	–	(206)	353	–	147	9	156
<b>Balance at 30 June 2018</b>	27,471	4,721	294	267	73	381	29,024	(167)	29,238	1,015	63,079



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	Non-controlling interests	Total equity	
<b>Balance at 31 December 2016</b>	27,471	4,721	294	267	17	(10,275)	–	22,495
Net loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(851)	–	(851)
<b>Balance at 30 June 2017</b>	27,471	4,721	294	267	17	(11,126)	–	21,644
Net income for the period	–	–	–	–	–	2,396	–	2,396
Actuarial losses	–	–	–	–	14	–	–	14
<b>Balance at 31 December 2017</b>	27,471	4,721	294	267	31	(8,730)	–	24,054
Net loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(113)	–	(113)
<b>Balance at 30 June 2018</b>	27,471	4,721	294	267	31	(8,843)	–	23,941

**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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

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 2018 and 31 December 2017 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, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**1. (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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.**

Except as disclosed in section 5 below, the Group has applied substantially the same accounting policies and methods of computations in the financial statements for the current financial period compared with the audited financial statements as at and for the financial year ended 31 December 2017.

**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.**

Pursuant to SGX-ST listing requirements, The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)") that are effective from 1 January 2018. The Group's financial statements for the financial period beginning 1 January 2018 is prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") issued by Accounting Standard Council.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2017, except for the adoption of SFRS(I) 1, First-time Adoption of Singapore Financial Reporting Standards (International).

The adoption of SFRS(I) 1 did not have a significant change to the accounting policies of the Company and the Group and has no material impact on amounts reported for the current and prior 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 2018	First Half 2017

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	0.064 US cents	0.098 US cents
(ii) On a fully diluted basis	0.064 US cents	0.098 US cents

Explanatory note to 6 (i) and (ii)

Earnings per share for the financial periods ended 30 June 2018 and 30 June 2017 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 weighted average 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 2018	As at 31 December 2017

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	11.48 US cents	11.45 US cents
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Company	
As at 30 June 2018	As at 31 December 2017

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	4.36 US cents	4.38 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 2018 and 31 December 2017.

**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 2.3% from US\$32.2 million in 1H17 to US\$32.9 million in 1H18 due to higher customer demand from existing customers. The Group's net profit declined by 34.9% from US\$541,000 in 1H17 to US\$352,000 in 1H18 due to higher labor, overhead and financial expenses.

### **Revenue**

Revenue from the OPM division increased by 6.7% from US\$23.9 million in 1H17 to US\$25.5 million in 1H18 due to higher orders existing customers in Europe and Asia Pacific customers.

Revenue from the Hospital Services division increased by 10.9% from US\$6.4 million in 1H17 to US\$7.1 million in 1H18 arising from higher linen consumption and new hospital contracts both in Taiwan and Philippines.

Revenue from the Trading and Distribution division decreased by 77.7% from US\$1.8 million in 1H17 to US\$0.4 million in 1H18 arising from lower trading opportunities in Taiwan during the period.

### **Profitability**

The Group's gross profit decreased by 4.7% from US\$5.3 million in 1H17 to US\$5.0 million in 1H18 arising from higher labor and overhead cost.

Gross profit from the OPM division decreased by 2.3% from US\$4.4 million in 1H17 to US\$4.3 million in 1H18 arising from higher material costs and labor rates.

Hospital Services division's gross profit declined by 28.6% from US\$756,000 in 1H17 to US\$540,000 in 1H18 due to higher manpower cost and amortisation of linen assets. Gross profit from Trading and Distribution division improved by 142.3% from US\$52,000 in 1H17 to US\$126,000 in 1H18 due to lower trading cost in Taiwan.

Financial Expenses increased by 15.3% from \$862,000 in 1H 2017 to \$994,000 in 1H 2018 due to higher borrowings and borrowing costs.

Overall, the Group's net profit after tax decreased from US\$541,000 in 1H17 to US\$352,000 in 1H18 due to higher labor, overhead and financial expenses.

### **Cash Flow and Balance Sheet**

The Group's total assets increased from US\$109.5 million as at 31 December 2017 to US\$113.6 as at 30 June 2018 from higher level of operations and proceeds from term loan. Property, plant and equipment decreased from US\$23.4 million as at 31 December 2017 to US\$22.4 million as at 30 June 2018 due to depreciation for the period.

The Group's borrowings increased by US\$3.4 million from US\$36.1 million as at 31 December 2017 to US\$39.5 million as at 30 June 2018 due to a new term loan. The Group's working capital loans decreased from US\$33.4 million as at 31 December 2017 to US\$32.4 million as at 30 June 2018 coming from repayments of short term loans. Long-term loan increased from US\$2.7 million as at 31 December 2017 to US\$ 7.1 million as at 30 June 2018 from new long-term loan obtained by the Company to properly managed its long-term needs and capital expenditure requirements. Cash and bank balances increased from US\$1.7 million as at 31 December 2017 to US\$4.7 million as at 30 June 2018 from proceeds on new term loans.

Cash used in investing activities of US\$1.3 million as at 30 June 2018 was due from regular linen replacement for its hospital services division.

**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 1 March 2018 and in the Company’s annual report for the financial year ended 31 December 2017 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 2018 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.**

The Group has continually grown both its European and Asia Pacific markets from improved demands from customers. The Company remains focused on improving cost management with the increase in labor and other operational costs.

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 Group is on the lookout for new customers and new 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 the Hangzhou manufacturing facility.

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 2018.

**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 confirms 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 2018 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 2018