



MEMTECH INTERNATIONAL LTD

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

Half Year Financial Statements Announcement For the period ended 30 June 2006



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 second quarter and half year ended 30 June 2006

Note	Group 2nd Quarter			Group 1st Half		
	2006 30-Jun	2005 30-Jun	Increase/ (Decrease)	2006 30-Jun	2005 30-Jun	Increase/ (Decrease)
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	25,702	16,267	58.0%	51,604	30,166	71.1%
Cost of sales	(19,329)	(11,636)	66.1%	(36,945)	(20,818)	77.5%
Gross profit	6,373	4,631	37.6%	14,659	9,348	56.8%
Other income	65	68	-4.4%	183	94	94.7%
Fixed deposits interest income	172	120	43.3%	320	236	35.6%
Sales and marketing expenses	(1,810)	(1,154)	56.8%	(3,541)	(2,166)	63.5%
General and administration	(1,858)	(2,386)	-22.1%	(3,743)	(3,893)	-3.9%
Interest expense	(5)	(65)	-92.3%	(13)	(142)	-90.8%
Other operating expenses	(139)	(14)	892.9%	(160)	(26)	515.4%
	(3,812)	(3,619)	5.3%	(7,457)	(6,227)	19.8%
Profit before taxation and minority interests	2,798	1,200	133.2%	7,705	3,451	123.3%
Taxation	(276)	(50)	452.0%	(600)	(160)	275.0%
Profit from ordinary activities after taxation	2,522	1,150	119.3%	7,105	3,291	115.9%
Attributable to:						
Equity of the Company	2,673	1,245	114.7%	7,428	3,393	118.9%
Minority interests	(151)	(95)	NM	(323)	(102)	216.7%
	2,522	1,150	119.3%	7,105	3,291	115.9%



Notes

NM: Not meaningful

1 Profit from operating activities

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

	Note	Group 2nd Quarter			Group 1st Half		
		2006 30-Jun	2005 30-Jun	Increase/ (Decrease)	2006 30-Jun	2005 30-Jun	Increase/ (Decrease)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation		1,552	902	72%	3,008	1,721	75%
(Write back) / allowance for doubtful trade receivables		(55)	500	NM	1	570	NM
Loss/(Gain) on disposal of fixed assets		123	(1)	NM	137	1	NM
Exchange loss		103	164	-37%	258	418	-38%



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 2006

	Group		Company	
	2006	2005	2006	2005
	30-Jun	31-Dec	30-Jun	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets:				
Fixed assets	33,020	30,752	50	21
Investment in subsidiary companies	-	-	34,882	31,100
Intangible assets	554	548	-	-
	<u>33,574</u>	<u>31,300</u>	<u>34,932</u>	<u>31,121</u>
Current Assets:				
Cash and bank balances	16,595	13,703	804	1,434
Fixed deposits	11,052	19,083	11,051	19,080
Trade receivables	43,143	39,004	-	-
Bills and other receivables	9,840	4,119	25	28
Amounts due from subsidiary companies	-	-	6,570	7,406
Stocks	7,944	6,238	-	-
Other non-financial assets	792	1,996	3	3
	<u>89,366</u>	<u>84,143</u>	<u>18,453</u>	<u>27,951</u>
Current Liabilities:				
Trade payables and accruals	22,952	20,165	158	272
Bills and other payables	8,854	8,245	8	17
Amounts due to subsidiary companies	-	-	6,107	9,503
Interest-bearing loans and borrowings	268	248	-	-
Provision for tax	433	255	13	100
Other non-financial liabilities	646	1,153	-	-
	<u>33,153</u>	<u>30,066</u>	<u>6,286</u>	<u>9,892</u>
Net Current Assets	56,213	54,077	12,167	18,059
Non-Current Liabilities:				
Other payables	918	510	-	-
Deferred taxation	1,931	1,913	-	-
	<u>2,849</u>	<u>2,423</u>	<u>-</u>	<u>-</u>
Net Assets	86,938	82,954	47,099	49,180



Balance Sheets (Cont'd)

As at 30 June 2006

	Group		Company	
	2006	2005	2006	2005
	30-Jun	31-Dec	30-Jun	31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
Equity Attributable to Equity Holders of the Company				
Share capital	42,971	4,245	42,971	4,245
Share premium	-	38,726	-	38,726
Statutory reserve	1,478	1,478	-	-
Revenue reserves	37,551	34,672	473	4,908
Currency translation reserve	3,836	2,420	3,655	1,301
Shareholders' equity	85,836	81,541	47,099	49,180
Minority interests	1,102	1,413	-	-
Total Equity	86,938	82,954	47,099	49,180

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

	Group Secured		Group Unsecured	
	2006	2005	2006	2005
	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	-	-	268	248
Amount repayable after one year	-	-	-	-
	-	-	268	248



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 second quarter and half year ended 30 June 2006

	Group 2nd Quarter		Group 1st Half	
	2006 30-Jun	2005 30-Jun	2006 30-Jun	2005 30-Jun
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit from ordinary activities before taxation and minority interest	2,798	1,200	7,705	3,451
Adjustments for:				
Depreciation of fixed assets	1,547	902	3,003	1,721
Interest expense	5	65	13	142
Interest income	(172)	(120)	(320)	(236)
Loss/(Gain) on disposal of fixed assets	122	(1)	136	1
Operating cashflow before reinvestment in working capital	4,300	2,046	10,537	5,079
Decrease/(Increase) in trade and other receivables	1,779	1,354	(8,216)	(1,746)
Increase in stocks	(623)	(332)	(1,647)	(1,045)
(Decrease)/Increase in trade and other payables	(132)	1,378	2,833	1,761
Net cash generated from operating activities	5,324	4,446	3,507	4,049
Cash flows from investing activities:				
Purchases of fixed assets	(2,678)	(9,020)	(5,482)	(11,729)
Proceeds from disposal of fixed assets	41	-	72	-
Interest income received	174	123	306	223
Acquisition of subsidiary	-	37	-	37
Increase in interest in subsidiary	-	(402)	-	(402)
Net cash used in investing activities	(2,463)	(9,262)	(5,104)	(11,871)
Cash flows from financing activities:				
Proceeds from interest-bearing loans and borrowings	19	-	19	1,812
Repayments of interest-bearing loans and borrowings	(1)	(6)	(1)	(11)
Proceeds from issuance of shares by subsidiary company to minority shareholders	-	1,867	-	1,867
Interest paid	(5)	(2)	(13)	(54)
Dividend Paid	(4,549)	(4,410)	(4,549)	(4,410)
Net cash used in financing activities	(4,536)	(2,551)	(4,544)	(796)
Net decrease in cash and cash equivalents	(1,675)	(7,367)	(6,141)	(8,618)
Cash and cash equivalents at the beginning of the period	28,913	44,399	32,786	45,659
Effects of exchange rate changes on opening cash	409	(620)	1,002	(629)
Cash and cash equivalents at the end of the period	27,647	36,412	27,647	36,412



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 2006

	Group		Company	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
Issued Capital				
Balance at 1 January	4,245	4,245	4,245	4,245
Transfer from share premium	38,726	-	38,726	-
Balance at 31 March and 30	42,971	4,245	42,971	4,245
Share Premium				
Balance at 1 January	38,726	38,726	38,726	38,726
Transfer to issued capital	(38,726)	-	(38,726)	-
Balance at 31 March and 30	-	38,726	-	38,726
Statutory Reserve				
Balance at 1 January	1,478	-	-	-
Transfer from retained earnings	-	473	-	-
Balance at 31 March	1,478	473	-	-
Transfer from retained earnings	-	1,005	-	-
Balance at 30 June	1,478	1,478	-	-
Currency Translation Reserve				
Balance at 1 January	2,420	1,538	1,301	1,776
Currency translation differences	914	(37)	281	(43)
Balance at 31 March	3,334	1,501	1,582	1,733
Currency translation differences	502	(631)	2,073	(843)
Balance at 30 June	3,836	870	3,655	890
Revenue Reserves				
Balance at 1 January	34,672	30,170	4,908	4,712
Transfer to statutory reserve	-	(473)	-	-
Net profit for the period	4,755	2,148	208	74
Balance at 31 March	39,427	31,845	5,116	4,786
Transfer to statutory reserve	-	(1,005)	-	-
Net profit/(loss) for the period	2,673	1,245	(94)	32
Dividend paid	(4,549)	(4,410)	(4,549)	(4,410)
Balance at 30 June	37,551	27,675	473	408
Minority Interest				
Balance at 1 January	1,413	225	-	-
Total for the period	(163)	1,859	-	-
Balance at 31 March	1,250	2,084	-	-
Total for the period	(148)	(332)	-	-
Balance at 30 June	1,102	1,752	-	-
Total Equity				
Balance at 1 January	82,954	74,904	49,180	49,459
Total for the period	5,506	3,970	489	31
Balance at 31 March	88,460	78,874	49,669	49,490
Total for the period	(1,522)	(4,128)	(2,570)	(5,221)
Balance at 30 June	86,938	74,746	47,099	44,269



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 2005.

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 2005.

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

	Group 2nd Quarter		Group 1st Half	
	2006 30-Jun	2005 30-Jun	2006 30-Jun	2005 30-Jun
	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	0.37	0.17	1.03	0.47
(ii) On a fully diluted basis	0.37	0.17	1.03	0.47
	Group 2nd Quarter		Group 1st Half	
	2006 30-Jun	2005 30-Jun	2006 30-Jun	2005 30-Jun
	'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

	Group		Company	
	2006 30-Jun	2005 31-Dec	2006 30-Jun	2005 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	11.9	11.3	6.5	6.8
Number of shares ('000)	720,000	720,000	720,000	720,000



- 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 2006 vs. 1H 2005 Results

Our Group recorded revenue growth from 71.1% from US\$21.4 million to US\$51.6 million in 1H 2006 over the corresponding period. Both domestic and export sales enjoyed strong growth in 1H 2006 as compared to 1H 2005. HTC Corporation, Flextronic Ltd, Motorola and Siemens collectively contributed to US\$8.4 million sales in 1H 2006 or approximately 16.3% (1H 2005: 0.6%) of our Group's turnover. Demand from Bird, Lenovo, T&A, and Philips were also stronger in 1H 2006, contributing to the increase in Domestic sales.

Revenue in Q2 2006 recorded a growth of 58.0% or US\$9.4 million to US\$25.7 million as compared to the corresponding period. The growth is mainly attributable to increased sales to HTC Corporation, Flextronic, Motorola, Lenovo and Philips.

Lower selling prices, increase in raw material prices and labour costs continued to affect our gross margins. Gross margin for 1H 2006 was 28.4% compared with 31.0% in the corresponding period. Gross margin for 2Q 2006 has also reduced to 24.8% from 28.5% as compared to the corresponding period. In addition to price and cost factors, the change in product mix also contributed to the lower gross margin in 2Q 2006.

Balance Sheet and Cash Flow Statement

Our Huzhou Plant acquired the existing rented land and building with built-in area of 8,903 m². The purchase consideration of approximately RMB 8.6 million (US\$ 1.1 million) will be paid by instalments with final payment payable in February 2009, resulting in the increase in fixed assets and long term payable during the period. There are no other significant fluctuations in the balance sheet and cash flow items.



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 2006 First Quarter Results Announcement dated 25 April 2006.

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 have made good progress in increasing our sales to international customers. In Q2 2006, we added LG and Pantech to our portfolio of international customers. We have been awarded 7 models by LG, 1 Nokia model via Pantech and 1 Motorola model via Foxconn in July 2006. We expect these models to commence mass production in Q4 2006.

As part of our efforts to provide customer with integrated mobile phone solutions, we have invested in a Joint Venture (“JV”) to develop and manufacture wireless and bluetooth antenna for mobile phones. Although we do not expect the JV to have any material effect on the net tangible assets and earnings per share of the Group for the current financial year, the additional service will broaden our product range and position the Group for further growth.

The seasonal impact of lower demand in Chinese market during the month of July and August may result in weaker sales to Chinese mobile phone manufacturers in 3Q 2006. We will strive to secure more orders from our MNC customers to cushion the impact of soft season in the Chinese market.

Barring unforeseen circumstances, our performance for Q3 2006 shall be better than that of the corresponding period.

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

Save for the investment in Raytech Co., Limited., amounting to HK\$5,235,000, 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

10 August 2006