



MEMTECH INTERNATIONAL LTD

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

Second Quarter Financial Statements Announcement For the period ended 30 June 2016



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 2016

	Group Second Quarter			Group Half Year		
	2016 30-Jun	2015 30-Jun	Increase/ (Decrease)	2016 30-Jun	2015 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Revenue	31,424	33,361	-5.8%	64,614	66,925	-3.5%
Cost of sales	(28,734)	(27,460)	4.6%	(56,645)	(55,083)	2.8%
Gross profit	2,690	5,901	-54.4%	7,969	11,842	-32.7%
Other operating income	335	216	55.1%	611	418	46.2%
Sales and marketing expenses	(1,913)	(1,649)	16.0%	(3,687)	(3,527)	4.5%
General and Administration expenses	(2,590)	(3,174)	-18.4%	(5,549)	(6,152)	-9.8%
Other operating expenses	(14)	(8)	75.0%	(30)	(39)	-23.1%
Finance costs	(16)	(24)	-33.3%	(35)	(51)	-31.4%
Exchange gain	73	191	-61.8%	262	408	-35.8%
Share of result of associates	-	(7)	NM	-	(24)	NM
(Loss)/profit before tax	(1,435)	1,446	NM	(459)	2,875	NM
Income tax expenses, net	39	34	14.7%	(341)	(208)	63.9%
(Loss)/profit for the period	(1,396)	1,480	NM	(800)	2,667	NM
Attributable to:						
Owners of the Company	(1,400)	1,499	NM	(831)	2,706	NM
Non-controlling interests	4	(19)	NM	31	(39)	NM



Statement of Comprehensive Income

For the period ended 30 June 2016

	Group Second Quarter			Group Half Year		
	2016 30-Jun	2015 30-Jun	Increase/ (Decrease)	2016 30-Jun	2015 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
(Loss)/profit for the period	(1,396)	1,480	NM	(800)	2,667	NM
Other comprehensive income (net of tax)						
Items that may be reclassified to profit and loss:						
Currency translation differences	(2,044)	346	NM	(1,447)	65	NM
Total comprehensive income for the period	(3,440)	1,826	NM	(2,247)	2,732	NM
Attributable to:						
Owners of the company	(3,440)	1,844	NM	(2,275)	2,770	NM
Non-controlling interests	-	(18)	NM	28	(38)	NM
Total comprehensive income for the period attributable to Owners of the company	(3,440)	1,826	NM	(2,247)	2,732	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		
	2016 30-Jun	2015 30-Jun	Increase/ (Decrease)	2016 30-Jun	2015 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000		US\$'000	US\$'000	
Continuing Operations						
Depreciation	1,989	1,942	2.4%	3,886	3,906	-0.5%
(Write back of)/allowance for doubtful receivables, trade	(83)	196	NM	8	255	-96.9%
(Write back of)/allowance for stock obsolescence	(54)	89	NM	238	210	13.3%
Net (gain)/loss on disposal of property, plant and equipment	(8)	5	NM	(3)	(22)	-86.4%
Exchange gain	(73)	(191)	-61.8%	(262)	(408)	-35.8%



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 2016

	Group		Company	
	2016	2015	2016	2015
	30-Jun	31-Dec	30-Jun	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets:				
Property, plant and equipment	40,968	41,650	-	-
Investment in subsidiaries	-	-	76,207	80,207
Intangible assets	781	809	-	-
	<u>41,749</u>	<u>42,459</u>	<u>76,207</u>	<u>80,207</u>
Current Assets:				
Cash and cash equivalents	23,929	26,767	4,599	3,562
Bank deposits pledged	2,267	2,018	-	-
Trade receivables	45,105	51,023	-	-
Bills and other receivables	9,838	10,008	3	580
Amounts due from subsidiaries	-	-	9,775	10,793
Prepayments	5,239	3,416	-	-
Inventories	16,187	15,737	-	-
	<u>102,565</u>	<u>108,969</u>	<u>14,377</u>	<u>14,935</u>
Current Liabilities:				
Trade payables and accruals	24,215	26,357	191	372
Bills and other payables	6,893	6,320	6	8
Amounts due to subsidiaries	-	-	5,000	5,050
Other liabilities	713	447	-	-
Loans and borrowings	1,111	1,111	1,111	1,111
Provision for taxation	136	238	-	-
	<u>33,068</u>	<u>34,473</u>	<u>6,308</u>	<u>6,541</u>
Net Current Assets	69,497	74,496	8,069	8,394
Non-Current Liabilities:				
Loans and borrowings	556	1,111	556	1,111
Deferred taxation	4,076	3,510	-	-
	<u>4,632</u>	<u>4,621</u>	<u>556</u>	<u>1,111</u>
Net Assets	106,614	112,334	83,720	87,490



Statement of Financial Position (Cont'd)

As at 30 June 2016

	Group		Company	
	2016	2015	2016	2015
	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)
Statutory reserve fund	9,332	9,332	-	-
Acquisition reserve	(714)	(714)	-	-
Currency translation reserve	(3,273)	(1,829)	-	-
Revenue reserves	44,778	49,082	27,353	31,123
	<u>106,490</u>	<u>112,238</u>	<u>83,720</u>	<u>87,490</u>
Non-controlling interests	<u>124</u>	<u>96</u>	<u>-</u>	<u>-</u>
Total Equity	<u><u>106,614</u></u>	<u><u>112,334</u></u>	<u><u>83,720</u></u>	<u><u>87,490</u></u>

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

	Group Secured		Group Unsecured	
	2016	2015	2016	2015
	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	-	-	1,111	1,111
Amount repayable after one year	-	-	556	1,111
	<u>-</u>	<u>-</u>	<u>1,667</u>	<u>2,222</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 2016

	Group Second Quarter		Group Half Year	
	2016	2015	2016	2015
	30-Jun	30-Jun	30-Jun	30-Jun
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Loss/profit before tax	(1,435)	1,446	(459)	2,875
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	1,989	1,942	3,886	3,906
Amortisation of intangible assets	7	7	13	14
Interest expense	16	24	35	51
Interest income	(11)	(109)	(57)	(198)
(Write back of)/allowance for doubtful receivables, trade	(83)	196	8	255
(Write back of)/allowance for stock obsolescence	(54)	89	238	210
Net (gain)/loss on disposal of property, plant and equipment	(8)	5	(3)	(22)
Share of results of associates	-	7	-	24
Total adjustments	1,856	2,161	4,120	4,240
Operating cashflow before changes in working capital	421	3,607	3,661	7,115
<u>Changes in working capital</u>				
Trade and other receivables	(2,046)	(1,503)	3,499	1,786
Inventories	(915)	(1,765)	(787)	(1,935)
Trade and other payables	2,492	(1,056)	351	(2,963)
Cash (used in)/generated from operations	(48)	(717)	6,724	4,003
Interest received	11	192	69	248
Interest paid	(16)	(24)	(35)	(69)
Income taxes paid	(114)	(95)	(341)	(346)
Net cash (used in)/generated from operating activities	(167)	(644)	6,417	3,836
Cash flows from investing activities:				
Purchases of property, plant and equipment	(1,339)	(2,486)	(4,367)	(4,633)
Proceeds from disposal of fixed assets	15	1	23	115
Net cash used in investing activities	(1,324)	(2,485)	(4,344)	(4,518)
Cash flows from financing activities:				
Dividends Paid	(3,473)	(3,219)	(3,473)	(3,219)
Repayments of loans and borrowings	(278)	(278)	(556)	(556)
Bank deposits pledged	(243)	(542)	(293)	(937)
Proceeds from issuance of shares by subsidiary company to non-controlling interests shareholders	-	16	-	16
Net cash used in financing activities	(3,994)	(4,023)	(4,322)	(4,696)
Net decrease in cash and cash equivalents	(5,485)	(7,152)	(2,249)	(5,378)
Effects of exchange rate changes on opening cash and cash equivalents	(774)	151	(589)	29
Cash and cash equivalents at the beginning of the period	30,188	34,085	26,767	32,433
Cash and cash equivalents at the end of the period	23,929	27,084	23,929	27,084



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 2016

	Group		Company	
	2016	2015	2016	2015
	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)	(1,311)	(1,441)	(1,311)
Statutory Reserve Fund				
Balance at 1 January, 31 March and 30 June	9,332	9,065	-	-
Acquisition reserve				
Balance at 1 January, 31 March and 30 June	(714)	(714)	-	-
Currency Translation Reserve				
Balance at 1 January	(1,829)	2,822	-	-
Net effect of exchange translation differences	596	(281)	-	-
Balance at 31 March	(1,233)	2,541	-	-
Net effect of exchange translation differences	(2,040)	345	-	-
Balance at 30 June	(3,273)	2,886	-	-
Revenue Reserves				
Balance at 1 January	49,082	44,446	31,123	34,707
Net profit/(loss) for the period	569	1,207	(127)	(192)
Balance at 31 March	49,651	45,653	30,996	34,515
Net (loss)/profit for the period	(1,400)	1,499	(170)	1,009
Dividend paid	(3,473)	(3,219)	(3,473)	(3,219)
Balance at 30 June	44,778	43,933	27,353	32,305
Non- controlling interests				
Balance at 1 January	96	10	-	-
Net profit/(loss) for the period	27	(20)	-	-
Net effect of exchange translation differences	1	-	-	-
Balance at 31 March	124	(10)	-	-
Issuance of shares	-	16	-	-
Net profit/(loss) for the period	4	(19)	-	-
Net effect of exchange translation differences	(4)	1	-	-
Balance at 30 June	124	(12)	-	-
Total Equity				
Balance at 1 January	112,334	112,126	87,490	91,204
Total for the period	1,193	906	(127)	(192)
Balance at 31 March	113,527	113,032	87,363	91,012
Total for the period	(6,913)	(1,377)	(3,643)	(2,210)
Balance at 30 June	106,614	111,655	83,720	88,802



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

	2016	2015
	30-Jun	31-Dec
	No. of shares	No. of shares*
Ordinary shares	<u>143,999,998</u>	<u>720,000,000</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.

	2016	2015
	30-Jun	31-Dec
	No. of shares	No. of shares*
Issued ordinary shares excluding treasury shares	<u>140,880,878</u>	<u>704,404,400</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.

	2016	2015
	30-Jun	31-Dec
	No. of shares	No. of shares*
Balance as at beginning of the year	3,119,120	14,080,000
Open market purchase	-	1,515,600
Balance as at end of the year	<u>3,119,120</u>	<u>15,595,600</u>

* On 7 January 2016, the Company completed a share consolidation exercise ("Share Consolidation") in which every five (5) existing ordinary share were consolidated into one (1) ordinary share. Before the Share Consolidation, the issued share capital of the Company comprised of 720,000,000 ordinary shares. After the Share Consolidation, the issued share capital of the Company comprised 143,999,998 ordinary shares, after disregarding fractional entitlements.

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 2016. 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 2014.

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	
	2016	2015	2016	2015
	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	(1.0)	1.1	(0.6)	1.9
(ii) On a fully diluted basis	(1.0)	1.1	(0.6)	1.9
	Group		Group	
	Second Quarter		Half Year	
	2016	2015	2016	2015
	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	141,184	140,881	141,184
(ii) On a fully diluted basis	140,881	141,184	140,881	141,184

For comparison, earning per share for the period of 30 June 2015 have been re-computed based on the revised number of shares as a result of the Share Consolidation. Any difference is due to rounding.

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	
	2016	2015	2016	2015
	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	75.6	79.7	59.4	62.1
Number of shares ('000)	140,881	140,881	140,881	140,881

^ For comparison, the Group's and Company's net asset value per ordinary shares for the period of 31 December 2015 have been re-computed based on the revised number of shares as a result of the Share Consolidation. Any difference is due to rounding.

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

2Q2016 Vs. 2Q2015 Results

The Group's revenue decreased 5.8% from US\$33.4 million in 2Q2015 to US\$31.4 million 2Q2016. Telecommunication segment's revenue fell by US\$2.4 million while the revenue for Industrial & Medical decreased by US\$0.93 million. At the same time, sales for Automotive segment continue to progress steadily. In regard to Consumer Electronics segment, the delay in fulfillment of major order at customer's request was also a contributory factor to the weaker than expected results.

The Group's 2Q2016 gross profit decreased 54.4% from US\$5.9 million in 2Q2015 to US\$2.69 million in 2Q2016 due to lower sales, and higher manufacturing cost from outsourcing of some processes.

Sales and marketing expenses increased by 16% to US\$1.91 million in 2Q2016 due to higher goods transportation costs and an increase of travel expenses.

General and Administration expenses decreased by 18.4% to US\$2.59 million in 2Q2016 compared to US\$3.17 million in 2Q2015 due to lower bad-debt provisions and staff cost.

The group incurred a net loss of US\$1.4 million for 2Q2016 as compared to a net profit of US\$1.5 million in 2Q2015.

Financial Position and Cash Flows

Net cash used in operation activities in 2Q2016 was US\$0.2 million compared to US\$0.6 million in the corresponding period last year.

In 2Q2016, US\$1.34 million was consumed on purchase of equipment and upgrading of manufacturing facilities compared to depreciation amount US\$2.0 million.

The prepayments have increased due to an advance payment of US\$1.8 million for equipment purchase for upcoming orders from a major CE customer. These equipment will be in-place in 3Q2016.



Overall, the Group's financial position remains healthy as at 30 June 2016. The Group's current ratio was 3.1 times with cash and cash equivalent amounting to US\$23.9 million or approximately 17 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 profit guidance statement made on 27 July 2016.

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.

China's GDP for 2Q2016 stabilised at 6.7%, a marginal decrease from 6.8% for the previous quarter. Nevertheless, economic conditions remained weak with exports and imports declining year on year. The weak market sentiment affected sales of the Group's telecommunication products and delayed the shipment of the Group's consumer electronic products impacting the Group's performance in 2Q2016. With the fulfilment of the outstanding orders for the Group's consumer electronic products and coupled with stronger demand, the Group expects to improve its performance for the second half of 2016.

The Group will continue to organise its resources, improve productivity and product development to meet the market challenges.

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.

Not Applicable.

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

Chuang Wen Fu and Yap Chin Kuan, 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 2Q2016 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

11 August 2016