



MEMTECH INTERNATIONAL LTD

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

Third Quarter Financial Statement Announcement for the Period Ended 30 September 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			Group		
	US\$'000		%	US\$'000		%
	3 months ended 30/9/2005	3 months ended 30/9/2004	Increase/ (Decrease)	9 months ended 30/9/2005	9 months ended 30/9/2004	Increase/ (Decrease)
Revenue	17,456	12,595	39%	47,622	43,555	9%
Cost of sales	(13,181)	(7,503)	76%	(33,999)	(24,231)	40%
Gross profit	4,275	5,092	-16%	13,623	19,324	-30%
Other income	11	49	-78%	105	45	133%
Sales and marketing expenses	(990)	(1,037)	-5%	(3,156)	(3,451)	-9%
General and Administration expenses	(2,029)	(1,309)	55%	(5,931)	(3,515)	69%
Other operating expenses	-	(37)	-100%	(17)	(57)	-70%
	(3,019)	(2,383)	27%	(9,104)	(7,023)	30%
Profit from operating activities	1,267	2,758	-54%	4,624	12,346	-63%
Financial income/(costs), net	65	(57)	NM	159	(143)	NM
Profit from ordinary activities before taxation and minority interests	1,332	2,701	-51%	4,783	12,203	-61%
Taxation	145	(128)	-213%	(15)	(974)	-98%
Profit from ordinary activities after taxation	1,477	2,573	-43%	4,768	11,229	-58%
Attributable to:						
Shareholders of the Company	1,665	2,527	-34%	5,058	11,139	-55%
Minority interests	(188)	46	NM	(290)	90	NM
	1,477	2,573	-43%	4,768	11,229	-58%

Note 1 Profit from operating activities

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

	Group			Group		
	US\$'000		%	US\$'000		%
	3 months ended 30/9/2005	3 months ended 30/9/2004	Increase/ (Decrease)	9 months ended 30/9/2005	9 months ended 30/9/2004	Increase/ (Decrease)
Depreciation and amortisation	1,204	633	90%	2,925	1,548	89%
Provision for doubtful trade receivables	133	58	NM	703	235	199%
Bad trade debts written back	-	-	NM	-	(1)	-100%
Loss on disposal of fixed assets	2	1	NM	3	5	-40%
Exchange loss/(gain)	372	(14)	NM	790	284	178%

Note 2 Financial Income/(Costs), net

	Group			Group		
	US\$'000		%	US\$'000		%
	3 months ended 30/9/2005	3 months ended 30/9/2004	Increase/ (Decrease)	9 months ended 30/9/2005	9 months ended 30/9/2004	Increase/ (Decrease)
Interest income	111	48	131%	347	54	NM
Interest expense	(46)	(105)	-56%	(188)	(197)	-5%
	65	(57)	-214%	159	(143)	-211%

Note 3 Taxation

The write-back of provision for taxation is in respect of lower profit recorded for Nantong Memtech Electronic Industries Co., Ltd.

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	
	30/9/2005	31/12/2004	30/9/2005	31/12/2004
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets:				
Fixed assets	27,388	16,106	-	-
Land use rights	217	215	-	-
Investments	121	119	28,662	14,021
Goodwill	425	-	-	-
	<u>28,151</u>	<u>16,440</u>	<u>28,662</u>	<u>14,021</u>
Current Assets:				
Cash and bank balances	8,519	17,043	2,009	1,383
Fixed deposits	21,459	28,616	21,459	27,611
Trade receivables	29,223	25,141	-	-
Bills and other receivables	7,715	6,858	1,501	8,751
Stocks	5,472	4,230	-	-
	<u>72,388</u>	<u>81,888</u>	<u>24,969</u>	<u>37,745</u>
Current Liabilities:				
Trade payables and accruals	15,025	10,146	-	-
Bills and other payables	5,787	8,272	9,406	2,307
Interest-bearing loans and borrowings	5	2,518	-	-
	<u>20,817</u>	<u>20,936</u>	<u>9,406</u>	<u>2,307</u>
Net Current Assets	51,571	60,952	15,563	35,438
Non-Current Liabilities:				
Other payables	436	668	-	-
Interest-bearing loans and borrowings	-	1	-	-
Deferred taxation	1,908	1,819	-	-
Total non-current liabilities:	<u>2,344</u>	<u>2,488</u>	<u>-</u>	<u>-</u>
Net Assets	<u>77,378</u>	<u>74,904</u>	<u>44,225</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	1,478	-	-	-
Currency translation reserve	2,016	1,538	906	1,776
Revenue reserves	29,340	30,170	348	4,712
Shareholders' equity	<u>75,805</u>	<u>74,679</u>	<u>44,225</u>	<u>49,459</u>
Minority interests	<u>1,573</u>	<u>225</u>	<u>-</u>	<u>-</u>
Total Equity	<u>77,378</u>	<u>74,904</u>	<u>44,225</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 30 September 2005		As at 31 December 2004	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	5		2,518

Amount repayable after one year

As at 30 September 2005		As at 31 December 2004	
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		Group	
	3 months ended 30/9/2005 US\$'000	3 months ended 30/9/2004 US\$'000	9 months ended 30/9/2005 US\$'000	9 months ended 30/9/2004 US\$'000
	Cash flows from operating activities:			
Profit from ordinary activities before taxation and minority	1,332	2,701	4,783	12,203
Adjustments for:				
Amortisation of land use rights	1	1	3	3
Depreciation of fixed assets	1,203	633	2,922	1,546
Interest expense	46	105	188	197
Interest income	(111)	(48)	(347)	(54)
Loss/(Profit) on disposal of fixed assets	2	(4)	3	-
Operating profit before reinvestment in working capital	2,473	3,388	7,552	13,895
Increase in trade and other receivables	(2,428)	(2,562)	(4,174)	(5,447)
Increase in stocks	(102)	(880)	(1,147)	(1,792)
Increase/(Decrease) in trade and other payables	27	1,189	1,788	(600)
Net cash flows (used in) generated from operating activities	(30)	1,135	4,019	6,056
Cash flows from investing activities:				
Purchase of fixed assets	(2,535)	(3,060)	(14,264)	(6,735)
Proceeds from disposal of fixed assets	-	42	-	47
Interest income received	108	48	331	54
Acquisition of subsidiary	-	-	37	-
Increase in interest in subsidiary	-	-	(402)	-
Net cash flows used in investing activities	(2,427)	(2,970)	(14,298)	(6,634)
Cash flows from financing activities:				
Increase in interest-bearing loans and borrowings	12	(2,732)	1,824	2,256
Payments of borrowings	(4,343)	(3,071)	(4,354)	(3,313)
Proceeds from issue of ordinary shares	-	39,123	-	39,123
Proceeds from issuance of shares by subsidiary company to minority shareholders	-	-	1,867	-
Interest paid	(138)	(217)	(192)	(308)
Dividend paid	-	-	(4,410)	-
Net cash flows (used in) generated from financing activities	(4,469)	33,103	(5,265)	37,758
Net (decrease) increase in cash and cash equivalents	(6,926)	31,268	(15,544)	37,180
Effects of translation differences	492	-	(137)	82
Cash and cash equivalents at the beginning of the period	36,412	12,311	45,659	6,317
Cash and cash equivalents at the end of the period	29,978	43,579	29,978	43,579

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	
	9 Mths to 30/9/2005 US\$'000	9 Mths to 30/9/2004 US\$'000	9 Mths to 30/9/2005 US\$'000	9 Mths to 30/9/2004 US\$'000
Issued Capital				
Balance at 1 January	4,245	3,352	4,245	-*
Issue of share capital	-	-	-	-
Balance at 31 March	4,245	3,352	4,245	-*
Issue of share capital	-	-	-	3,352
Balance at 30 June	4,245	3,352	4,245	3,352
Issue of share capital	-	893	-	893
Balance at 30 September	4,245	4,245	4,245	4,245
Share Premium				
Balance at 1 January	38,726	499	38,726	-
Issue of share capital	-	-	-	-
Balance at 31 March	38,726	499	38,726	-
Issue of share capital	-	-	-	499
Balance at 30 June	38,726	499	38,726	499
Issue of share capital	-	38,227	-	38,227
Balance at 30 September	38,726	38,726	38,726	38,726
Statutory Reserve				
Balance at 1 January	-	-	-	-
Transfer from retained earnings	473	-	-	-
Balance at 31 March	473	-	-	-
Transfer from retained earnings	1,005	-	-	-
Balance at 30 June	1,478	-	-	-
Transfer from retained earnings	-	-	-	-
Balance at 30 September	1,478	-	-	-
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)
Currency translation differences	(631)	(29)	(843)	(38)
Balance at 30 June	870	(58)	890	(59)
Currency translation differences	1,146	(87)	16	-
Balance at 30 September	2,016	(145)	906	(59)
Retained Earnings				
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)
Transfer to statutory reserve	(1,005)	-	-	-
Net profit/(loss) for the period	1,245	2,238	32	(98)
Dividend paid	(4,410)	-	(4,410)	-
Balance at 30 June	27,675	24,000	408	(157)
Net profit for the period	1,665	2,527	(60)	30
Balance at 30 September	29,340	26,527	348	(127)
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)
Total for the period	(3,796)	2,209	(5,221)	3,715
Balance at 30 June	72,994	27,793	44,269	3,635
Total for the period	2,811	41,560	(44)	39,150
Balance at 30 September	75,805	69,353	44,225	42,785

* Paid up capital of S\$2.

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 (cont'd)

	Group		Company	
	9 Mths to 30/9/2005	9 Mths to 30/9/2004	9 Mths to 30/9/2005	9 Mths to 30/9/2004
	US\$'000	US\$'000	US\$'000	US\$'000
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)
Total for the period	(3,796)	2,209	(5,221)	3,715
Balance at 30 June	72,994	27,793	44,269	3,635
Total for the period	2,811	41,560	(44)	39,150
Balance at 30 September	75,805	69,353	44,225	42,785
Minority Interest				
Balance at 1 January	225	154	-	-
Total for the period	1,859	24	-	-
Balance at 31 March	2,084	178	-	-
Total for the period	(332)	13	-	-
Balance at 30 June	1,752	191	-	-
Total for the period	(179)	46	-	-
Balance at 30 September	1,573	237	-	-
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)
Total for the period	(4,128)	2,222	(5,221)	3,715
Balance at 30 June	74,746	27,984	44,269	3,635
Total for the period	2,632	41,606	(44)	39,150
Balance at 30 September	77,378	69,590	44,225	42,785

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 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 operations. 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 impacts of the changes in accounting policies as a result of the adoption of the Financial Reporting Standards 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 impairment losses without the need for periodic amortisation. Accordingly, the goodwill as at 30 September 2005 has been stated on that basis. 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 30/9/2005	3 months ended 30/9/2004	9 months ended 30/9/2005	9 months ended 30/9/2004
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	0.2 US cents	0.4 US cents	0.7 US cents	1.8 US cents
Weighted average number of shares	720,000,000	689,130,457	720,000,000	607,936,736
(ii) On a fully diluted basis				
number of ordinary shares	0.2 US cents	0.4 US cents	0.7 US cents	1.8 US cents
Weighted average number of shares	720,000,000	689,130,457	720,000,000	607,936,736

- 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 30/9/2005	As At 31/12/2004	As At 30/9/2005	As At 31/12/2004
Net asset value per ordinary share based on issued share capital at the end of the period reported on	10.5 US cents	10.3 US cents	6.1 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.

Q3 2005 vs. Q3 2004 Results

The Group recorded revenue growth of 38.6% or US\$4.9 million to US\$17.2 million in Q3 2005 over the corresponding period. Chinese domestic and export sales have increased by 34.0% and 45.1% respectively as compared to Q3 2004. The strong growth in Q3 2005 revenue is mainly due to increase in shipment to new customers such as Motorola, Westron Neweb, Haier and Huawei.

Lower selling price and increase in raw material prices continued to lower gross margin of the Group in Q3 2005. Gross margin of Q3 2005 reduced to 24.5% from 40.4% as compared to the corresponding period. Our Kunshan plant, which commenced operation in Q3 2005, incurred initial set up loss and further contributed to the lower gross profit margin in Q3 2005.

The increase in general and admin expenses was mainly due to our expansion in operations and provision for doubtful debt.

Balance Sheet and Cash Flow Statement

There are no significant fluctuations in the balance sheet and cash flow items except the increase in fixed assets due to our expansion.

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 Q2 Announcement dated 10 August 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

The increasing shipments to new customers coupled with seasonal demand will drive revenue upwards in Q4 2005. We will continue our efforts to increase sales to MNC customers and minimize our credit risks through stringent customer selection. Competition is expected to remain intense and our profit margin will continue to be subject to price and cost pressures. We will meet these challenges through increasing sales and better operational efficiency.

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.

During Q3 2005, 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
4 November 2005