



## **MEMTECH INTERNATIONAL LTD**

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

### **Half Year Financial Statements Announcement For the period ended 30 June 2007**



**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year:**

**Profit and Loss Accounts**

*For the half year ended 30 June 2007*

	Note	Group Second Quarter			Group Half Year		
		2007 30-Jun	2006 30-Jun	Increase/ (Decrease)	2007 30-Jun	2006 30-Jun	Increase/ (Decrease)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		25,230	25,702	-1.8%	46,882	51,604	-9.2%
Cost of sales		(19,138)	(19,329)	-1.0%	(35,375)	(36,945)	-4.2%
Gross profit		6,092	6,373	-4.4%	11,507	14,659	-21.5%
Other operating income		308	237	30.0%	649	503	29.0%
Sales and marketing expenses		(1,126)	(1,810)	-37.8%	(2,267)	(3,541)	-36.0%
General and Administration expenses		(3,331)	(1,858)	79.3%	(5,677)	(3,743)	51.7%
Other operating expenses		(26)	(139)	-81.3%	(57)	(160)	-64.4%
Finance costs		(5)	(5)	0.0%	(10)	(13)	-23.1%
		(4,488)	(3,812)	17.7%	(8,011)	(7,457)	7.4%
Profit before taxation and minority interests	1	1,912	2,798	-31.7%	4,145	7,705	-46.2%
Share of result of associates		(44)	-	NM	(45)	-	NM
Profit before tax		1,868	2,798	-33.2%	4,100	7,705	-46.8%
Tax expense		509	(276)	NM	300	(600)	NM
Profit from ordinary activities after taxation		2,377	2,522	-5.7%	4,400	7,105	-38.1%
Attributable to:							
Equity holders of the Company		2,324	2,673	-13.1%	4,373	7,428	-41.1%
Minority interests		53	(151)	NM	27	(323)	NM
		2,377	2,522	-5.7%	4,400	7,105	-38.1%



## 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		
	2007	2006	Increase/ (Decrease)	2007	2006	Increase/ (Decrease)
	Note 30-Jun	30-Jun		30-Jun	30-Jun	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation	1,982	1,552	28%	3,930	3,008	31%
Allowance for doubtful trade receivables	1,060	(55)	NM	1,399	1	NM
Loss on disposal of fixed assets	6	123	-95%	7	137	-95%
Exchange loss	388	103	277%	717	258	178%



**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

**Balance Sheets**

*As at 30 June 2007*

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-Current Assets</b>				
Property, plant and equipment	38,285	38,104	34	44
Investment in subsidiaries	-	-	40,861	40,016
Investment in associates	1,002	634	1,095	705
Intangible assets	581	566	-	-
	<u>39,868</u>	<u>39,304</u>	<u>41,990</u>	<u>40,765</u>
<b>Current Assets</b>				
Cash and short term deposits	30,608	34,780	8,428	10,864
Trade receivables	37,794	41,600	-	-
Bills and other receivables	13,270	7,609	23	24
Amounts due from subsidiaries	-	-	6,568	13,721
Prepayments	260	133	-	-
Inventories	7,615	8,095	-	-
	<u>89,547</u>	<u>92,217</u>	<u>15,019</u>	<u>24,609</u>
<b>Current Liabilities</b>				
Trade payables and accruals	22,578	21,879	119	437
Bills and other payables	6,939	9,556	5	13
Amounts due to subsidiary companies	-	-	7,835	9,327
Interest-bearing loans and borrowings	268	262	-	-
Provision for tax	269	732	-	76
Other liabilities	541	344	-	-
	<u>30,595</u>	<u>32,773</u>	<u>7,959</u>	<u>9,853</u>
<b>Net Current Assets</b>	58,952	59,444	7,060	14,756
<b>Non-Current Liabilities</b>				
Other payables	311	606	-	-
Interest-bearing loans and borrowings	6	9	-	-
Deferred taxation	2,028	1,978	-	-
	<u>2,345</u>	<u>2,593</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>	<u>96,475</u>	<u>96,155</u>	<u>49,050</u>	<u>55,521</u>



**Balance Sheets (Cont'd)**

*As at 30 June 2007*

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Equity Attributable to Equity Holders of the Company</b>				
Share capital	42,971	42,971	42,971	42,971
Currency translation reserve	7,414	5,749	5,227	5,463
Statutory reserve	2,413	2,413	-	-
Revenue reserves	42,899	44,294	852	7,087
Shareholders' equity	95,697	95,427	49,050	55,521
<b>Minority interests</b>	778	728	-	-
<b>Total Equity</b>	<b>96,475</b>	<b>96,155</b>	<b>49,050</b>	<b>55,521</b>

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

	<b>Group Secured</b>		<b>Group Unsecured</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less or on demand	-	-	268	262
Amount repayable after one year	-	-	6	9
	-	-	274	271



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

**Cashflow Statement**

*For the half year ended 30 June 2007*

	<b>Group</b>		<b>Group</b>	
	<b>Second Quarter</b>		<b>Year to Date</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>30-Jun</b>	<b>30-Jun</b>	<b>30-Jun</b>	<b>30-Jun</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit before tax	1,912	2,798	4,145	7,705
Adjustments for:				
Depreciation of fixed assets	1,982	1,547	3,930	3,003
Interest expense	5	5	10	13
Interest income	(125)	(172)	(309)	(320)
Loss on disposal of fixed assets	6	122	7	136
Share of results of associates	44	-	45	-
Operating cashflow before reinvestment in working capital	3,824	4,300	7,828	10,537
(Increase)/decrease in trade and other receivables	(1,664)	1,779	(1,107)	(8,216)
(Increase)/decrease in inventories	64	(623)	1,047	(1,647)
(Decrease)/increase in trade and other payables	(1,256)	135	(2,070)	3,131
Cash generated from operations	968	5,591	5,698	3,805
Net income tax refunded/(paid)	91	(267)	(47)	(298)
Net cash generated from operating activities	1,059	5,324	5,651	3,507
Cash flows from investing activities:				
Purchases of fixed assets	(2,093)	(2,678)	(4,827)	(5,482)
Proceeds from disposal of fixed assets	-	41	-	72
Interest income received	139	174	303	306
Investment in an associate company	(392)	-	(392)	-
Net cash used in investing activities	(2,346)	(2,463)	(4,916)	(5,104)
Cash flows from financing activities:				
Proceeds from interest-bearing loans and borrowings	259	268	517	516
Interest paid	(5)	(5)	(10)	(13)
Dividends Paid	(5,768)	(4,549)	(5,768)	(4,549)
Repayments of interest-bearing loans and borrowings	(269)	(250)	(529)	(498)
Net cash used in financing activities	(5,783)	(4,536)	(5,790)	(4,544)
Net decrease in cash and cash equivalents	(7,070)	(1,675)	(5,055)	(6,141)
Cash and cash equivalents at the beginning of the period	37,130	28,913	34,780	32,786
Effects of exchange rate changes on opening cash	548	409	883	1,002
Cash and cash equivalents at the end of the period	30,608	27,647	30,608	27,647



**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 Equity**

*As at 30 June 2007*

	Group		Company	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Issued Capital</b>				
Balance at 1 January	42,971	42,971	42,971	42,971
Issue of share capital	-	-	-	-
Balance at 31 March	42,971	42,971	42,971	42,971
Issue of share capital	-	-	-	-
Balance at 30 June	42,971	42,971	42,971	42,971
<b>Statutory Reserve</b>				
Balance at 1 January	2,413	1,478	-	-
Transfer from retained earnings	-	-	-	-
Balance at 31 March	2,413	1,478	-	-
Transfer from retained earnings	-	-	-	-
Balance at 30 June	2,413	1,478	-	-
<b>Currency Translation Reserve</b>				
Balance at 1 January	5,749	2,420	5,463	1,301
Currency translation differences	895	914	678	1,592
Balance at 31 March	6,644	3,334	6,141	2,893
Currency translation differences	1,062	502	(630)	978
Dividend paid	(292)	(289)	(284)	(289)
Balance at 30 June	7,414	3,547	5,227	3,582
<b>Revenue Reserves</b>				
Balance at 1 January	44,294	34,672	7,087	4,908
Net profit for the period	2,049	4,755	(271)	(8)
Balance at 31 March	46,343	39,427	6,816	4,900
Net profit/(loss) for the period	2,324	2,673	(196)	(94)
Dividend paid	(5,768)	(4,260)	(5,768)	(4,260)
Balance at 30 June	42,899	37,840	852	546
<b>Minority Interest</b>				
Balance at 1 January	728	1,413	-	-
Total for the period	(17)	(163)	-	-
Balance at 31 March	711	1,250	-	-
Total for the period	67	(148)	-	-
Balance at 30 June	778	1,102	-	-
<b>Total Equity</b>				
Balance at 1 January	96,155	82,954	55,521	49,180
Total for the period	2,927	5,506	407	1,584
Balance at 31 March	99,082	88,460	55,928	50,764
Total for the period	(2,607)	(1,522)	(6,878)	(3,665)
Balance at 30 June	96,475	86,938	49,050	47,099



**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 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**

There is no change in the issued and paid up capital of the company since 31 December 2006.

**1(e) Confirmation of the Board**

We refer to the requirement under Rule 705(4) of the Listing Manual.

We hereby confirm 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 results for period ended 30 June 2007 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Chuang Wen Fu  
Executive Chairman

Yap Chin Kuan  
Chief Operating Officer

**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**

There are no changes in accounting policies arising from the adoption of new FRS and the Group continues to adopt the same accounting policies and methods of computation as those of financial year ended 31 December 2006.

**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**

Not applicable.

**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**

	<b>Group Second Quarter</b>		<b>Group Half Year</b>	
	<b>2007 30-Jun</b>	<b>2006 30-Jun</b>	<b>2007 30-Jun</b>	<b>2006 30-Jun</b>
	US cents	US cents	US cents	US cents
Earnings per ordinary share for the period after deducting any provision for preference				
(i) Based on weighted average number of ordinary shares on issue	0.3	0.4	0.6	1.0
(ii) On a fully diluted basis	0.3	0.4	0.6	1.0
	<b>Group Second Quarter</b>		<b>Group Half Year</b>	
	<b>2007 30-Jun</b>	<b>2006 30-Jun</b>	<b>2007 30-Jun</b>	<b>2006 30-Jun</b>
	'000	'000	'000	'000
Weighted average number of shares:				
(i) Based on weighted average number of ordinary shares on issue	720,000	720,000	720,000	720,000
(ii) On a fully diluted basis	720,000	720,000	720,000	720,000



**7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**

- (a) current financial period reported on; and**  
**(b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>
	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	<u>13.3</u>	<u>13.3</u>	<u>6.8</u>	<u>7.7</u>
Number of shares ('000)	<u>720,000</u>	<u>720,000</u>	<u>720,000</u>	<u>720,000</u>

**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.**

*1H 2007 vs. 1H 2006 Results*

The Group revenue decreased by US\$4.7 million from US\$51.6 million to US\$46.9 million in 1H 2007 over the corresponding period. General weakness in both domestic and international mobile market caused sales to decline by 9.2% as compared to 1H 2006. While demand for 1H 2007 weakened, our shipments to our key MNC customers have increased steadily.

Revenue in Q2 2007 decreased by 1.8% or US\$0.5 million from US\$25.7 million in to US\$25.2 million as compared to its corresponding period.

With lower selling price, increase in raw material prices and labour costs, the gross profit margin declined to 24.5% in 1H 2007 as compared to 28.4% in 1H 2006. Q2 2007 gross profit margin reduced to 24.1% from 24.8% as compared to its corresponding period.

The increase in general and administration expenses were mainly due to our expansion in operations and allowance for doubtful debts of US\$1.1 million as compared to the corresponding period. Additional



allowance for doubtful debts was made mainly in respect of diminishing recovery possibility for customers who went into financial difficulties. The continuous appreciation of Chinese Renminbi against United States Dollar has also resulted in higher exchange loss as compared to the corresponding period.

Provision for taxation was low in Q2 2007 as a result of tax rebate amounted to US\$760K for qualifying investments in China.

#### Balance Sheet and Cash Flow Statement

The increased in investment in associates relate to our new investment in Sentehon Company Limited, a 49% owned associate. Sentehon is in business of research and development and design of light-guides, a product that complement our existing business. In Q2 2007, the company received more bank bills in lieu of cash payments and higher dividend payout resulting in higher cash requirements.

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

Our result is in line with the prospect statement made in our 2007 First Quarter Results Announcement dated 27 April 2007.

#### **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**

We observed that the market is recovering in Q3 2007 and remain optimistic that 2H 2007 will be better than 1H 2007.

Our capability in providing integrated modular services has brought us new contracts from Microsoft to produce keypads, light guides and metal domes for its new Xbox 360 ChatPad. Our success in securing this project is a validation of our strategy. The Group will continue its efforts in obtaining more modular orders from our customers.

Baring unforeseen circumstances, we expect our business to improve in Q3 2007.



**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**

Not Applicable.

**13 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Not Applicable for current quarter.

**14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not Applicable for current quarter.

**15 A breakdown of sales**

Not Applicable for current quarter.



**16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not Applicable for current quarter.

**17 Use of IPO proceeds earmarked for working capital and to develop strategic partnerships and further growth opportunities to complement our current and future business.**

There is no other material disbursement of IPO proceeds earmarked for working capital and to develop strategic partnership and further growth opportunities to complement our current and future business.

**BY ORDER OF THE BOARD**

Tan Seng Chun  
Company Secretary

6 August 2007