

MEMTECH INTERNATIONAL LTD

First Quarter Financial Statement Announcement for the Period Ended 31 March 2005

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		%
	Note	3 months ended 31/3/2005	3 months ended 31/3/2004 (Restated)	Increase/ (Decrease)
Revenue		13,899	17,421	-20%
Cost of sales		(9,182)	(8,425)	9%
Gross profit		4,717	8,996	-48%
Other income		26	2	NM
Sales and marketing expenses		(1,012)	(1,448)	-30%
General and Administration expenses		(1,507)	(899)	68%
Other operating expenses		(12)	(4)	200%
		(2,531)	(2,351)	8%
Profit from operating activities	1	2,212	6,647	-67%
Financial income / (costs), net	2	39	(49)	NM
Profit from ordinary activities before taxation and minority interests		2,251	6,598	-66%
Taxation		(110)	(200)	-45%
Profit from ordinary activities after taxation		2,141	6,398	-67%
Attributable to:				
Shareholders of the Company		2,148	6,374	-66%
Minority interests		(7)	24	NM
		2,141	6,398	-67%

Note 1 Profit from operating activities

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

Group			
		US\$'000	%
	3 months ended 31/3/2005	3 months ended 31/3/2004	Increase/ (Decrease)
		(Restated)	
Depreciation and amortisation	819	434	89%
Provision for / (Write-back of) doubtful trade receivables	70	(4)	NM
Bad trade debts written back	-	(1)	NM
Loss on disposal of fixed assets	2	4	-50%
Exchange loss	254	130	95%

Note 2 Financial Income / (Costs), net

Group			
		US\$'000	%
	3 months ended 31/3/2005	3 months ended 31/3/2004	Increase/ (Decrease)
		(Restated)	
Interest income	116	3	NM
Interest expense	(77)	(52)	48%
	39	(49)	NM

Note 3 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.

With effect from 1 January 2005, the Group changed the reporting currency of the financial statements to United States Dollar to better reflect the Group's performance. The comparative figures for the prior period have been restated accordingly.

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

	GROUP		COMPANY	
	31/3/2005	31/12/2004	31/3/2005	31/12/2004
	US\$'000	US\$'000	US\$'000	US\$'000
		(Restated)		(Restated)
Non-Current Assets:				
Fixed assets	17,544	16,106	-	-
Land use rights	214	215	-	-
Investments	119	119	21,615	14,021
	<u>17,877</u>	<u>16,440</u>	<u>21,615</u>	<u>14,021</u>
Current Assets:				
Cash and bank balances	15,684	17,043	564	1,383
Fixed deposits	28,715	28,616	27,710	27,611
Trade receivables	27,096	25,141	-	-
Bill and other receivables	8,035	6,858	2,721	8,751
Stocks	4,943	4,230	-	-
	<u>84,473</u>	<u>81,888</u>	<u>30,995</u>	<u>37,745</u>
Current Liabilities:				
Trade payables and accruals	11,761	10,146	-	-
Bill and other payables	4,939	8,272	3,120	2,307
Interest-bearing loans and borrowings	4,325	2,518	-	-
	<u>21,025</u>	<u>20,936</u>	<u>3,120</u>	<u>2,307</u>
Net Current Assets	63,448	60,952	27,875	35,438
Non-Current Liabilities:				
Other payables	585	668	-	-
Interest-bearing loans and borrowings	-	1	-	-
Deferred taxation	1,866	1,819	-	-
Total non-current liabilities:	<u>2,451</u>	<u>2,488</u>	<u>-</u>	<u>-</u>
Net Assets	<u>78,874</u>	<u>74,904</u>	<u>49,490</u>	<u>49,459</u>
Equity				
Share capital	4,245	4,245	4,245	4,245
Share premium	38,726	38,726	38,726	38,726
Statutory reserve	473	-	-	-
Currency translation reserve	1,501	1,538	1,733	1,776
Revenue reserves	31,845	30,170	4,786	4,712
	<u>76,790</u>	<u>74,679</u>	<u>49,490</u>	<u>49,459</u>
Minority interests	<u>2,084</u>	<u>225</u>	<u>-</u>	<u>-</u>
Total Equity	<u>78,874</u>	<u>74,904</u>	<u>49,490</u>	<u>49,459</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 March 2005		As at 31 December 2004 (Restated)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	4,325	-	2,518

Amount repayable after one year

As at 31 March 2005		As at 31 December 2004 (Restated)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	-	-	1

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 31/3/2005 US\$'000	3 months ended 31/3/2004 US\$'000 (Restated)
Cash flows from operating activities:		
Profit from ordinary activities before taxation and minority	2,251	6,598
Adjustments for:		
Amortisation of land use rights	1	1
Depreciation of fixed assets	818	433
Interest expense	77	52
Interest income	(116)	(3)
Loss on disposal of fixed assets	2	4
 Operating profit before reinvestment in working capital	 <u>3,033</u>	 <u>7,085</u>
Increase in trade and other receivables	(3,100)	(1,844)
Increase in stocks	(713)	(469)
Increase in trade and other payables	383	551
 Net cash flows (used in) / generated from operating activities	 <u>(397)</u>	 <u>5,323</u>
Cash flows from investing activities:		
Purchase of fixed assets	(2,709)	(1,219)
Proceeds from disposal of fixed assets	-	5
Interest income received	100	3
 Net cash flows used in investing activities	 <u>(2,609)</u>	 <u>(1,211)</u>
Cash flows from financing activities:		
Increase in interest-bearing loans and borrowings	1,812	2,495
Payments of borrowings	(5)	(242)
Interest paid	(52)	(46)
 Net cash flows generated from financing activities	 <u>1,755</u>	 <u>2,207</u>
Net (decrease) / increase in cash and cash equivalents	(1,251)	6,319
Effects of translation differences	(9)	118
Cash and cash equivalents at the beginning of the period	45,659	5,316
 Cash and cash equivalents at the end of the period	 <u><u>44,399</u></u>	 <u><u>11,753</u></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	
	3 Mths to 31/3/2005	3Mths to 31/3/2004	3 Mths to 31/3/2005	3 Mths to 31/3/2004
	US\$'000	US\$'000 (Restated)	US\$'000	US\$'000 (Restated)
Issued Capital				
Balance at 1 January and 31 March	4,245	3,352	4,245	-*
Share Premium				
Balance at 1 January and 31 March	38,726	499	38,726	-
Statutory Reserve				
Transfer from revenue reserve and Balance at 31 March	473	-	-	-
Currency Translation reserve				
Balance at 1 January	1,538	(146)	1,776	-
Currency translation differences	(37)	117	(43)	(21)
Balance at 31 March	1,501	(29)	1,733	(21)
Revenue Reserves				
Balance at 1 January	30,170	15,388	4,712	-
Transfer to statutory reserve	(473)	-	-	-
Net profit/(loss) for the period	2,148	6,374	74	(59)
Balance at 31 March	31,845	21,762	4,786	(59)
Total				
Balance at 1 January	74,679	19,093	49,459	-
Total for the period	2,111	6,491	31	(80)
Balance at 31 March	76,790	25,584	49,490	(80)
Minority Interest				
Balance at 1 January	225	154	-	-
Total for the period	1,859	24	-	-
Balance at 31 March	2,084	178	-	-
Total Equity				
Balance at 1 January	74,904	19,247	49,459	-
Total for the period	3,970	6,515	31	(80)
Balance at 31 March	78,874	25,762	49,490	(80)

* Paid up capital of S\$2.

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 issued and paid up capital of the company since 31 December 2004.

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

Except as disclosed in paragraph 5 below, 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 2004.

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

With effect from 1 January 2005, the Group changed the reporting currency of the financial statements to United States Dollar to better reflect the Group's performance. The comparative figures for the prior period have been restated accordingly.

The Group and the Company adopted the following new Financial Reporting Standards ("FRS").

FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payments
FRS 103	Business Combinations

The impact of the changes in accounting policies are as follows:

FRS 39

In accordance with the transitional provisions of FRS 39, the effect of recognition, derecognition and measurement of financial instruments, for the periods prior to 1 January 2005, is not restated. Consequently, the comparative figures for 2004 have not been restated. On 1 January 2005, the Company has assessed the impact of FRS 39 on its financial instruments and there was no material impact on the FY2005 financials as a result of this adoption.

FRS 102

FRS 102 requires the recognition of a compensation cost arising from equity-based transactions with employees, over the period in which services are rendered that entitle the employees to receive the award. As the Company does not have any equity-based transactions as at 31 December 2004, there was no impact on the FY2005 financials as a result of this adoption.

FRS 103

FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. As the Company does not have any goodwill in its balance sheet as at 31 December 2004, there was no impact on the FY2005 financials as a result of this adoption.

Apart from the above, the Company adopted various revisions in FRS, applicable from 1 January 2005. These do not have any financial impact on the Company. Therefore, apart from the changes in accounting policies arising from the adoption of new FRS mentioned above, the Company continues to adopt the same accounting policies as in FY2004.

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 31/3/2005	3 months ended 31/3/2004 (Restated)
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	0.3 US cents	1.1 US cents
Weighted average number of shares	720,000,000	566,700,000
(ii) On a fully diluted basis	0.3 US cents	1.1 US cents
Weighted average number of shares	720,000,000	600,000,000

Save for the OCBC convertible loan which we have included in our fully diluted earnings per share calculation for Q1 2004, there were no potential dilutive ordinary shares.

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 31/3/2005	As At 31/12/2004 (Restated)	As At 31/3/2005	As At 31/12/2004 (Restated)
Net asset value per ordinary share based on issued share capital at the end of the period reported on	10.6 US cents	10.3 US cents	6.9 US cents	6.9 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 2005 vs. Q1 2004 Results

Competition in the China local mobile phone market has intensified with the MNC handset manufacturers aggressively lowering selling prices to gain market share. This in turn adversely affected our average selling prices causing the revenue to decline by approximately 20% to \$13.9 million in the first quarter of 2005 as compared to that of the corresponding period. Gross profit margin for the same period decreased by approximately 18% to 33.9% due mainly to price pressure, higher material and overhead costs. The increase in general and administrative expenses is due mainly to the commencement of our lens operation in Dongguan and our new keypad plant in Huzhou; increased personnel cost and higher depreciation charge.

There are no significant fluctuations in the cash flow, working capital, assets or liabilities of the Group during the current financial period report on.

- 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 2004 Full Year Announcement dated 26 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**

We expect sales for the second quarter to exceed the first quarter, driven mainly by strong export orders. Satisfactory progress has made towards securing orders from MNC handset manufacturers and sales to these customers are expected to increase significantly in the second half of this year. On the other hand, profit margin is likely to continue to come under pressure due to keen competition and higher production and material cost.

With the commencement of our plastic housing operation in Q2 2005, we are now able to provide an integrated manufacturing service comprising of keypad, plastic housing and display lens for handsets.

- 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*

No dividend has been declared/recommendeded for the period ended.

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 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

30 April 2005