



## **MEMTECH INTERNATIONAL LTD**

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

**Third Quarter Financial Statements Announcement  
For the period ended 30 September 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 third quarter ended 30 September 2006*

	Note	Group 3rd Quarter			Group Year to Date		
		2006 30-Sep	2005 30-Sep	Increase/ (Decrease)	2006 30-Sep	2005 30-Sep	Increase/ (Decrease)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		27,862	17,456	59.6%	79,466	47,622	66.9%
Cost of sales		(19,900)	(13,181)	51.0%	(56,845)	(33,999)	67.2%
Gross profit		7,962	4,275	86.2%	22,621	13,623	66.1%
Other income		106	11	863.6%	289	105	175.2%
Fixed deposits interest income		125	111	12.6%	445	347	28.2%
Sales and marketing expenses		(1,669)	(990)	68.6%	(5,210)	(3,156)	65.1%
General and Administration expenses		(3,307)	(2,029)	63.0%	(7,050)	(5,931)	18.9%
Interest expense		(4)	(46)	-91.3%	(17)	(188)	-91.0%
Other operating expenses		(65)	-	NM	(225)	(17)	NM
		(5,045)	(3,065)	64.6%	(12,502)	(9,292)	34.5%
Profit before taxation and minority interests		3,148	1,332	136.3%	10,853	4,783	126.9%
Share of loss of an associate		(20)	-	NM	(20)	-	NM
Profit before tax		3,128	1,332	134.8%	10,833	4,783	126.5%
Taxation		8	145	-94.5%	(592)	(15)	NM
Profit from ordinary activities after taxation		3,136	1,477	112.3%	10,241	4,768	114.8%
Attributable to:							
Equity of the Company		3,201	1,665	92.3%	10,629	5,058	110.1%
Minority interests		(65)	(188)	-65.4%	(388)	(290)	33.8%
		3,136	1,477	112.3%	10,241	4,768	114.8%



## Notes

NM: Not meaningful

### 1 Profit from operating activities

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

	Note	Group 3rd Quarter			Group Year to Date		
		2006 30-Sep	2005 30-Sep	Increase/ (Decrease)	2006 30-Sep	2005 30-Sep	Increase/ (Decrease)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation		1,680	1,204	40%	4,683	2,925	60%
Allowance for doubtful trade receivables		1,130	133	NM	1,131	703	61%
Loss on disposal of fixed assets		43	2	NM	180	3	NM
Exchange loss		342	372	-8%	600	790	-24%



**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 September 2006*

	Group		Company	
	2006 30-Sep	2005 31-Dec	2006 30-Sep	2005 31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-Current Assets:</b>				
Fixed assets	34,935	30,752	46	21
Investment in subsidiary companies	-	-	34,943	31,100
Investment in an associate	663	-	683	-
Intangible assets	559	548	-	-
	<u>36,157</u>	<u>31,300</u>	<u>35,672</u>	<u>31,121</u>
<b>Current Assets:</b>				
Cash and bank balances	19,384	13,703	3,210	1,434
Fixed deposits	12,511	19,083	10,971	19,080
Trade receivables	42,315	39,004	-	-
Bills and other receivables	9,117	4,119	19	28
Amounts due from subsidiary companies	-	-	6,572	7,406
Stocks	9,360	6,238	-	-
Other non-financial assets	458	1,996	3	3
	<u>93,145</u>	<u>84,143</u>	<u>20,775</u>	<u>27,951</u>
<b>Current Liabilities:</b>				
Trade payables and accruals	24,269	20,165	244	272
Bills and other payables	9,484	8,245	4	17
Amounts due to subsidiary companies	-	-	9,106	9,503
Interest-bearing loans and borrowings	269	248	-	-
Provision for tax	490	255	13	100
Other non-financial liabilities	1,034	1,153	-	-
	<u>35,546</u>	<u>30,066</u>	<u>9,367</u>	<u>9,892</u>
<b>Net Current Assets</b>	57,599	54,077	11,408	18,059
<b>Non-Current Liabilities:</b>				
Other payables	938	510	-	-
Deferred taxation	1,953	1,913	-	-
	<u>2,891</u>	<u>2,423</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>	<u>90,865</u>	<u>82,954</u>	<u>47,080</u>	<u>49,180</u>



**Balance Sheets (Cont'd)**

*As at 30 September 2006*

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>30-Sep</b>	<b>31-Dec</b>	<b>30-Sep</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	4,615	2,420	3,738	1,301
Statutory reserve	1,478	1,478	-	-
Revenue reserves	40,752	34,672	371	4,908
Shareholders' equity	89,816	81,541	47,080	49,180
<b>Minority interests</b>	1,049	1,413	-	-
<b>Total Equity</b>	<b>90,865</b>	<b>82,954</b>	<b>47,080</b>	<b>49,180</b>

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

	<b>Group Secured</b>		<b>Group Unsecured</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>30-Sep</b>	<b>31-Dec</b>	<b>30-Sep</b>	<b>31-Dec</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less or on demand	-	-	269	248
Amount repayable after one year	-	-	-	-
	-	-	269	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 third quarter ended 30 September 2006*

	<b>Group 3rd Quarter</b>		<b>Group Year to Date</b>	
	<b>2006 30-Sep</b>	<b>2005 30-Sep</b>	<b>2006 30-Sep</b>	<b>2005 30-Sep</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit from ordinary activities before taxation and minority interest	3,148	1,332	10,853	4,783
Adjustments for:				
Depreciation of fixed assets	1,680	1,204	4,683	2,925
Interest expense	4	46	17	188
Interest income	(125)	(111)	(445)	(347)
Loss on disposal of fixed assets	44	2	180	3
Operating cashflow before reinvestment in working capital	4,751	2,473	15,288	7,552
Decrease/(increase) in trade and other receivables	2,380	(2,428)	(5,836)	(4,174)
Increase in stocks	(1,346)	(102)	(2,993)	(1,147)
Increase in trade and other payables	2,818	27	5,651	1,788
Net cash generated from operating activities	<u>8,603</u>	<u>(30)</u>	<u>12,110</u>	<u>4,019</u>
Cash flows from investing activities:				
Purchases of fixed assets	(4,097)	(2,535)	(9,579)	(14,264)
Proceeds from disposal of fixed assets	36	-	108	-
Interest income received	130	108	436	331
Acquisition of subsidiary	-	-	-	37
Investment in an associate	(686)	-	(686)	-
Increase in interest in subsidiary	-	-	-	(402)
Net cash used in investing activities	<u>(4,617)</u>	<u>(2,427)</u>	<u>(9,721)</u>	<u>(14,298)</u>
Cash flows from financing activities:				
Proceeds from interest-bearing loans and borrowings	-	12	19	1,824
Repayments of interest-bearing loans and borrowings	(2)	(4,343)	(3)	(4,354)
Proceeds from issuance of shares by subsidiary company to minority shareholders	-	-	-	1,867
Interest paid	(4)	(138)	(17)	(192)
Dividend Paid	-	-	(4,549)	(4,410)
Net cash used in financing activities	<u>(6)</u>	<u>(4,469)</u>	<u>(4,550)</u>	<u>(5,265)</u>
Net increase/(decrease) in cash and cash equivalents	3,980	(6,926)	(2,161)	(15,544)
Cash and cash equivalents at the beginning of the period	27,647	36,412	32,786	45,659
Effects of exchange rate changes on opening cash	268	492	1,270	(137)
Cash and cash equivalents at the end of the period	<u>31,895</u>	<u>29,978</u>	<u>31,895</u>	<u>29,978</u>



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 September 2006*

	Group		Company	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 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
Issue of share capital	-	-	-	-
Balance at 30 September	42,971	42,971	42,971	42,971
<b>Statutory Reserve</b>				
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	-	-
Transfer from retained earnings	-	-	-	-
Balance at 30 September	1,478	1,478	-	-
<b>Currency Translation Reserve</b>				
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
Currency translation differences	779	1,146	83	16
Balance at 30 September	4,615	2,016	3,738	906
<b>Sub-total carried forward</b>				
Balance at 1 January	46,869	44,509	44,272	44,747
Total for the period	914	436	281	(43)
Balance at 31 March	47,783	44,945	44,553	44,704
Total for the period	502	374	2,073	(843)
Balance at 30 June	48,285	45,319	46,626	43,861
Total for the period	779	1,146	83	16
Balance at 30 September	49,064	46,465	46,709	43,877



**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 (Cont'd)**

*As at 30 September 2006*

	Group		Company	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
<b>Sub-total carried forward</b>				
Balance at 1 January	46,869	44,509	44,272	44,747
Total for the period	914	436	281	(43)
Balance at 31 March	47,783	44,945	44,553	44,704
Total for the period	502	374	2,073	(843)
Balance at 30 June	48,285	45,319	46,626	43,861
Total for the period	779	1,146	83	16
Balance at 30 September	49,064	46,465	46,709	43,877
<b>Revenue Reserves</b>				
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
Net profit/(loss) for the period	3,201	1,665	(102)	(60)
Balance at 30 September	40,752	29,340	371	348
<b>Minority Interest</b>				
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 for the period	(53)	(179)	-	-
Balance at 30 September	1,049	1,573	-	-
<b>Total Equity</b>				
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
Total for the period	3,927	2,632	(19)	(44)
Balance at 30 September	90,865	77,378	47,080	44,225



**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.

**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 September 2006 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 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**

	<b>Group 3rd Quarter</b>		<b>Group Year to Date</b>	
	<b>2006 30-Sep</b>	<b>2005 30-Sep</b>	<b>2006 30-Sep</b>	<b>2005 30-Sep</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	0.4	0.2	1.5	0.7
(ii) On a fully diluted basis	0.4	0.2	1.5	0.7
	<b>Group 3rd Quarter</b>		<b>Group Year to Date</b>	
	<b>2006 30-Sep</b>	<b>2005 30-Sep</b>	<b>2006 30-Sep</b>	<b>2005 30-Sep</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>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>30-Sep</b>	<b>31-Dec</b>	<b>30-Sep</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>12.5</u>	<u>11.3</u>	<u>6.5</u>	<u>6.8</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.**

*Q3 2006 vs. Q3 2005 Results*

The Group recorded revenue growth of 59.6% or US\$10.4 million to US\$27.9 million in Q3 2006 over the corresponding period. Both domestic and export sales enjoyed strong growth in Q3 2006 as compared to Q3 2005.

Increased sales to MNC customers such as HTC Corporation, Flextronic Ltd, Motorola, Phillips & Alcatel contributed significantly to the Group's turnover. We also experienced strong demand from domestic customers such as Bird, Lenovo and Hua Wei.

Despite lower selling price, increase in raw material prices and labour costs, the Group managed to improve its gross margin from 24.5% in Q3 2005 to 28.6% in Q3 2006 through higher utilization and costs cutting measures. Gross margin has also improved from Q2 2006 with better product mix comprising of more ultra thin keypads and less low costs keypads.



The increase in sales and marketing expenses and general and administration expenses were mainly due to our expansion in operations and additional allowance for doubtful debts of US\$1 million as compared to the corresponding period. Additional allowance for doubtful debts was made mainly in respect of a customer who went into financial difficulties and is in the process of formulating a debt restructuring plan.

Provision for taxation was low in Q3 as a result of tax rebate amounted to US\$0.5 million for qualifying investments in China.

Balance Sheet and Cash Flow Statement

Other than the new investment in an associate, Raytech Company Limited, there are no other significant fluctuations in the balance sheet items. Operating cashflow for Q3 has improved due to tighter credit controls starting from Q2 2006.

**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 Half Results Announcement dated 10 August 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**

Q4 is traditionally a strong quarter for us. While we will endeavour to capitalize on the seasonally strong Q4, we will seek to better manage our credit exposures and increase focus on servicing our MNC customers. This will have the effect of moderating our revenue growth in the short term but will improve the quality of our customer base.

Moving forward, we are optimistic in increasing sales to MNC customers such as Flextronics, LG, Motorola and Alcatel.

Barring unforeseen circumstances, we expect our profit for Q4 2006 to be better than that of Q3 2006 but is likely to be lower than Q4 2005.



**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 Nantong Memtech Technology Co., Ltd amounting to US\$10 million as announced on 24 August 2006, 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

31 October 2006