



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)(i) 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 the immediately preceding financial year.

Unaudited Half Year Results	Group		
	US\$'000		%
	Latest Half Year 30 June 2019	Previous Half Year 30 June 2018	Increase/ (Decrease)
Revenue	33,155	32,963	0.6
Costs of sales and services	(27,853)	(27,952)	(0.4)
Gross profit	5,302	5,011	5.8
Other items of income			
Other operating income (expense), net	92	(84)	(209.5)
Financial income	7	5	40.0
Other items of expense			
Distribution and selling expenses	(1,261)	(1,082)	16.5
Administrative expenses	(2,569)	(2,391)	7.4
Financial expenses	(1,083)	(994)	9.0
Profit before tax	488	465	4.9
Income tax expense	(102)	(113)	(9.7)
Net profit for the period	386	352	9.7
Attributable to:			
Equity holders of the Company	385	353	9.1
Non-controlling interests	1	(1)	(200.0)
Net profit for the period	386	352	9.7

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 2019	Previous Half Year 30 June 2018
Depreciation	1,073	1,249
Amortisation of assets held for leasing	1,433	1,205
Financial expense	976	814
Other finance cost	107	180
Financial income	(7)	(5)
Other operating income (expense), net	92	(84)
Foreign exchange gain (loss)	(103)	(156)

**Statement of Comprehensive Income
For the half year ended 30 June 2019**

	Group		
	US\$'000		%
	Latest Half Year 30 June 2019	Previous Half Year 30 June 2018	Increase/ (Decrease)
Profit after tax	386	352	9.4
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation	100	(196)	(151.0)
Total comprehensive income	486	156	210.9
Attributable to:			
Equity holders of the Company	485	147	229.9
Non-controlling interests	1	9	(88.9)
Total comprehensive income	486	156	211.5

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 2019	31 Dec 2018	30 June 2019	31 Dec 2018
ASSETS				
Non-current assets				
Property, plant and equipment, net	22,328	21,600	306	44
Investment properties	3,005	3,061	–	–
Assets held for leasing	6,098	6,317	–	–
Investment in subsidiaries	–	–	24,883	24,883
Goodwill	709	709	–	–
Deferred tax assets	10	13	10	13
Other non-current assets	7,078	6,744	3,799	3,800
	<u>39,228</u>	<u>38,444</u>	<u>28,998</u>	<u>28,740</u>
Current assets				
Inventories	33,764	33,850	78	77
Trade receivables	14,873	14,727	7,706	7,035
Other current assets	17,930	17,088	15,546	15,478
Due from subsidiaries (trade)	–	–	37,245	34,676
Fixed deposits	5,348	4,260	250	250
Cash and bank balances	1,814	4,521	44	46
	<u>73,729</u>	<u>74,446</u>	<u>60,869</u>	<u>57,562</u>
TOTAL ASSETS	<u>112,957</u>	<u>112,890</u>	<u>89,867</u>	<u>86,302</u>

Note 1

EQUITY AND LIABILITIES

	Group		Company	
	US\$'000		US\$'000	
	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018
Current liabilities				
Trade payables and other current liabilities	6,020	6,801	728	730
Due to subsidiaries (trade)	–	–	59,916	56,588
Term loans (current portion)	2,074	2,185	1,250	1,250
Bank loans	31,638	32,716	–	–
Income tax payable	1,452	1,097	–	2
	<u>41,184</u>	<u>42,799</u>	<u>61,894</u>	<u>58,570</u>
NET CURRENT ASSETS	32,545	31,647	(1,025)	(1,008)
Non-current liabilities				
Term loans	5,540	5,913	3,750	3,750
Deferred tax liabilities	225	202	–	–
Other non-current liabilities	Note 2	628	523	133
	<u>7,939</u>	<u>6,743</u>	<u>4,273</u>	<u>3,883</u>
TOTAL LIABILITIES	<u>49,123</u>	<u>49,542</u>	<u>66,167</u>	<u>62,453</u>
NET ASSETS	<u>63,834</u>	<u>63,348</u>	<u>23,700</u>	<u>23,849</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)	249	249	94	94
Foreign currency translation reserve	12	(88)	–	–
Other reserves	(167)	(167)	–	–
Revenue reserves/(deficits)	29,970	29,585	(9,147)	(8,998)
	<u>62,817</u>	<u>62,332</u>	<u>23,700</u>	<u>23,849</u>
Non-controlling interests	1,017	1,016	–	–
Total equity	<u>63,834</u>	<u>63,348</u>	<u>23,700</u>	<u>23,849</u>
TOTAL EQUITY AND LIABILITIES	<u>112,957</u>	<u>112,890</u>	<u>89,867</u>	<u>86,302</u>

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

Note 1 Decrease in Cash and cash equivalents is primarily due to repayment of short-term bank loans and more fixed deposits in 1H2019, partially offset by improved operating cash flows.

Note 2 Increase in Other non-current liabilities pertains to recognition of lease liabilities

1.(b)(ii) In relation to the aggregate amount of the group's borrowings and 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 2019 US\$'000		As at 31 December 2018 US\$'000	
Secured	Unsecured	Secured	Unsecured
4,982	26,656	4,506	29,145

Amount repayable after one year

As at 30 June 2019 US\$'000		As at 31 December 2018 US\$'000	
Secured	Unsecured	Secured	Unsecured
2,614	5,000	5,338	1,826

Details of any collateral

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

- a.) Secured long-term bank loans of approximately US\$0.5 million and US\$0.4 million as of 30 June 2019 and 31 December 2018, respectively which are secured by leasehold land and building of the Group in Cambodia, with net book values of approximately US\$1.5 million as of 30 June 2019 and 31 December 2018.

1.(c) A statement of cash flows (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 2019	Previous Half Year 30 June 2018

OPERATING ACTIVITIES

Profit before tax	488	465
Adjustments for:		
Depreciation	1,073	1,249
Amortization of:		
Assets held for leasing	1,433	1,205
Financial expense	976	814
Other finance costs	107	180
Financial income	(7)	(5)
Operating cash flows before working capital changes	4,070	3,908
Decrease/(increase) in:		
Other current assets	(854)	(997)
Trade receivables	(97)	(186)
Inventories	119	(952)
Increase/(decrease) in:		
Pension benefits obligation	46	25
Trade payables and other current liabilities	(631)	243
Trust receipts and acceptances payable – net	–	(597)
Net cash generated from operations	2,653	1,444
Income taxes received (paid)	279	(1)
Other finance costs paid	(107)	(180)
Interest received	7	5
Net cash generated from operating activities	2,832	1,268

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

	Group US\$'000	
	Latest Half Year 30 June 2019	Previous Half Year 30 June 2018
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(421)	(215)
Decrease / (Increase) in:		
Investment property	56	109
Assets held for leasing	(1,214)	(1,279)
Other non-current assets	(334)	39
Net cash used in investing activities	(1,913)	(1,346)
FINANCING ACTIVITIES		
Payment of short-term bank loans – net	(1,078)	(406)
Proceeds from term loans – net	(484)	4,413
Fixed Deposit	(1,088)	(185)
Interest paid	(976)	(814)
Net cash generated from (used in) financing activities	(3,626)	3,008
Net increase / (decrease) in cash and bank balances	(2,707)	2,930
Cash and bank balances at beginning of period	4,521	1,731
Cash and bank balances at end of period	1,814	4,661

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 2017	27,471	4,721	294	267	73	587	28,671	(167)	29,091	1,006	62,923
Net profit for the period	–	–	–	–	–	–	353	–	353	(1)	352
Other comprehensive income (loss)	–	–	–	–	–	(206)	–	–	(206)	10	(196)
Total comprehensive income (loss) for the period	–	–	–	–	–	(206)	353	–	147	9	156
Balance at 30 June 2018	27,471	4,721	294	267	73	381	29,024	(167)	29,238	1,015	63,079
Net profit (loss) for the period	–	–	–	–	–	–	561	–	561	1	562
Other comprehensive income	–	–	–	–	176	(469)	–	–	(469)	–	(293)
Total comprehensive income (loss) for the period	–	–	–	–	176	(469)	561	–	92	1	269
Balance at 31 December 2018	27,471	4,721	294	267	249	(88)	29,585	(167)	29,330	1,016	63,348
Net income	–	–	–	–	–	–	385	–	385	1	386
Other comprehensive income	–	–	–	–	–	100	–	–	100	–	100
Total comprehensive income for the period	–	–	–	–	–	100	385	–	485	1	486
Balance at 30 June 2019	27,471	4,721	294	267	249	12	29,970	(167)	29,815	1,017	63,834

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 2017	27,471	4,721	294	267	31	(8,730)	(8,730)	–	24,054
Net loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(113)	(113)	–	(113)
Balance at 30 June 2018	27,471	4,721	294	267	31	(8,843)	(8,843)	–	23,941
Net loss for the period	–	–	–	–	–	(157)	(157)	–	(157)
Other comprehensive income for the period	–	–	–	–	63	–	–	–	63
Balance at 31 December 2018	27,471	4,721	294	267	94	(9,000)	(9,000)	–	23,847
Net loss for the period, representing total comprehensive loss for the period	–	–	–	–	–	(147)	(147)	–	(147)
Balance at 30 June 2019	27,471	4,721	294	267	94	(9,147)	(9,147)	–	23,700

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 of 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.

Not Applicable

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 2019 and 31 December 2018 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 neither 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 2018, except as disclosed in paragraph 5 below.

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 Singapore Financial Reporting Standards ("SFRS(I)") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. The adoption of this new/revised SFRS(I) does not result in changes to the Group's accounting policies and have no material effect on the financial statements for the current period except for the following:

SFRS(I) 16 Leases

The Group has adopted SFRS(I) 16 effective from 1 January 2019. The Group has elected to apply the simplified transition approach without restating prior periods' information. On adoption, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of SFRS(I) 17 *Leases*. These liabilities were

measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. On adoption, the Group recognized right-of-use assets of \$1.7 million and lease liabilities of \$1.5 million.

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 2019	First Half 2018

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	0.070 US cents	0.064 US cents
(ii) On a fully diluted basis	0.070 US cents	0.064 US cents

Explanatory note to 6 (i) and (ii)

Earnings per share for the financial periods ended 30 June 2019 and 30 June 2018 are calculated based on the 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 made to the earnings 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 2019	As at 31 December 2018

Net asset value per ordinary share based on the total number of issued shares excluding treasury shares as at the end of the period reported on	11.62 US cents	11.53 US cents
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Company	
As at 30 June 2019	As at 31 December 2018

Net asset value per ordinary share based on the total number of issued shares excluding treasury shares as at the end of the period reported on	4.31 US cents	4.34 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 2019 and 31 December 2018.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) 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; and (b) 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 slightly by 0.6% from US\$33.0 million in 1H18 to US\$33.2 million in 1H19 following stable customer demand and an increase in new customers. The Group's net profit after tax increased by 9.7% from US\$352,000 in 1H18 to US\$386,000 in 1H19 due improved efficiency and foreign exchange gains.

Revenue

Revenue from the Original Product Manufacturer (OPM) division increased by 0.6% from US\$25.5 million in 1H18 to US\$25.6 million in 1H19 due to higher orders from existing customers in Europe and an increase in new customers.

Revenue from the Hospital Services division decreased by 1.8% from US\$7.1 million in 1H18 to US\$7.0 million in 1H19 due to lower linen consumption in Taiwan.

Revenue from the Trading and Distribution division increased by 38.5% from US\$393,000 in 1H18 to US\$544,000 in 1H19 arising from rental income.

Profitability

The Group's gross profit increased by 5.8% from US\$5.0 million in 1H18 to US\$5.3 million in 1H19 arising from higher sales.

Gross profit from the OPM division increased by 8.6% from US\$4.3 million in 1H18 to US\$4.7 million in 1H19 arising from lower material costs and lower depreciation.

Gross profit from the Hospital Services division declined by 46.6% from US\$540,000 in 1H18 to US\$288,000 in 1H19 due to higher amortisation of linen assets.

Gross profit from the Trading and Distribution division improved by 133.0% from US\$126,000 in 1H18 to US\$293,000 in 1H19 due to additional rental gained during the period.

Other operating income (expense) increased by 209.5% from loss of US\$84,000 in 1H18 to gain of US\$92,000 1H19 due to foreign exchange gains during the year.

Distribution and selling expense increased by 16.5% from US\$1.1 million in 1H18 to US\$2.6 million due to higher freight out and handling costs.

Financial Expenses increased by 9.0% from \$1.0 million in 1H18 to \$1.1 million in 1H19 due to higher borrowings and borrowing costs.

Income tax expense decreased by 9.7% from US\$113,000 in 1H18 to US\$102,000 in 1H19 from deferred tax benefits.

Depreciation expenses decreased from US\$1.2 million in 1H18 to US\$1.1 million in 1H19 due to fully depreciated fixed assets.

Overall, the Group's net profit after tax increased from US\$352,000 in 1H18 to US\$386,000 in 1H19 due to improved efficiency and foreign exchange gains.

Cash Flow and Balance Sheet

The Group's total assets increased from US\$112.9 million as at 31 December 2018 to US\$113.0 as at 30 June 2019 due to an increase in non-current assets during the year. Property, plant and equipment increased from US\$21.6 million as at 31 December 2018 to US\$22.3 million as at 30 June 2019 as a result of the adoption of SFRS(I) 16.

The cash flow from inventory movement improved from a cash out flow position of US\$952,000 in 1H2018 to cash inflow of US\$119,000 in 1H2019 was due to lower production levels in 2019.

The cash flow from accounts payable decreased from an inflow of US\$243,000 in 1H2018 to an outflow of US\$631,000 in 1H2019 due to payments made in 2019.

The cash outflow for purchases of property increased from US\$215,000 as at 30 June 2018 to US\$421,000 during the year because of additional building improvements and transportation equipments in the Philippines and new plant machineries acquired in Cambodia during the period.

The cash outflow for other non-current assets decreased from an inflow of US\$39,000 in 1H2018 to an outflow of US\$334,000 was due to payment of refundable deposits in 2019.

The Group's term loans and bank loans decreased by US\$1.5 million from US\$40.8 million as at 31 December 2018 to US\$39.3 million as at 30 June 2019 due to payments during the period.

The Cash outflow of US\$3.6 million from financing activities was due to payment of loans and increase in fixed deposits.

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 27 February 2019 and in the Company's annual report for the financial year ended 31 December 2018 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 2019 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 continues to enjoy growth in both the European and Asia Pacific markets and the Company will maintain its efforts to grow its customer base. The Group will also remain focused on improving efficiency especially in managing rising labour and operational costs.

The OPM division remains the Group's flagship division with key sources of revenue and profit arriving from the US, European and Asia Pacific customer base. The Group is actively on the lookout for new customers and new channels in the Asia Pacific Region for growth opportunities.

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

The Company will also leverage on lower-cost and improved Cambodia manufacturing base.

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. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended).

Not Applicable.

(b)

(i) Amount per share

Not Applicable.

(ii) Previous corresponding period

Not Applicable.

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)**

Not Applicable.

- (d) The date the dividend is payable**

Not Applicable.

- (e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not Applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the current financial period ended 30 June 2019.

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 confirmation pursuant to Rule 705(5).

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 2019 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 hereby confirms that it 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 2019