



MEMTECH INTERNATIONAL LTD

(Incorporated in the Republic of Singapore)

Company Registration Number: 200312032Z

First Quarter Financial Statement Announcement for the Period Ended 31 March 2006

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

		Group		
		US\$'000		%
		3 months ended	3 months ended	Increase/
Note		31/3/2006	31/3/2005	(Decrease)
	Revenue	25,902	13,899	86%
	Cost of sales	(17,616)	(9,182)	92%
	Gross profit	8,286	4,717	76%
	Other income	118	26	354%
	Sales and marketing expenses	(1,731)	(1,012)	71%
	General and Administration expenses	(1,885)	(1,507)	25%
	Other operating expenses	(21)	(12)	75%
		(3,637)	(2,531)	44%
	Profit from operating activities	4,767	2,212	116%
	Financial costs - interest expense	(8)	(77)	-90%
	Financial income - fixed deposits interest income	148	116	28%
	Profit from ordinary activities before taxation and minority interests	4,907	2,251	118%
	Taxation	(324)	(110)	195%
	Profit from ordinary activities after taxation	4,583	2,141	114%
	Attributable to:			
	Equity of the Company	4,755	2,148	121%
	Minority interests	(172)	(7)	NM
		4,583	2,141	114%

Note 1 Profit from operating activities

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

Group			
US\$'000		%	
3 months ended 31/3/2006	3 months ended 31/3/2005	Increase/ (Decrease)	
Depreciation	1,456	818	78%
Allowance for doubtful trade receivables	56	70	NM
Loss on disposal of fixed assets	14	2	NM
Exchange loss	155	254	-39%

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 Sheet

	GROUP		COMPANY	
	31/3/2006	31/12/2005	31/3/2006	31/12/2005
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets:				
Fixed assets	31,559	30,752	52	21
Investment in subsidiary companies	-	-	34,264	31,100
Intangible assets	552	548	-	-
	<u>32,111</u>	<u>31,300</u>	<u>34,316</u>	<u>31,121</u>
Current Assets:				
Cash and bank balances	13,538	13,703	352	1,434
Fixed deposits	15,375	19,083	15,376	19,080
Trade receivables	45,300	39,004	-	-
Bills and other receivables	7,969	4,119	26	28
Amounts due from subsidiary companies	-	-	7,318	7,406
Stocks	7,304	6,238	-	-
Other non-financial assets	2,167	1,996	3	3
	<u>91,653</u>	<u>84,143</u>	<u>23,075</u>	<u>27,951</u>
Current Liabilities:				
Trade payables and accruals	22,002	20,165	375	272
Bills and other payables	9,114	8,245	11	17
Amounts due to subsidiary companies	-	-	6,138	9,503
Interest-bearing loans and borrowings	249	248	-	-
Provision for tax	466	255	103	100
Other non-financial liabilities	1,033	1,153	-	-
	<u>32,864</u>	<u>30,066</u>	<u>6,627</u>	<u>9,892</u>
Net Current Assets	58,789	54,077	16,448	18,059
Non-Current Liabilities:				
Other payables	514	510	-	-
Deferred taxation	1,926	1,913	-	-
	<u>2,440</u>	<u>2,423</u>	<u>-</u>	<u>-</u>
Net Assets	88,460	82,954	50,764	49,180
Equity Attributable to Equity Holders of the Company				
Share capital	42,971	42,971	42,971	42,971
Currency translation reserve	3,334	2,420	2,677	1,301
Statutory reserve	1,478	1,478	-	-
Revenue reserves	39,427	34,672	5,116	4,908
Shareholders' equity	<u>87,210</u>	<u>81,541</u>	<u>50,764</u>	<u>49,180</u>
Minority interests	1,250	1,413	-	-
Total Equity	88,460	82,954	50,764	49,180

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

Amount repayable in one year or less, or on demand

As at 31 March 2006		As at 31 December 2005	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	249	-	248

Amount repayable after one year

As at 31 March 2006		As at 31 December 2005	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	-	-	-

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

	Group	
	3 months ended 31/3/2006 US\$'000	3 months ended 31/3/2005 US\$'000
	Cash flows from operating activities:	
Profit from ordinary activities before taxation and minority interest	4,907	2,251
Adjustments for:		
Depreciation of fixed assets	1,456	818
Interest expense	8	77
Interest income	(148)	(116)
Loss on disposal of fixed assets	14	2
Operating cashflow before reinvestment in working capital	6,237	3,032
Increase in trade and other receivables	(9,995)	(3,100)
Increase in stocks	(1,024)	(713)
Increase in trade and other payables	2,965	383
Net cash used in operating activities	(1,817)	(398)
Cash flows from investing activities:		
Purchases of fixed assets	(2,804)	(2,709)
Proceeds from disposal of fixed assets	31	-
Interest income received	132	100
Net cash used in investing activities	(2,641)	(2,609)
Cash flows from financing activities:		
Proceeds from interest-bearing loans and borrowings	-	1,812
Interest paid	(8)	(52)
Repayments of interest-bearing loans and borrowings	-	(5)
Net cash (used in) generated from financing activities	(8)	1,755
Net decrease in cash and cash equivalents	(4,466)	(1,252)
Cash and cash equivalents at the beginning of the period	32,786	45,659
Effects of exchange rate changes on opening cash	593	(9)
Cash and cash equivalents at the end of the period	28,913	44,398

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

	Group		Company	
	3 Mths to 31/3/2006 US\$'000	3 Mths to 31/3/2005 US\$'000	3 Mths to 31/3/2006 US\$'000	3 Mths to 31/3/2005 US\$'000
Issued Capital				
Balance at 1 January	42,971	42,971	42,971	42,971
Issue of share capital	-	-	-	-
Balance at 31 March	<u>42,971</u>	<u>42,971</u>	<u>42,971</u>	<u>42,971</u>
Statutory Reserve				
Balance at 1 January	1,478	-	-	-
Transfer from retained earnings	-	473	-	-
Balance at 31 March	<u>1,478</u>	<u>473</u>	<u>-</u>	<u>-</u>
Currency Translation Reserve				
Balance at 1 January	2,420	1,538	1,301	1,776
Currency translation differences	914	(37)	1,376	(43)
Balance at 31 March	<u>3,334</u>	<u>1,501</u>	<u>2,677</u>	<u>1,733</u>
Revenue Reserves				
Balance at 1 January	34,672	30,170	4,908	4,712
Transfer to statutory reserve	-	(473)	-	-
Net profit/(loss) for the period	4,755	2,148	208	74
Balance at 31 March	<u>39,427</u>	<u>31,845</u>	<u>5,116</u>	<u>4,786</u>
Total Reserves				
Balance at 1 January	38,570	31,708	6,209	6,488
Total for the period	5,669	2,111	1,584	31
Balance at 31 March	<u>44,239</u>	<u>33,819</u>	<u>7,793</u>	<u>6,519</u>
Minority Interest				
Balance at 1 January	1,413	225	-	-
Total for the period	(163)	1,859	-	-
Balance at 31 March	<u>1,250</u>	<u>2,084</u>	<u>-</u>	<u>-</u>
Total Equity				
Balance at 1 January	82,954	74,904	49,180	49,459
Total for the period	5,506	3,970	1,584	31
Balance at 31 March	<u>88,460</u>	<u>78,874</u>	<u>50,764</u>	<u>49,490</u>

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

3 months ended 31/3/2006	3 months ended 31/3/2005
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Earnings per ordinary share for the period after deducting any provision for preference

(i) Based on weighted average number of ordinary shares on issue

	0.7 US cents	0.3 US cents
Weighted average number of shares	720,000,000	720,000,000

(ii) On a fully diluted basis

	0.7 US cents	0.3 US cents
Weighted average number of shares	720,000,000	720,000,000

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	
	As At 31/3/2006	As At 31/12/2005	As At 31/3/2006	As At 31/12/2005
Net asset value per ordinary share based on issued share capital at the end of the period reported	12.1 US cents	11.3 US cents	7.1 US cents	6.8 US cents
Number of shares	720,000,000	720,000,000	720,000,000	720,000,000

- 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.**

Q1 2006 vs. Q1 2005 Results

The Group recorded revenue growth of 86.4% or US\$12.0 million to US\$25.9 million in Q1 2006 over the corresponding period. Both domestic and export sales enjoyed strong growth in Q1 2006 as compared to Q1 2005. The growth in export sales was mainly due to shipment to customers such as HTC Corporation, Flextronics Ltd, Motorola and Siemens. Domestic demand from Bird, UT Starcom, Lenovo, T&A (TCL & Alcatel), Siemens and Philips were strong in Q1 2006, contributing to the strong growth of Domestic sales.

Lower selling price, increase in raw material prices and labour costs led to lower gross margin of the Group in Q1 2006. Gross margin of Q1 2006 reduced to 32.0% from 33.9% as compared to the corresponding period.

The increase in sales and marketing expenses was due to higher sales volume. The increase in general and admin expenses was due mainly to the expansion of our operations. Both expenses as a percentage of sales had declined in Q1 2006 as compared to the corresponding period.

Balance Sheet and Cash Flow Statement

The strong sales in Q4 2005 and Q1 2006 led to increased working capital requirements in the recent months, resulting in higher trade receivables, bills receivables, stocks and bills payables. This in turn resulted in a negative cashflow from operating activities of US\$1.8 million.

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 2005 Full Year Results Announcement dated 24 February 2005.

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

In 2005, we have succeeded in widening our international customer base to include Motorola, Siemens, HTC Corporation etc. to achieve export growth. Our international customer base continues to expand, bringing in orders from Flextronics and Arima for Sony Ericsson products in Q1 2006. We will continue to focus our efforts on increasing sales to MNCs to cushion the seasonal impact of lower demand in Chinese market during the months of June to August.

Barring unforeseen circumstances, our performance for Q2 2006 is expected to 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.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

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

25 April 2006