



## **MEMTECH INTERNATIONAL LTD**

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

### **Third Quarter Financial Statements Announcement For the period ended 30 September 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 Third quarter ended 30 September 2008*

	Note	Group Third Quarter			Group Year to Date		
		2008 30-Sep	2007 30-Sep	Increase/ (Decrease) %	2008 30-Sep	2007 30-Sep	Increase/ (Decrease) %
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue		31,385	36,944	-15.0%	84,258	83,826	0.5%
Cost of sales		(25,952)	(27,225)	-4.7%	(68,486)	(62,600)	9.4%
Gross profit		5,433	9,719	-44.1%	15,772	21,226	-25.7%
Other operating income		215	207	3.9%	786	856	-8.2%
Sales and marketing expenses		(1,696)	(1,302)	30.3%	(4,414)	(3,569)	23.7%
General and Administration expenses		(2,420)	(3,372)	-28.2%	(6,923)	(9,049)	-23.5%
Other operating expenses		(9)	(26)	-65.4%	(90)	(83)	8.4%
Finance costs		(27)	(4)	NM	(38)	(14)	171.4%
Share of result of associates		45	(28)	NM	(162)	(73)	121.9%
Profit before tax		1,541	5,194	-70.3%	4,931	9,294	-46.9%
Income tax expense		(638)	(478)	33.5%	(1,324)	(178)	NM
Profit for the period		903	4,716	-80.9%	3,607	9,116	-60.4%
Attributable to:							
Equity holders of the parent		811	4,550	-82.2%	3,387	8,923	-62.0%
Minority interests		92	166	-44.6%	220	193	14.0%
		903	4,716	-80.9%	3,607	9,116	-60.4%



## Notes

NM: Not meaningful

### 1 Profit from operating activities

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

	Note	Group Third Quarter			Group Year to Date		
		2008 30-Sep	2007 30-Sep	Increase/ (Decrease)	2008 30-Sep	2007 30-Sep	Increase/ (Decrease)
		US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation		2,345	2,054	14%	6,905	5,984	15%
Allowance for doubtful receivables, trade		(72)	867	NM	(1,662)	2,266	NM
Loss on disposal of property, plant and equipment		14	6	133%	19	13	46%
Exchange loss		318	342	-7%	2,163	1,059	104%



**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 September 2008*

	Group		Company	
	2008 30-Sep	2007 31-Dec	2008 30-Sep	2007 31-Dec
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-Current Assets:</b>				
Property, plant and equipment	44,819	42,223	14	26
Investment in subsidiaries	-	-	53,440	52,180
Investment in associates	7,738	1,957	7,749	2,187
Intangible assets	1,036	967	-	-
	<u>53,593</u>	<u>45,147</u>	<u>61,203</u>	<u>54,393</u>
<b>Current Assets:</b>				
Cash and cash equivalents	30,578	32,759	262	7,855
Derivatives	-	186	-	-
Trade receivables	43,506	56,222	-	-
Bills and other receivables	13,407	12,006	13	15
Amounts due from subsidiaries	-	-	4,476	4,473
Prepayments	72	116	-	-
Inventories	11,480	9,065	-	-
	<u>99,043</u>	<u>110,354</u>	<u>4,751</u>	<u>12,343</u>
<b>Current Liabilities:</b>				
Trade payables and accruals	24,814	30,981	209	374
Bills and other payables	7,228	8,328	6	13
Amounts due to subsidiaries	-	-	8,166	2,309
Loans and borrowings	4	6	-	-
Provision for tax	1,584	1,287	15	32
Other liabilities	92	58	-	-
	<u>33,722</u>	<u>40,660</u>	<u>8,396</u>	<u>2,728</u>
<b>Net Current Assets / (Liabilities)</b>	<b>65,321</b>	<b>69,694</b>	<b>(3,645)</b>	<b>9,615</b>
<b>Non-Current Liabilities:</b>				
Other payables	-	324	-	-
Loans and borrowings	-	3	-	-
Deferred taxation	1,743	1,609	-	-
	<u>1,743</u>	<u>1,936</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>	<b>117,171</b>	<b>112,905</b>	<b>57,558</b>	<b>64,008</b>



**Balance Sheets (Cont'd)**

*As at 30 September 2008*

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>30-Sep</b>	<b>31-Dec</b>	<b>30-Sep</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	(461)	(427)	(461)	(427)
Currency translation reserve	18,010	11,450	9,297	8,612
Statutory reserve fund	3,393	3,393	-	-
Revenue reserves	50,702	53,344	5,751	12,852
	<u>114,615</u>	<u>110,731</u>	<u>57,558</u>	<u>64,008</u>
<b>Minority Interests</b>	<u>2,556</u>	<u>2,174</u>	-	-
<b>Total Equity</b>	<u><u>117,171</u></u>	<u><u>112,905</u></u>	<u><u>57,558</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-Sep</b>	<b>31-Dec</b>	<b>30-Sep</b>	<b>31-Dec</b>
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less or on demand	4	6	-	-
Amount repayable after one year	-	3	-	-
	<u>4</u>	<u>9</u>	<u>-</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 Third quarter ended 30 September 2008*

	Group Third Quarter		Group Year to Date	
	2008 30-Sep	2007 30-Sep	2008 30-Sep	2007 30-Sep
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities:				
Profit before tax	1,541	5,194	4,931	9,294
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	2,345	2,054	6,905	5,984
Interest expense	27	4	38	14
Interest income	(86)	(89)	(208)	(398)
Loss on disposal of property, plant and equipment	14	6	19	13
Share of results of associates	(45)	28	162	73
Total adjustments	2,255	2,003	6,916	5,686
Operating cashflow before changes in working capital	3,796	7,197	11,847	14,980
<u>Changes in working capital</u>				
Decrease/(increase) in trade and other receivables	8,843	(12,759)	14,953	(13,842)
Increase in inventories	(1,126)	(1,582)	(1,568)	(557)
(Decrease)/Increase in trade and other payables	(3,590)	11,452	(8,621)	9,425
Cash generated from operations	7,923	4,308	16,611	10,006
Income tax paid	(394)	(917)	(850)	(964)
Net cash generated from operating activities	7,529	3,391	15,761	9,042
Cash flows from investing activities:				
Purchases of property, plant and equipment	(5,543)	(3,068)	(8,097)	(7,895)
Proceeds from disposal of property, plant and equipment	-	8	11	8
Interest income received	86	92	208	395
Investment in associates	-	(1,000)	(5,649)	(1,392)
Net cash used in investing activities	(5,457)	(3,968)	(13,527)	(8,884)
Cash flows from financing activities:				
Proceeds from loans and borrowings	-	282	5,000	799
Proceeds from issuance of shares by subsidiary company to minority shareholder	-	800	-	800
Interest paid	(27)	(4)	(38)	(14)
Dividends Paid	-	-	(6,674)	(5,768)
Repayments of loans and borrowings	(2,002)	(275)	(5,005)	(804)
Purchase of treasury shares	(20)	(306)	(34)	(306)
Net cash generated from/(used in) financing activities	(2,049)	497	(6,751)	(5,293)
Net increase/(decrease) in cash and cash equivalents	23	(80)	(4,517)	(5,135)
Effects of exchange rate changes on opening cash	182	497	2,336	1,380
Cash and cash equivalents at the beginning of the period	30,373	30,608	32,759	34,780
Cash and cash equivalents at the end of the period	30,578	31,025	30,578	31,025



**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 September 2008*

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Issued Capital</b>				
Balance at 1 January, 31 March, 30 June and 30 September	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)	-
Purchase of treasury Shares	(20)	(306)	(20)	(306)
Balance at 30 September	(461)	(306)	(461)	(306)
<b>Statutory Reserve Fund</b>				
Balance at 1 January, 31 March and 30 June	3,393	2,413	-	-
Transfer from retained earnings	-	795	-	-
Balance at 30 September	3,393	3,208	-	-
<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
Net effect of exchange translation differences	715	1,276	(2,586)	1,276
Balance at 30 September	18,010	8,690	9,297	6,503
<b>Sub-total carried forward</b>				
Balance at 1 January	57,387	51,133	51,156	48,434
Total for the period	4,193	895	3,080	678
Balance at 31 March	61,580	52,028	54,236	49,112
Total for the period	1,638	770	177	(914)
Balance at 30 June	63,218	52,798	54,413	48,198
Total for the period	695	1,765	(2,606)	970
Balance at 30 September	63,913	54,563	51,807	49,168



**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 (Cont'd)**

*As at 30 September 2008*

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Sub-total brought forward</b>				
Balance at 1 January	57,387	51,133	51,156	48,434
Total for the period	<u>4,193</u>	<u>895</u>	<u>3,080</u>	<u>678</u>
Balance at 31 March	61,580	52,028	54,236	49,112
Total for the period	<u>1,638</u>	<u>770</u>	<u>177</u>	<u>(914)</u>
Balance at 30 June	63,218	52,798	54,413	48,198
Total for the period	<u>695</u>	<u>1,765</u>	<u>(2,606)</u>	<u>970</u>
Balance at 30 September	<u>63,913</u>	<u>54,563</u>	<u>51,807</u>	<u>49,168</u>
<b>Revenue Reserves</b>				
Balance at 1 January	53,344	44,294	12,852	7,087
Net profit/(loss) for the period	<u>1,269</u>	<u>2,049</u>	<u>(421)</u>	<u>(271)</u>
Balance at 31 March	54,613	46,343	12,431	6,816
Net profit/(loss) for the period	<u>1,307</u>	<u>2,324</u>	<u>(239)</u>	<u>(196)</u>
Dividend paid	<u>(6,029)</u>	<u>(5,768)</u>	<u>(6,029)</u>	<u>(5,768)</u>
Balance at 30 June	49,891	42,899	6,163	852
Net profit/(loss) for the period	<u>811</u>	<u>4,550</u>	<u>(412)</u>	<u>(119)</u>
Transfer to statutory reserve	<u>-</u>	<u>(795)</u>	<u>-</u>	<u>-</u>
Balance at 30 September	<u>50,702</u>	<u>46,654</u>	<u>5,751</u>	<u>733</u>
<b>Minority Interests</b>				
Balance at 1 January	2,174	728	-	-
Total for the period	<u>140</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Balance at 31 March	2,314	711	-	-
Total for the period	<u>135</u>	<u>67</u>	<u>-</u>	<u>-</u>
Balance at 30 June	2,449	778	-	-
Total for the period	<u>107</u>	<u>1,329</u>	<u>-</u>	<u>-</u>
Balance at 30 September	<u>2,556</u>	<u>2,107</u>	<u>-</u>	<u>-</u>
<b>Total Equity</b>				
Balance at 1 January	112,905	96,155	64,008	55,521
Total for the period	<u>5,602</u>	<u>2,927</u>	<u>2,659</u>	<u>407</u>
Balance at 31 March	118,507	99,082	66,667	55,928
Total for the period	<u>(2,949)</u>	<u>(2,607)</u>	<u>(6,091)</u>	<u>(6,878)</u>
Balance at 30 June	115,558	96,475	60,576	49,050
Total for the period	<u>1,613</u>	<u>7,644</u>	<u>(3,018)</u>	<u>851</u>
Balance at 30 September	<u>117,171</u>	<u>104,119</u>	<u>57,558</u>	<u>49,901</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 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 September 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 Third Quarter		Group Year to Date	
	2008 30-Sep	2007 30-Sep	2008 30-Sep	2007 30-Sep
	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	0.1	0.6	0.5	1.2
(ii) On a fully diluted basis	0.1	0.6	0.5	1.2
	Group Third Quarter		Group Year to Date	
	2008 30-Sep	2007 30-Sep	2008 30-Sep	2007 30-Sep
	'000	'000	'000	'000
Weighted average number of shares:				
(i) Based on weighted average number of ordinary shares on issue	716,857	718,139	716,889	717,915
(ii) On a fully diluted basis	716,857	718,139	716,889	717,915



**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**

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>30-Sep</b>	<b>31-Dec</b>	<b>30-Sep</b>	<b>31-Dec</b>
	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	<u>16.0</u>	<u>15.4</u>	<u>8.0</u>	<u>8.9</u>
Number of shares ('000)	<u>716,500</u>	<u>717,000</u>	<u>716,500</u>	<u>717,000</u>

**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 2008 vs. Q3 2007 Results**

The Group's revenue decreased by US\$5.5 million or 15.0% from US\$36.9 million in Q3 2007 to US\$31.4 million in Q3 2008. While overall market demand has improved in Q3 2008 as compared to Q2 2008, demand was much weaker compared to Q3 2007. Orders from most of our major customers such as Foxconn, TCL Alcael, Sagem Bird and Vtech have reduced as compared to the corresponding period.

As a result of lower utilization rate, lower selling price, higher raw material prices, increase in labour costs and general costs increases, the Group's gross profit margin declined to 17.3% as compared to 26.3% in Q3 2007.

Sales and marketing expenses increased by 30.3% mainly due to salary and general costs increases. General and administrative expenses decreased by 28.2% mainly due to lower allowance for doubtful debts.

The improvements in share of result of associates are mainly due to share of profits from our touch screen investment Teradisplay Ltd in South Korea, offset by set up loss of Teradisplay Co., Ltd in China.



Due to tax reforms in China that led to the expiration or withdrawal of tax benefits previously enjoyed by foreign firms, the Group's tax expenses rose in 3Q 2008 as compared to the corresponding period. Included in tax expenses is provision for withholding tax on dividend remittance amounting to US\$260K. Profit for Q3 2008 declined by 80.9% to US\$0.9 million as compared to the corresponding period.

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

The increase in property, plant and equipment is mainly due to acquisition of a new premise in our Huzhou Plant and construction of a new production building in our Nantong plant. Short term borrowings of US\$2.0 million for working capital purposes were repaid for the quarter under review. Other movements in the balance sheet are in line with our business operations for this quarter. Our cash flow position remains healthy in Q3 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 Q2 2008 Results Announcement dated 4 August 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 financial crisis in the developed economies and the resulting recessionary fears will continue to adversely affect consumer confidence and consequently the market demand of our products. In the light of weaker market demand, our customers are more cautious and conservative in awarding orders. While we continue to engage in product development with our customers, several project launches are delayed or cancelled resulting in lower than expected sales. The market outlook depends largely on the ability of the developed economies to overcome the financial crisis and the anticipated recession. In the circumstances, we do not expect business conditions to improve in Q4 2008.

We will continue to improve our production efficiency and increase marketing efforts to meet the current and future challenges. We are pleased that earlier marketing efforts have succeeded in increasing our international customer base. We have obtained approval from Sony Ericsson to produce keypads for its entire range of mobile phones directly.



With an experienced management team, healthy cash flow and sufficient banking facilities, we are confident of riding through the current economic downturn and we remain optimistic of 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**



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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

10 November 2008