



MEMTECH INTERNATIONAL LTD

(Incorporated in the Republic of Singapore)
Company Registration Number: 200312032Z

Second Quarter Financial Statements Announcement For the period ended 30 June 2017



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 the immediately preceding financial year:

Income Statement

For the period ended 30 June 2017

	Group Second Quarter			Group Half Year		
	2017 30-Jun	2016 30-Jun	Increase/ (Decrease)	2017 30-Jun	2016 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	37,750	31,424	20.1%	74,188	64,614	14.8%
Cost of sales	(31,206)	(28,734)	8.6%	(61,050)	(56,645)	7.8%
Gross profit	6,544	2,690	NM	13,138	7,969	64.9%
Other operating income	3,702	335	NM	3,970	611	NM
Sales and marketing expenses	(1,676)	(1,913)	-12.4%	(3,790)	(3,687)	2.8%
General and Administration expenses	(2,874)	(2,590)	11.0%	(5,541)	(5,549)	-0.1%
Other operating expenses	(114)	(14)	NM	(124)	(30)	NM
Finance costs	(108)	(16)	NM	(174)	(35)	NM
Exchange (loss)/gain	(180)	73	NM	(244)	262	NM
Profit before tax	5,294	(1,435)	NM	7,235	(459)	NM
Income tax expenses, net	(405)	39	NM	(735)	(341)	NM
Profit/(loss) for the period	4,889	(1,396)	NM	6,500	(800)	NM
Attributable to:						
Owners of the Company	4,871	(1,400)	NM	6,468	(831)	NM
Non-controlling interests	18	4	NM	32	31	3.2%



Statement of Comprehensive Income

For the period ended 30 June 2017

	Group Second Quarter			Group Half Year		
	2017 30-Jun	2016 30-Jun	Increase/ (Decrease)	2017 30-Jun	2016 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Profit/(loss) for the period	4,889	(1,396)	NM	6,500	(800)	NM
Other comprehensive income (net of tax)						
Items that may be reclassified to profit and loss:						
Currency translation differences	1,260	(2,044)	NM	1,623	(1,447)	NM
Total comprehensive income for the period	6,149	(3,440)	NM	8,123	(2,247)	NM
Attributable to:						
Owners of the company	6,127	(3,440)	NM	8,086	(2,275)	NM
Non-controlling interests	22	-	NM	37	28	32.1%
Total comprehensive income for the period attributable to Owners of the company	6,149	(3,440)	NM	8,123	(2,247)	NM

Notes

NM: Not meaningful

1 Profit from operating activities

Profit from operating activities is arrived at after charging /(crediting):

	Group Second Quarter			Group Half Year		
	2017 30-Jun	2016 30-Jun	Increase/ (Decrease)	2017 30-Jun	2016 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Continuing Operations						
Depreciation	2,052	1,989	3.2%	4,053	3,886	4.3%
Allowance for/(write back of) doubtful receivables, trade	202	(83)	NM	204	8	NM
Allowance for/(write back of) stock obsolescence	114	(54)	NM	(113)	238	NM
Net gain on disposal of property, plant and equipment	(3,175)	(8)	NM	(3,183)	(3)	NM
Exchange loss/(gain)	160	(73)	NM	224	(262)	NM



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.

Statement of Financial Position

As at 30 June 2017

	Group		Company	
	2017	2016	2017	2016
	30-Jun	31-Dec	30-Jun	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets:				
Property, plant and equipment	40,883	39,836	-	-
Investment in subsidiaries	-	-	75,107	75,107
Intangible assets	546	547	-	-
	<u>41,429</u>	<u>40,383</u>	<u>75,107</u>	<u>75,107</u>
Current Assets:				
Cash and cash equivalents	32,088	27,353	1,246	3,870
Bank deposits pledged	2,078	1,942	-	-
Trade receivables	52,452	62,383	-	-
Bills and other receivables	7,076	7,346	24	23
Amounts due from subsidiaries	-	-	8,761	9,743
Prepayments	6,267	4,394	-	-
Inventories	22,459	19,451	-	-
Non-current assets held for sale	-	2,481	-	-
	<u>122,420</u>	<u>125,350</u>	<u>10,031</u>	<u>13,636</u>
Current Liabilities:				
Trade payables and accruals	28,210	35,834	150	371
Bills and other payables	8,081	8,576	9	20
Amounts due to subsidiaries	-	-	5,000	5,000
Provision for taxation	512	732	-	-
Other liabilities	801	825	-	-
Loans and borrowings	969	1,169	555	1,111
	<u>38,573</u>	<u>47,136</u>	<u>5,714</u>	<u>6,502</u>
Net Current Assets	83,847	78,214	4,317	7,134
Non-Current Liabilities:				
Loans and borrowings	4,309	3,402	-	-
Other liabilities	729	789	-	-
Deferred taxation	3,805	3,573	-	-
	<u>8,843</u>	<u>7,764</u>	<u>-</u>	<u>-</u>
Net Assets	116,433	110,833	79,424	82,241



Statement of Financial Position (Cont'd)

As at 30 June 2017

	Group		Company	
	2017	2016	2017	2016
	30-Jun	31-Dec	30-Jun	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Equity Attributable to Owners of the Company				
Share capital	57,808	57,808	57,808	57,808
Treasury shares	(1,441)	(1,441)	(1,441)	(1,441)
Currency translation reserve	(4,604)	(6,222)	-	-
Statutory reserve fund	10,035	10,035	-	-
Acquisition reserve	(714)	(714)	-	-
Revenue reserves	55,121	51,176	23,057	25,874
	<u>116,205</u>	<u>110,642</u>	<u>79,424</u>	<u>82,241</u>
Non-controlling interests	228	191	-	-
	<u>116,433</u>	<u>110,833</u>	<u>79,424</u>	<u>82,241</u>
Total Equity				

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	Group Secured		Group Unsecured	
	2017	2016	2017	2016
	30-Jun	31-Dec	30-Jun	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less or on demand	-	-	969	1,169
Amount repayable after one year	-	-	4,309	3,402
	<u>-</u>	<u>-</u>	<u>5,278</u>	<u>4,571</u>



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.

Consolidated Statement of Cashflows

For the period ended 30 June 2017

	Group Second Quarter		Group Half Year	
	2017	2016	2017	2016
	30-Jun	30-Jun	30-Jun	30-Jun
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit/(loss) before tax	5,294	(1,435)	7,235	(459)
Adjustments for:				
Depreciation of property, plant and equipment	2,052	1,989	4,053	3,886
Amortisation of intangible assets	4	7	10	13
Interest expense	108	16	174	35
Interest income	(13)	(11)	(23)	(57)
Allowance for/(write-back of) doubtful receivables, trade	202	(83)	204	8
Allowance for/(write-back of) stock obsolescence	114	(54)	(113)	238
Net gain on disposal of property, plant and equipment	(3,175)	(8)	(3,183)	(3)
Unrealised exchange loss/(gain), net	101	(51)	98	(108)
Total adjustments	(607)	1,805	1,220	4,012
Operating cash flows before changes in working capital	4,687	370	8,455	3,553
Changes in working capital				
Trade and other receivables	1,663	(1,982)	8,820	3,636
Inventories	(987)	(915)	(2,510)	(787)
Trade and other payables	(5,243)	2,479	(8,910)	322
Total changes in working capital	(4,567)	(418)	(2,600)	3,171
Cash flows generated from/(used in) operations	120	(48)	5,855	6,724
Interest received	13	11	34	69
Interest paid	(108)	(16)	(174)	(35)
Income taxes paid	(344)	(114)	(1,002)	(341)
Net cash flows (used in)/generated from operating activities	(319)	(167)	4,713	6,417
Cash flows from investing activities:				
Purchases of property, plant and equipment	(2,702)	(1,339)	(4,564)	(4,367)
Proceeds from disposal of fixed assets	5,940	15	5,948	23
Net cash generated from/(used in) investing activities	3,238	(1,324)	1,384	(4,344)
Cash flows used in financing activities:				
Proceeds from loans and borrowings	1,161	-	1,161	-
Dividends Paid	(2,523)	(3,473)	(2,523)	(3,473)
Repayments of loans and borrowings	(278)	(278)	(556)	(556)
Bank deposits pledged	568	(243)	(89)	(293)
Net cash used in financing activities	(1,072)	(3,994)	(2,007)	(4,322)
Net increase/(decrease) in cash and cash equivalents	1,847	(5,485)	4,090	(2,249)
Effects of exchange rate changes on opening cash and cash equivalent	495	(774)	645	(589)
Cash and cash equivalents at the beginning of the period	29,746	30,188	27,353	26,767
Cash and cash equivalents at the end of the period	32,088	23,929	32,088	23,929



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

Statement of Changes in Equity

As at 30 June 2017

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Issued Capital				
Balance at 1 January, 31 March and 30 June	57,808	57,808	57,808	57,808
Treasury Shares				
Balance at 1 January, 31 March and 30 June	(1,441)	(1,441)	(1,441)	(1,441)
Statutory Reserve Fund				
Balance at 1 January, 31 March and 30 June	10,035	9,332	-	-
Acquisition reserve				
Balance at 1 January, 31 March and 30 June	(714)	(714)	-	-
Currency Translation Reserve				
Balance at 1 January	(6,222)	(1,829)	-	-
Net effect of exchange translation differences	362	596	-	-
Balance at 31 March	(5,860)	(1,233)	-	-
Net effect of exchange translation differences	1,256	(2,040)	-	-
Balance at 30 June	(4,604)	(3,273)	-	-
Revenue Reserves				
Balance at 1 January	51,176	49,082	25,874	31,123
Net profit/(loss) for the period	1,597	569	(136)	(127)
Balance at 31 March	52,773	49,651	25,738	30,996
Net profit/(loss) for the period	4,871	(1,400)	(158)	(170)
Dividend paid	(2,523)	(3,473)	(2,523)	(3,473)
Balance at 30 June	55,121	44,778	23,057	27,353
Non- controlling interests				
Balance at 1 January	191	96	-	-
Net profit for the period	14	27	-	-
Net effect of exchange translation differences	1	1	-	-
Balance at 31 March	206	124	-	-
Net profit for the period	18	4	-	-
Net effect of exchange translation differences	4	(4)	-	-
Balance at 30 June	228	124	-	-
Total Equity				
Balance at 1 January	110,833	112,334	82,241	87,490
Total for the period	1,974	1,193	(136)	(127)
Balance at 31 March	112,807	113,527	82,105	87,363
Total for the period	3,626	(6,913)	(2,681)	(3,643)
Balance at 30 June	116,433	106,614	79,424	83,720



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 of 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

	2017	2016
	30-Jun	31-Dec
	No. of shares	No. of shares
Ordinary shares	<u>143,999,998</u>	<u>143,999,998</u>

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.

	2017	2016
	30-Jun	31-Dec
	No. of shares	No. of shares
Issued ordinary shares excluding treasury shares	<u>140,880,878</u>	<u>140,880,878</u>

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.

	2017	2016
	30-Jun	31-Dec
	No. of shares	No. of shares
Balance as at beginning and end of the year	3,119,120	3,119,120



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

The above figures have not been audited or reviewed.

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

Not Applicable.

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

The Group has adopted all the new/revised FRSs that are mandatory for financial year beginning on or after 1 January 2017. Except for the adoption of these new/revised FRSs, the Group has consistently adopted the same accounting policies and methods of computation as stated in the audited financial statements of the Group for the year ended 31 December 2016.

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

The adoption of the new/revised FRSs has no material financial impact on the Group's financial statements.



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		Group	
	Second Quarter		Half Year	
	2017	2016	2017	2016
	30-Jun	30-Jun	30-Jun	30-Jun
	US cents	US cents	US cents	US cents
Earnings per ordinary share for the period after deducting any provision for preference dividends:				
(i) Based on weighted average number of ordinary shares on issue	3.5	(1.0)	4.6	(0.6)
(ii) On a fully diluted basis	3.5	(1.0)	4.6	(0.6)

	Group		Group	
	Second Quarter		Half Year	
	2017	2016	2017	2016
	30-Jun	30-Jun	30-Jun	30-Jun
	'000	'000	'000	'000
Weighted average number of shares:				
(i) Based on weighted average number of ordinary shares on issue	140,881	140,881	140,881	140,881
(ii) On a fully diluted basis	140,881	140,881	140,881	140,881

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		Company	
	2017	2016	2017	2016
	30-Jun	31-Dec	30-Jun	31-Dec
	US cents	US cents	US cents	US cents
Net asset value per ordinary share based on issued share capital at the end of the period reported on	82.5	78.5	56.4	58.4
Number of shares ('000)	140,881	140,881	140,881	140,881



- 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.**

Commentary On Results

Q22017 Vs. Q22016 Results

The Group's revenue increased by 20.1% from US\$31.4 million in 2Q2016 to US\$37.8 million in 2Q2017 due mainly to the increase in sales in our consumer electronics segment. Sales contribution from this segment increased from 29.7% to 37.0%.

The Group's 2Q2017 gross profit increased by 143.3% from US\$2.7 million in 2Q2016 to US\$6.5 million in 2Q2017 due to the increase in revenue. Gross profit margin improved from 8.6% in 2Q2016 to 17.3% in 2Q2017.

With the completion of the sale of our Huzhou land & factory, our other operating income increased by US\$3.1 million.

Sales and marketing expenses decreased by 12.4% to US\$1.7 million in 2Q2017 due to better cost control.

General and Administration expenses increased by 11.0% to US\$2.9 million in 2Q2017 due to higher bad-debt provisions.

Net profit attributable to shareholders for 2Q2017 amounted to US\$4.9 million, with operational net profit of US\$1.8 million, compared to a loss of US\$1.4 million in the previous corresponding period.

Financial Position and Cash Flows

As we secured more new projects, we incurred more capital expenditure. On the other hand, the group realized a sales proceed of US\$5.9 million from the disposal of our Huzhou property which contributed to the increase in cash and cash equivalent as at 30 June 2017..



The higher trade receivable and payable as at 31 Dec 2016 was due to higher sales in the last quarter of FY2016. The increase in prepayment was due to more purchases for fixed assets.

Inventories increased in preparation to meet the increase in sales in the second half

Overall, the Group's financial position remains healthy as at 30 June 2017. The Group's current ratio was 3.2 times with cash and cash equivalent amounting to US\$32.1 million or approximately 22.8 US cents per share.

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

These results are in line with the statement made in the 1Q2017 results announcement for the period ended 31 March 2017.

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 successful execution of scheduled orders from major customers contributed to the Group's improved performance in 2Q2017.

Moving forward, the Group will maintain its efforts to improve productivity and cost management on various fronts including utilizing more automation in its production processes. At the same time, the Group will seek to expand and deepen business relationships with key customers and pursue new opportunities within the Automotive & Consumer Electronics segments. Our R&D focus on material science for product improvement and our tooling expertise will continue to place the Group at a favorable competitive position in our business segments.

The Group expects market conditions to be challenging driven by the uncertain economic and political environments. Nevertheless, the Group is cautiously optimistic of its performance for the remainder of this year, barring unforeseen circumstances.

11 Dividend

(a) Current Financial Period Reported On

None.



(b) 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

Not Applicable.

13 If the Group has obtained a general mandate from shareholders for interested person transactions (“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 the effect.

The Group has not obtained a general mandate from shareholders for IPTs.

14 Negative Confirmation of the Board pursuant to Rule 705 (5)

Chuang Wen Fu and Gu Chenghua, being two directors of Memtech International Limited (“the Company”), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the 2Q2017 financial results to be false or misleading in any material aspect.

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all the directors and executive officers under Rule 720(1).



BY ORDER OF THE BOARD

Chuang Wen Fu
Chairman

10 August 2017