



## **MEMTECH INTERNATIONAL LTD**

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

**Second Quarter Financial Statements Announcement  
For the period ended 30 June 2008**



**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 second quarter ended 30 June 2008*

	Group Second Quarter			Group Half Year			
	Note	2008 30-Jun	2007 30-Jun	Increase/ (Decrease)	2008 30-Jun	2007 30-Jun	Increase/ (Decrease)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		28,916	25,230	14.6%	52,873	46,882	12.8%
Cost of sales		(23,747)	(19,138)	24.1%	(42,534)	(35,375)	20.2%
Gross profit		5,169	6,092	-15.2%	10,339	11,507	-10.2%
Other operating income		292	308	-5.2%	571	649	-12.0%
Sales and marketing expenses		(1,445)	(1,126)	28.3%	(2,718)	(2,267)	19.9%
General and Administration expenses		(2,003)	(3,331)	-39.9%	(4,503)	(5,677)	-20.7%
Other operating expenses		(70)	(26)	169.2%	(81)	(57)	42.1%
Finance costs		(5)	(5)	0.0%	(11)	(10)	10.0%
Share of result of associates		(152)	(44)	245.5%	(207)	(45)	360.0%
Profit before tax		1,786	1,868	-4.4%	3,390	4,100	-17.3%
Income tax (expense) / refund		(402)	509	NM	(686)	300	NM
Profit for the period		1,384	2,377	-41.8%	2,704	4,400	-38.5%
Attributable to:							
Equity holders of the parent		1,307	2,324	-43.8%	2,576	4,373	-41.1%
Minority interests		77	53	45.3%	128	27	374.1%
		1,384	2,377	-41.8%	2,704	4,400	-38.5%



**Notes**

NM: Not meaningful

**1 Profit from operating activities**

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

	Note	Group Second Quarter			Group Half Year		
		2008	2007	Increase/ (Decrease)	2008	2007	Increase/ (Decrease)
		30-Jun	30-Jun		30-Jun	30-Jun	
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation		2,325	1,982	17%	4,560	3,930	16%
Allowance for doubtful receivables, trade		(852)	1,060	NM	(1,590)	1,399	NM
Loss on disposal of property, plant and equipment		5	6	-17%	5	7	-29%
Exchange loss		678	388	75%	1,845	717	157%



**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 June 2008*

	Group		Company	
	2008 30-Jun	2007 31-Dec	2008 30-Jun	2007 31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-Current Assets:</b>				
Property, plant and equipment	41,761	42,223	18	26
Investment in subsidiaries	-	-	55,833	52,180
Investment in associates	7,649	1,957	8,096	2,187
Intangible assets	1,030	967	-	-
	<u>50,440</u>	<u>45,147</u>	<u>63,947</u>	<u>54,393</u>
<b>Current Assets:</b>				
Cash and cash equivalents	30,373	32,759	207	7,855
Derivatives	-	186	-	-
Trade receivables	45,212	56,222	-	-
Bills and other receivables	14,962	12,006	15	15
Amounts due from subsidiaries	-	-	4,476	4,473
Prepayments	77	116	-	-
Inventories	10,605	9,065	-	-
	<u>101,229</u>	<u>110,354</u>	<u>4,698</u>	<u>12,343</u>
<b>Current Liabilities:</b>				
Trade payables and accruals	22,672	30,981	159	374
Bills and other payables	8,278	8,328	6	13
Amounts due to subsidiaries	-	-	7,889	2,309
Loans and borrowings	2,006	6	-	-
Provision for tax	1,365	1,287	15	32
Other liabilities	75	58	-	-
	<u>34,396</u>	<u>40,660</u>	<u>8,069</u>	<u>2,728</u>
<b>Net Current Assets / (Liabilities)</b>	<b>66,833</b>	<b>69,694</b>	<b>(3,371)</b>	<b>9,615</b>
<b>Non-Current Liabilities:</b>				
Other payables	-	324	-	-
Loans and borrowings	-	3	-	-
Deferred taxation	1,715	1,609	-	-
	<u>1,715</u>	<u>1,936</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>	<b>115,558</b>	<b>112,905</b>	<b>60,576</b>	<b>64,008</b>



**Balance Sheets (Cont'd)**

*As at 30 June 2008*

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</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
Treasury shares	(441)	(427)	(441)	(427)
Currency translation reserve	17,295	11,450	11,883	8,612
Statutory reserve fund	3,393	3,393	-	-
Revenue reserves	49,891	53,344	6,163	12,852
	<u>113,109</u>	<u>110,731</u>	<u>60,576</u>	<u>64,008</u>
<b>Minority Interests</b>	<u>2,449</u>	<u>2,174</u>	<u>-</u>	<u>-</u>
<b>Total Equity</b>	<u><u>115,558</u></u>	<u><u>112,905</u></u>	<u><u>60,576</u></u>	<u><u>64,008</u></u>

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

	<b>Group Secured</b>		<b>Group Unsecured</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less or on demand	6	6	2,000	-
Amount repayable after one year	-	3	-	-
	<u>6</u>	<u>9</u>	<u>2,000</u>	<u>-</u>



**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 second quarter ended 30 June 2008*

	Group Second Quarter		Group Year to Date	
	2008 30-Jun	2007 30-Jun	2008 30-Jun	2007 30-Jun
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit before tax	1,786	1,868	3,390	4,100
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	2,325	1,982	4,560	3,930
Interest expense	1	4	11	10
Interest income	(78)	(125)	(122)	(309)
Loss on disposal of property, plant and equipment	5	6	5	7
Share of results of associates	152	44	207	45
Total adjustments	2,405	1,911	4,661	3,683
Operating cashflow before changes in working capital	4,191	3,779	8,051	7,783
<u>Changes in working capital</u>				
Decrease/(increase) in trade and other receivables	1,046	(1,640)	6,110	(1,083)
(Increase)/decrease in inventories	(620)	42	(442)	1,025
Decrease in trade and other payables	(167)	(1,213)	(5,031)	(2,027)
Cash generated from operations	4,450	968	8,688	5,698
Income tax (paid)/refund	(392)	91	(456)	(47)
Net cash generated from operating activities	4,058	1,059	8,232	5,651
Cash flows from investing activities:				
Purchases of property, plant and equipment	(1,160)	(2,093)	(2,554)	(4,827)
Proceeds from disposal of fixed assets	11	-	11	-
Interest income received	78	139	122	303
Investment in associates	(649)	(392)	(5,649)	(392)
Net cash used in investing activities	(1,720)	(2,346)	(8,070)	(4,916)
Cash flows from financing activities:				
Proceeds from loans and borrowings	2,000	259	5,000	517
Interest paid	-	(5)	(11)	(10)
Dividends Paid	(6,674)	(5,768)	(6,674)	(5,768)
Repayments of loans and borrowings	(2)	(269)	(3,003)	(529)
Purchase of treasury shares	-	-	(14)	-
Net cash used in financing activities	(4,676)	(5,783)	(4,702)	(5,790)
Net decrease in cash and cash equivalents	(2,338)	(7,070)	(4,540)	(5,055)
Effects of exchange rate changes on opening cash	821	548	2,154	883
Cash and cash equivalents at the beginning of the period	31,890	37,130	32,759	34,780
Cash and cash equivalents at the end of the period	30,373	30,608	30,373	30,608



**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 June 2008*

	Group		Company	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Issued Capital</b>				
Balance at 1 January, 31 March and 30 June	42,971	42,971	42,971	42,971
<b>Treasury Shares</b>				
Balance at 1 January	(427)	-	(427)	-
Purchase of treasury Shares	(14)	-	(14)	-
Balance at 31 March and 30 June	(441)	-	(441)	-
<b>Statutory Reserve Fund</b>				
Balance at 1 January, 31 March and 30 June	3,393	2,413	-	-
<b>Currency Translation Reserve</b>				
Balance at 1 January	11,450	5,749	8,612	5,463
Net effect of exchange translation differences	4,207	895	3,094	678
Balance at 31 March	15,657	6,644	11,706	6,141
Net effect of exchange translation differences	1,638	770	177	(914)
Balance at 30 June	17,295	7,414	11,883	5,227
<b>Revenue Reserves</b>				
Balance at 1 January	53,344	44,294	12,852	7,087
Net profit/(loss) for the period	1,269	2,049	(421)	(271)
Balance at 31 March	54,613	46,343	12,431	6,816
Net profit/(loss) for the period	1,307	2,324	(239)	(196)
Dividend paid	(6,029)	(5,768)	(6,029)	(5,768)
Balance at 30 June	49,891	42,899	6,163	852
<b>Minority Interests</b>				
Balance at 1 January	2,174	728	-	-
Total for the period	140	(17)	-	-
Balance at 31 March	2,314	711	-	-
Total for the period	135	67	-	-
Balance at 30 June	2,449	778	-	-
<b>Total Equity</b>				
Balance at 1 January	112,905	96,155	64,008	55,521
Total for the period	5,602	2,927	2,659	407
Balance at 31 March	118,507	99,082	66,667	55,928
Total for the period	(2,949)	(2,607)	(6,091)	(6,878)
Balance at 30 June	115,558	96,475	60,576	49,050



**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 2007.

**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 the period ended 30 June 2008 to be false or misleading in any material respect.

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 2007.

**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**

	Group Second Quarter		Group Half Year	
	2008 30-Jun	2007 30-Jun	2008 30-Jun	2007 30-Jun
	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	0.2	0.3	0.4	0.6
(ii) On a fully diluted basis	0.2	0.3	0.4	0.6
	Group Second Quarter		Group Half Year	
	2008 30-Jun	2007 30-Jun	2008 30-Jun	2007 30-Jun
	'000	'000	'000	'000
Weighted average number of shares:				
(i) Based on weighted average number of ordinary shares on issue	716,900	720,000	716,905	720,000
(ii) On a fully diluted basis	716,900	720,000	716,905	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**

	Group		Company	
	2008 30-Jun	2007 31-Dec	2008 30-Jun	2007 31-Dec
	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	15.8	15.4	8.4	8.9
Number of shares ('000)	716,900	717,000	716,900	717,000

**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.**

**Q2 2008 vs. Q2 2007 Results**

The Group's revenue increased by US\$3.7 million or 14.6% from US\$25.2 million in Q2 2007 to US\$28.9 million in Q2 2008. Notwithstanding the weak market demand in Q2 2008, we continued to secure larger orders from premium customers such as Foxconn (mainly from Nokia projects), ZTE and TCL Alcatel. In addition, our sales in plastic moulded components increased by approximately US\$1.5 million as compared to the corresponding period, contributing to the increase in Q2 2008 revenue.

As a result of lower selling price, higher raw material prices, increase in labour costs and general costs increases, the Group's gross profit margin declined to 17.9% as compared to 24.1% in Q2 2008.

Sales and marketing expenses increased 28.3% mainly due to salary and general costs increases. General and administrative expenses decreased by 39.9% mainly due to a write back of allowance for doubtful debts. Excluding allowance for doubtful debts, general and administrative expenses increased mainly due to higher exchange loss, salary and general costs increases. The higher exchange loss is due to the acceleration in appreciation of RMB against USD in Q2 2008 as compared to the corresponding period.



The increase in share of losses from associates is mainly due to the Group's share of set-up costs of Tera China and operational loss of Teradisplay Co., Ltd in South Korea.

Due to the change in tax regulations in the PRC, most of the tax benefits previously enjoyed by the Group have either expired or withdrawn, resulting in higher tax expenses as compared to the corresponding period. Profit for Q2 2008 declined by US\$993,000 or 41.8% to US\$1.4 million as compared to the corresponding period.

#### **Balance Sheet and Cash Flow Statement**

There was no material change in assets and liabilities. Our cash flow position remains strong in 2008.

**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 Q1 2008 Results Announcement dated 28 April 2008.

**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 weak global economy, high inflation in China, increased labour and raw material costs, and the continued weakening of the US dollar have resulted in significant pressure on the Group's margins. We expect these challenging conditions to continue in the second half of 2008.

The current weak economic conditions have, on the other hand, presented opportunities for us to expand our business. Major multinational players in the mobile phone sector have stepped up efforts to develop cost effective suppliers, thereby providing more potential business opportunities for us to expand our customer base and scope of services. To pave the way for future growth, we have restructured our marketing division to achieve greater effectiveness and intensify our marketing efforts. Backed by an experienced management team and a healthy cash flow position, we remain optimistic about our long term prospects.



**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 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.

**BY ORDER OF THE BOARD**

Tan Seng Chun  
Company Secretary

4 August 2008