

# MEMTECH INTERNATIONAL LTD.

Company Registration Number: 200312032Z

## Full Year Financial Statement Announcement for the Year Ended 31 DECEMBER 2004

### 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		
		S\$'000		%
		12 months ended 31/12/2004	12 months ended 31/12/2003	Increase/ (Decrease)
	Note			
Revenue		100,122	68,679	46%
Cost of sales		(59,574)	(36,115)	65%
Gross profit		40,548	32,564	25%
Other income	1	984	1,451	-32%
Sales and marketing expenses		(7,988)	(6,492)	23%
General and administration expenses		(8,118)	(3,688)	120%
Other operating expenses		(182)	(71)	156%
		(16,288)	(10,251)	59%
Profit from operating activities	2	25,244	23,764	6%
Financial costs, net	3	(99)	(228)	-57%
Profit from ordinary activities before taxation and minority interests		25,145	23,536	7%
Taxation		-	(2,436)	NM
Profit from ordinary activities after taxation		25,145	21,100	19%
Minority interests		(133)	(80)	66%
Net profit attributable to shareholders of the Company		25,012	21,020	19%

**Note 1 Other Income**

Group			
	S\$'000	%	
	12months ended 31/12/2004	12months ended 31/12/2003	Increase/ (Decrease)
Other income:			
Exchange gain, net	593	1,155	-49%
Gain on disposal of fixed assets	10	5	100%
Others	381	291	31%
	984	1,451	-32%

**Note 2 Profit from operating activities**

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

Group			
	S\$'000	%	
	12 months ended 31/12/2004	12 months ended 31/21/2003	Increase/ (Decrease)
Depreciation and amortisation	4,043	1,727	134%
Provision for doubtful trade receivables	1,122	519	116%
Bad trade debts written back	(2)	-	NM
Loss on disposal of fixed assets	93	8	NM

### Note 3 Financial Costs, net

Group		
	S\$'000	%
Financial Costs, Net	12 months ended 31/12/2004	12 months ended 31/12/2003 Increase/ (Decrease)
Interest income	234	12 NM
Interest expense	(333)	(240) 39%
	(99)	(228) -57%

### Note 4 Comparatives Figures

The comparatives are prepared on a proforma basis as the actual group was in place only since 6 June 2004. The Proforma Group structure is consistent with the group structure after the restructuring exercise in our prospectus dated 9 July 2004. The unaudited proforma financial information have been prepared on the assumption that the current Proforma Group structure has been in existence throughout the year, or since the respective dates of incorporation of the companies in the Proforma Group, whichever is earlier.

The objective of the unaudited proforma consolidated financial statements is to show what the historical information might have been had the Proforma Group structure existed throughout the financial period under review, or since the respective dates of incorporation, whichever is earlier, of the companies in the Proforma Group.

NM: Not meaningful

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**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>31/12/2004</b>	<b>31/12/2003</b>	<b>31/12/2004</b>	<b>31/12/2003</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Non-Current Assets:</b>				
Fixed assets	26,349	16,286	-	-
Land use rights	352	374	-	-
Investments	194	-	23,746	23
	<u>26,895</u>	<u>16,660</u>	<u>23,746</u>	<u>23</u>
<b>Current Assets:</b>				
Cash and bank balances	27,884	9,056	2,264	-
Fixed deposits	46,816	1,705	45,174	-
Trade receivables	41,131	38,376	-	-
Bill and other receivables	11,220	4,489	14,317	10,405
Stocks	6,920	4,287	-	-
	<u>133,971</u>	<u>57,913</u>	<u>61,755</u>	<u>10,405</u>
<b>Current Liabilities:</b>				
Trade payables and accruals	17,690	24,653	-	-
Bill and other payables	12,940	5,833	3,775	-
Interest-bearing loans and borrowings	4,118	2,192	-	-
	<u>34,748</u>	<u>32,678</u>	<u>3,775</u>	<u>-</u>
<b>Net Current Assets</b>	<b>99,223</b>	<b>25,235</b>	<b>57,980</b>	<b>10,405</b>
<b>Non-Current Liabilities:</b>				
Other payables	593	1,981	-	-
Interest-bearing loans and borrowings	2	3,951	-	3,918
Deferred taxation	2,977	3,176	-	-
Total non-current liabilities:	<u>3,572</u>	<u>9,108</u>	<u>-</u>	<u>3,918</u>
<b>Net Assets</b>	<b>122,546</b>	<b>32,787</b>	<b>81,726</b>	<b>6,510</b>
<b>Equity</b>				
Share capital	7,200	5,667	7,200	5,667
Share premium	66,469	843	66,469	843
Currency translation reserve	(3,422)	(904)	-	-
Revenue reserves	51,931	26,919	8,057	-
Shareholders' equity	<u>122,178</u>	<u>32,525</u>	<u>81,726</u>	<u>6,510</u>
<b>Minority interests</b>	<b>368</b>	<b>262</b>	<b>-</b>	<b>-</b>
	<u>122,546</u>	<u>32,787</u>	<u>81,726</u>	<u>6,510</u>

## 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 December 2004		As at 31 December 2003	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	4,118	1,704	488

### Amount repayable after one year

As at 31 December 2004		As at 31 December 2003	
Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
-	2	-	3,951

### Details of any collateral

Short term bank borrowings amounting to S\$1.704 million as at 31 December 2003 was secured by fixed deposit of US\$1 million.

**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	
	12 months ended 31/12/2004 S\$'000	12 months ended 31/12/2003 S\$'000
Cash flows from operating activities:		
Profit from ordinary activities before taxation and minority interest	25,145	23,536
Adjustments for:		
Amortisation of land use rights	8	5
Depreciation of fixed assets	4,035	1,723
Interest expense	333	240
Interest income	(234)	(12)
Loss on disposal of fixed assets	83	3
Operating profit before reinvestment in working capital	<u>29,370</u>	<u>25,495</u>
Increase in trade and other receivables	(11,165)	(31,123)
Increase in stocks	(2,803)	(2,595)
Increase in trade and other payables	271	18,905
Net cash flows generated from operating activities	<u>15,673</u>	<u>10,682</u>
Cash flows from investing activities:		
Purchase of fixed assets	(14,828)	(8,226)
Purchase of club memberships	(194)	-
Proceeds from disposal of fixed assets	87	17
Interest income received	213	12
Net cash flows used in investing activities	<u>(14,722)</u>	<u>(8,197)</u>
Cash flows from financing activities:		
Increase in interest-bearing loans and borrowings	3,858	3,241
Payments of borrowings	(5,717)	-
Proceeds from issuance of ordinary shares	67,159	2,217
(Payments) / Proceeds from issuance of shares by subsidiary company to minority shareholders	(12)	36
Interest paid	(469)	(119)
Net cash flows generated from financing activities	<u>64,819</u>	<u>5,375</u>
Net increase in cash and cash equivalents	65,770	7,860
Effects of translation differences	(1,831)	(157)
Cash and cash equivalents at the beginning of the period	10,761	3,058
Cash and cash equivalents at the end of the period	<u>74,700</u>	<u>10,761</u>
Analysis of cash & cash equivalents:		
Cash and bank balances	27,884	9,056
Fixed deposits	46,816	1,705
	<u>74,700</u>	<u>10,761</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

	Group		Company	
	12 Mths to 31/12/2004 S\$'000	12 Mths to 31/12/2003 S\$'000	12 Mths to 31/12/2004 S\$'000	12 Mths to 31/12/2003 S\$'000
<b>Issued Capital</b>				
Balance at 1 January	5,667	3,738	-	-
Issue of share capital	-	276	-	-
Balance at 31 March	5,667	4,014	-	-
Issue of share capital	-	1,420	5,667	-
Balance at June 30	5,667	5,434	5,667	-
Issue of share capital	1,533	226	1,533	-
Balance at September 30	7,200	5,660	7,200	-
Issue of share capital	-	7	-	-
Balance at December 31	7,200	5,667	7,200	-
<b>Share Premium</b>				
Balance at 1 January	843	555	-	-
Issue of share capital	-	41	-	-
Balance at 31 March	843	596	-	-
Issue of share capital	-	211	843	-
Balance at 30 June	843	807	843	-
Issue of share capital	65,626	35	65,626	-
Balance at September 30	66,469	842	66,469	-
Issue of share capital	-	1	-	-
Balance at December 31	66,469	843	66,469	-
<b>Currency Translation reserve</b>				
Balance at 1 January	(904)	(251)	-	-
Currency translation differences	199	668	-	-
Balance at 31 March	(705)	417	-	-
Currency translation differences	225	(521)	-	-
Balance at 30 June	(480)	(104)	-	-
Currency translation differences	(148)	(3)	-	-
Balance at 30 September	(628)	(107)	-	-
Currency translation differences	(2,794)	(797)	-	-
Balance at 31 December	(3,422)	(904)	-	-
<b>Retained Earnings</b>				
Balance at 1 January	26,919	5,899	-	-
Net profit/(loss) for the period	10,861	2,373	(101)	-
Balance at 31 March	37,780	8,272	(101)	-
Net profit/(loss) for the period	3,900	3,303	(167)	-
Balance at 30 June	41,680	11,575	(268)	-
Net profit for the period	4,330	5,065	51	-
Balance at 30 September	46,010	16,640	(217)	-
Net profit for the period	5,921	10,279	8,274	-
Balance at 31 December	51,931	26,919	8,057	-
<b>Total</b>				
Balance at 1 January	32,525	9,941	-	-
Total for the period	11,060	3,358	(101)	-
Balance at 31 March	43,585	13,299	(101)	-
Total for the period	4,125	4,413	6,343	-
Balance at 30 June	47,710	17,712	6,242	-
Total for the period	71,341	5,323	67,210	-
Balance at 30 September	119,051	23,035	73,452	-
Total for the period	3,127	9,490	8,274	-
Balance at 31 December	122,178	32,525	81,726	-

There are no comparative figures for the Company as it is incorporated on 27 November 2003 with a S\$2 paid up capital.

**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**

Details of the changes to the issued and paid up share capital of the Company during the year are as follows:

	Number of shares	Capital S\$
Issued and fully paid-up ordinary shares of \$1.00 each as at incorporation	2	2
Issue of new ordinary shares of S\$1.00 each pursuant to the Restructuring Exercise	22,998	22,998
The Subscription	<u>5,643,670</u>	<u>5,643,670</u>
	<u>5,666,670</u>	<u>5,666,670</u>
Sub-division of ordinary Shares of 5,666,670 shares of S\$1 each into 100 ordinary shares of 566,667,000 shares of S\$0.01 each	566,667,000	5,666,670
Coverion by OCBC Capital of the Convertible Loan <sup>(1)</sup>	33,333,000	333,330
Initial public offer <sup>(2)</sup>	120,000,000	1,200,000

- (1) The Company entered into a convertible loan agreement with OCBC Capital Investment I Pte. Ltd., formerly know as OCBC eVenture Fund I Pte Ltd (“OCBC Capital). Pursuant to this agreement, the Company was granted a loan drawdown of US\$2.5 million, which bears interest at 2% above US\$SIBOR for a term of 36 months from 7 January 2004 or from 7 January 2004 to date of the listing of the shares of the Company on a recognized stock exchange, whichever is the earlier. The loan is secured by personal guarantees of certain Directors of the Company.

On 6 July 2004, the convertible loan was converted into 33,333,000 new ordinary shares of the Company.

- (2) On 22 July 2004, the Company was listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

120,000,000 new shares comprising 6,000,000 offer shares and 114,000,000 placement shares where issued and allotted.

The 120 million new shares were issued at \$0.55 each. Net proceeds from the issue of new shares was \$62.9 million. Please refer to our Prospectus dated 9 July 2004 for more information

All new shares issued per (1) and (2) above are rank pari passu in all respects with the existing issued shares.

Please refer to our Prospectus dated 9 July 2004 for more details.

**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 the same accounting policies and methods of computation for the current financial period as those of the financial year ended 31 December 2003.

**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**

There are no changes in the accounting policies and methods of computation.

**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**

12 months ended 31/12/2004	12 months ended 31/12/2003
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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  
Weighted average number of shares

3.9 cents	3.7 cents
636,182,819	566,667,000

(ii) On a fully diluted basis  
Weighted average number of shares

3.9 cents	3.7 cents
636,182,819	566,667,000

- 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 31/12/2004	As At 31/12/2003	As At 31/12/2004	As At 31/12/2003
Net asset value per ordinary share based on issued share capital at the end of the period reported on (cents)	16.9	5.7	11.4	1.1
Number of shares	720,000,000	566,667,000	720,000,000	566,667,000

- 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.**

*FY2004 vs FY2003 Results*

Turnover increased from S\$68.7 million to S\$100.1 million or 45.8% compared to the corresponding year. The increase is mainly driven by increasing orders from existing customers and new customers secured in 2003 and 2004.

Our turnover in the People's Republic of China ("PRC") has increased by S\$21.5 million or 47.0% from S\$45.9 million in FY2003 while our export sales has increased by S\$9.9 million or 43% from S\$22.8 million in FY2003 to S\$32.7 million in FY2004.

Gross profit for FY2004 increased by 25% from S\$32.6 million to S\$40.5 million in line with the increase in turnover. Gross profit margin declined due mainly to cost pressure as well as our production capacity increase outstripping the sales growth, resulting in lower capacity utilization.

General and administration increased mainly due to:

- (i) set-up cost for Huzhou plant and lens operations;
- (ii) increase in headcounts and salary adjustment during the year;
- (iii) higher depreciation charge; and
- (iv) higher provision for doubtful debts.

No income tax has been provided in the current year as the companies in the Group are still enjoying tax exempt status. The provision in FY2003 was in respect of potential tax exposure in prior years.

### Balance Sheet and Cash Flow Statement

Fixed assets has increased by S\$10 million due mainly to the set up of Huzhou plant as well as increase in production capacity in Dongguan and Nantong Plants.

The Group's cash and cash equivalents increased by S\$66 million from S\$11 million as at 31 December 2003 to S\$75 million as at 31 December 2004 due mainly to IPO proceeds.

Trade and other receivables increased due mainly to higher business volume and increased use of bills of exchange as mode of payment.

**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 Q3 result announcement dated 12 November 2004.

**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**

While global demand for mobile phones will continue to increase, the move by MNC mobile phone manufacturers to penetrate the lower end mobile phone sector in the PRC will intensify competition in this market segment in 2005.

For the PRC market, we will focus our efforts to strengthen our relationships with our major customers by providing better value products and services. For the international market, we have in August 2004, appointed additional sales agents in Europe, America and Korea to develop new international customers. Our marketing efforts have shown much progress and to-date we have been approved by Nokia, Motorola and Siemens as their approved supplier. While we do not expect sales to these international customers to increase significantly in the short term, we are optimistic of receiving meaningful orders in the second half of 2005.

In the light of current market conditions, we do not expect our sales for Q1 2005 to be better than Q1 2004. However, barring unforeseen circumstances, we expect our sales for 2005 to be better than that of 2004.

## 11 Dividend

### (a) *Current Financial Period Reported On*

**Any dividend declared for the current financial period reported on? Yes**

The directors have proposed the following dividend payment:

Name of Dividend	<u>First &amp; Final</u>
Dividend Type	Cash
Dividend Amount per Share (in cents)	1 cent per ordinary share
Dividend Rate (in %)	100% per ordinary share
Par value of shares	\$0.01 each
Tax Rate	Tax exempt (one-tier tax)

### (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*

To be announced later.

### (d) *Books closure date*

To be announced later.

## 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**

	People's Republic of China		Europe		Others		Elimination		Consolidated	
	2004 S\$'000	2003 S\$'000	2004 S\$'000	2003 S\$'000	2004 S\$'000	2003 S\$'000	2004 S\$'000	2003 S\$'000	2004 S\$'000	2003 S\$'000
Revenue and expenses										
Segment revenue										
Sales to external customers	67,429	45,887	21,045	16,837	11,648	5,955	-	-	100,122	68,679
Intersegment sales	28,784	18,523	-	-	-	-	(28,784)	(18,523)	-	-
<b>Total revenue</b>	<b>96,213</b>	<b>64,410</b>	<b>21,045</b>	<b>16,837</b>	<b>11,648</b>	<b>5,955</b>	<b>(28,784)</b>	<b>(18,523)</b>	<b>100,122</b>	<b>68,679</b>
Segment results	15,684	16,242	7,034	5,649	2,526	1,873	-	-	25,244	23,764
Financial costs, net									(99)	(228)
Profit from ordinary activities before taxation and minority interests									25,145	23,536
Taxation									-	(2,436)
Profit from ordinary activities after taxation									25,145	21,100
Minority interests									(133)	(80)
Net profit attributable to shareholders of the Company									25,012	21,020

**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.

## 15 A breakdown of sales

Group			
	2004	2003	% Change
	S\$'000	S\$'000	+ / (-)
Sales reported for the first half year	52,944	22,101	139.6%
Operating profit after tax before deducting minority interests reported for first half	16,283	6,694	143.2%
Sales reported for the Second half year	47,178	46,578	1.3%
Operating profit after tax before deducting minority interests reported for second half	8,862	16,842	-47.4%

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

	Latest full year	Previous full year
	S\$	S\$
Ordinary shares	<u>7,200,000</u>	<u>-</u>

### BY ORDER OF THE BOARD

TAN SENG CHUN  
COMPANY SECRETARY  
26 February 2005