Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares of $0.10 each ("Shares") in the capital of Startech Electronics Ltd (the "Company") already issued as well as the New Shares (the "New Shares") which are the subject of this Invitation (the "Invitation") and the Shares which may be issued pursuant to options to be granted under the share option scheme (the "Startech ESOS"). Such permission will be granted when our Company has been admitted to the Official List of the Stock Exchange of Singapore and the Automated Quotation System ("SGX SESDAQ"). Acceptance of applications will be conditional upon permission to deal in, and for quotation of, all of our issued shares as well as the New Shares and the Shares which may be issued pursuant to options to be granted under Startech ESOS. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefits arising therefrom and at the applicant’s own risk, if the said permission is not granted.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX SESDAQ is not to be taken as an indication of the merits of the Invitation, our Company, Startech ESOS, our subsidiaries, our Shares or the New Shares.

A copy of this Prospectus, together with copies of the Application Forms, has been lodged with, and registered by, the Registrar of Companies and Businesses in Singapore who takes no responsibility for its contents.

The attention of prospective investors is drawn to page 32 to 34 of this Prospectus, which sets out the risks in investing in our Shares arising from the uncertainties surrounding the financial position of one of our substantial shareholders.

Invitation in respect of 13,000,000 New Shares of $0.10 each as follows:-
(1) 1,300,000 Offer Shares at $0.32 for each Offer Share by way of public offer; and
(2) 11,700,000 Placement Shares by way of placement, comprising:
(i) 10,400,000 Placement Shares at $0.32 for each Placement Share; and
(ii) 1,300,000 Reserved Shares at $0.32 for each Share reserved for the Independent Directors, employees, business associates and those who have contributed to the success of our Group,

payable in full on application.

Invitations are hereby made to the public to apply for Shares in the Capital of the Company in the manner set out in the Invitation. Applications should be received by 12.00 noon on 26 July 2001 or such later date and time as our Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws.

Manager
SBI E2-Capital Pte Ltd

Convener and Placement Agents

Apologies received by 12 noon on 13 July 2001 or such later date and time as our Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws.

Group Overview

Our principal business is the provision of electronic manufacturing services whereby we assemble PCBs on a contract basis for OEM customers. This core business is supplemented by two other businesses, namely, Distribution and Switchgear Design & Assembly.

SBI E2-Capital Pte Ltd (registration no: 199906220H)
(Incorporated in the Republic of Singapore on 12 October 1999)
Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares of $0.10 each ("Shares") in the capital of Startech Electronics Ltd (the "Company") already issued as well as the New Shares ("New Shares") which are the subject of this Invitation and the Shares which may be issued pursuant to options to be granted under the Startech Electronics Ltd Share Option Scheme ("Startech ESOS"). Such permission will be granted when the Company has been admitted to the Official List of the Stock Exchange of Singapore and the Automated Quotation System ("SGX-SESDAQ"). Acceptance of applications will be conditional upon permission being granted to deal in, and for quotation of, all of the Company’s issued shares as well as the New Shares and the Shares which may be issued pursuant to options to be granted under Startech ESOS. Moneys paid in respect of any application accepted will be retained, without interest or any share of revenue or other benefits accruing thereto and at the applicant’s own risk, if the said permission is not granted. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX SESDAQ is not to be taken as an indication of the merits of the Company, Startech ESOS, our subsidiaries, our Shares or the New Shares.

A copy of this Prospectus, together with copies of the Application Forms, has been lodged with, and registered by, the Registrar of Companies and Businesses in Singapore who takes no responsibility for its contents.

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2. 11,700,000 Placement Shares by way of placement, comprising:
   i. 10,400,000 Placement Shares at $0.32 for each Placement Share; and
   ii. 1,300,000 Reserved Shares at $0.32 for each Share reserved for the Independent Directors, employees, business associates and those who have contributed to the success of our Group, payable in full on application.

Manager
SBI E2-Capital Pte Ltd

Underwriters and Placement Agents

Applications should be received by 12.00 noon on 26 July 2001 or such later date and time as the Company may, in consultation with the Manager, decide, subject to any limitations under all applicable laws.

Our principal business is the provision of electronics manufacturing services whereby we assemble PCBs on a contract basis for OEM customers. This core business is supplemented by two other businesses, namely, Distribution and Switchgear Design & Assembly.

Group Overview

Our principal business is the provision of electronics manufacturing services whereby we assemble PCBs on a contract basis for OEM customers. This core business is supplemented by two other businesses, namely, Distribution and Switchgear Design & Assembly.

SBI E2-Capital Pte Ltd

Incorporated in the Republic of Singapore on 12 October 1999
Our Vision

At Startech, we strive to be the “Total Electronics Manufacturing Service Provider and Distributor of Quality Products” by leveraging on our investments in people, technology, facilities, and our constant pursuit of quality, thereby gaining the support and confidence of our customers.

CORE BUSINESS

Electronics Manufacturing Services

- Printed Circuit Board Assembly (PCBA)
- Design/Engineering
- Test and Test Equipment Product Assembly
- Customized metal enclosure services
- Encapsulated products
- Assembly development support
- Supply chain management service through sourcing
- Implementation of electrical components

Distribution Services

- We distribute Telmax contact cleaning machines and Camtex hot air solder leveling machines. We also provide the related maintenance support, parts and consumables used by these machines.
- We distribute specialty chemicals from HMV and ACR that are used in wafer fabrication processes.

Switchgear Design and Assembly Services

We design and customize LV Switchgear systems largely for government infrastructure projects.
Our Vision

At Startech, we strive to be the "Total Electronics Manufacturing Service Provider and Distributor of Quality Products" by leveraging on our investments in people, technology, facilities, and our constant pursuit of quality, thereby gaining the support and confidence of our customers.

CORE BUSINESS

Electronics Manufacturing Services

- Printed Circuit Board Assembly (PCBA)
- Design Services
- Project Management
- Test and Reliability Services
- Return Material Authorization (RMA)
- Field Service and Maintenance
- Advanced Development Services
- Turnkey/Build-to-Spec
- Product Transfer Services
- Supply Chain Management Services
- Miniature/Custom Electronics
- Turnkey/Build-to-Spec

WHAT WE DO

WHAT WE DISTRIBUTE

Distribution Services

- We distribute Teltek contact cleaning machines and Camex hot air solder leveling machines. We also provide the related maintenance support, parts and consumables used by these machines.
- We distribute specially chemicals from Akrakem/AET that are used in wafer fabrication processes.

Switchgear Design and Assembly Services

- We design and customize low voltage Switchgear systems largely for government infrastructure projects.
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CORPORATE INFORMATION

BOARD OF DIRECTORS : Saw Chee Keang (Chairman and Chief Executive Officer)
                      Choo Tian Wang (Executive Director)
                      Ng Chee Fatt (Non-executive Director)
                      Ong Kian Min (Independent Director)
                      Teo Boon Tieng (Independent Director)
                      Wong Kwan Seng Robert (Independent Director)

COMPANY SECRETARIES : Foo Fei Ying Sandy and Madelyn Kwang Yeit Lam
                      c/o Drew & Napier LLC
                      20 Raffles Place #17-00
                      Ocean Towers
                      Singapore 048620

REGISTERED OFFICE : 13 Woodlands Walk
                     Singapore 738318

REGISTRARS AND SHARE TRANSFER OFFICE : Lim Associates (Private) Limited
                                            10 Collyer Quay #19-08
                                            Ocean Building
                                            Singapore 049315

MANAGER : SBI E2-Capital Pte Ltd
          5 Shenton Way #09-07
          UIC Building
          Singapore 068808

AUDITORS AND REPORTING ACCOUNTANTS : BDO International
                                      Certified Public Accountants
                                      112 Middle Road #02-01
                                      Midland House
                                      Singapore 188970

SOLICITORS TO THE INVITATION : Drew & Napier LLC
                                 20 Raffles Place #17-00
                                 Ocean Towers
                                 Singapore 048620

UNDERWRITERS AND PLACEMENT AGENTS : RHB-Cathay Securities Pte Ltd
                                     9 Raffles Place #25-01
                                     Republic Plaza
                                     Singapore 048619
                                     Keppel TatLee Bank Limited
                                     63 Market Street
                                     KepBank@Central
                                     Singapore 048942

PRINCIPAL BANKERS : RHB Bank Berhad
                    80 Cecil Street
                    Singapore 035531
                    Malayan Banking Berhad
                    50 Raffles Place #01-00
                    Singapore Land Tower
                    Singapore 048623
DEFINITIONS

For the purpose of this Prospectus and the accompanying Application Forms and, in relation to Electronics Applications, the instructions appearing on the screens of the Automated Teller Machines (“ATMs”) of the Participating Banks for the Internet Banking (“IB”) websites of the relevant Participating Banks, the following definitions have, where appropriate, been used:

**Group Companies**

“Startech” or “our Company” : Startech Electronics Ltd

“Startech Group” or “our Group” : Our Company and our subsidiaries

“Proforma Group” : Our Company and our subsidiaries, treated, for the purpose of this Prospectus, as if it had been in existence since 1 January 1998 on the basis described in the Accountants’ Report

“Chemitec” : Chemitec Industrial Private Limited

“Hi-Tech” : Hi-Tech Materials Pte Ltd

“PV” : Pacific Vinitex Private Limited

“PV Group” : PV and its subsidiaries

“PVP” : PV Power Pte Ltd

“PVS” : PV Startech Pte Ltd

“PVSM” : PV Startech Marketing Limited

“Switech” : Switech Systems & Marketing Pte Ltd

“WES” : Weinixing Electronics (Shenzhen) Co., Ltd

**Other Companies or Bodies**


“CDP” : The Central Depository (Pte) Limited

“CEMCO” : Circuit Engineering Marketing Co. Ltd, UK

“CPF” : Central Provident Fund

“CUBIC” : CUBIC-Modulsystem A/S

“EDB” : Economic Development Board

“ENV” : Ministry of Environment

“ISO” : International Organisation for Standardisation, a worldwide federation of national standards bodies. Based in Geneva, Switzerland, ISO is a federation of national standards bodies from some 130 countries, whose mission is to develop industrial standards that facilitate international trade
“MNC” : Multinational corporation
“PSB” : Singapore Productivity and Standards Board
“PUB” : Public Utility Board
“SBI E2-Capital” : SBI E2-Capital Pte Ltd
“SCCS” : Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST” : Singapore Exchange Securities Trading Limited
“SGX SESDAQ” : Stock Exchange of Singapore Dealing and Automated Quotation System
“Teknek” : Teknek Electronics Ltd
“URA” : Urban Redevelopment Authority

General
“Act” or the “Companies Act” : The Companies Act, Chapter 50, of Singapore
“Application Forms” : The official application forms to be used for the purpose of the Invitation and which form part of this Prospectus
“Application List” : List of applications for subscription of the New Shares
“ATM” : Automated teller machine
“Audit Committee” : The audit committee of our Company
“Directors” : The directors of our Company
“Electronic Applications” : Applications for the Offer Shares made through an ATM of one of the Participating Banks or the IB website of one of the relevant Participating Banks in accordance with the terms and conditions as set out in Appendix D of this Prospectus
“EPS” : Earnings per Share
“Executive Officers” : The executive officers of our Company
“FY” : Financial year ended 31 December
“Hong Kong” : Hong Kong Special Administrative Region of the PRC
“IB” : Internet Banking
“Invitation” : The invitation by our Company to the public to subscribe for the New Shares in accordance with the terms and subject to the conditions of this Prospectus
“Issue Price” : $0.32 for each New Share
“Manager” : SBI E2-Capital
“Market Day” : A day on which the SGX-ST is open for trading in securities
“New Shares” : The 13,000,000 new ordinary Shares for which our Company invites applications to subscribe, subject to and on the terms and conditions of this Prospectus
“NTA” : Net tangible assets
"Offer" or "Public Offer": The Invitation by our Company of the Offer Shares to the public in Singapore for subscription at the Issue Price

"Offer Shares": The 1,300,000 New Shares which are the subject of the Offer

"Participating Banks": The Development Bank of Singapore Ltd ("DBS") (including its POSBank Services division); Keppel TatLee Bank Limited ("KTB"); Oversea-Chinese Banking Corporation Limited ("OCBC") Group (comprising OCBC and Bank of Singapore Limited); Overseas Union Bank Limited ("OUB") and United Overseas Bank Limited ("UOB") Group (comprising UOB, Far Eastern Bank Limited and Industrial & Commercial Bank Limited)

"Placement": The placement of the Placement Shares by the Placement Agents on behalf of our Company for subscription at the Issue Price, subject to and on the terms and conditions of this Prospectus

"Placement Agents": Keppel TatLee Bank Limited and RHB-Cathay Securities Pte Ltd

"Placement Shares": The 11,700,000 New Shares which are the subject of the Placement (including the Reserved Shares)

"PRC": People’s Republic of China, for the purpose of this Prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan

"Prospectus": This Prospectus published in respect of the Invitation

"RCL 1": The redeemable convertible loans granted to our Company by the RCL 1 Lenders pursuant to the RCL 1 Agreement

"RCL 1 Agreement": The redeemable convertible loan agreement dated 12 June 2000 entered into between our Company and the RCL 1 Lenders as supplemented, amended and/or modified from time to time and which term shall include the deeds of undertaking all dated 7 July 2000 signed between the Company and the RCL 1 Lenders

"RCL 1 Lenders": Collectively Mr Ang Cheng Moy, Double Assets Investments Limited, Knight Ventures Inc, Dr Hwang Yee Cheau, Mr Lee Chong Min, Mr Leong Yuen Min Joachim, Mr Seah Say Yoong, Silkino International Pte Ltd, and/or their assignees (if applicable)

"RCL 2": The redeemable convertible loans granted to our Company by the RCL 2 Lenders pursuant to the RCL 2 Agreement

"RCL 2 Agreement": The redeemable convertible loan agreement dated 28 December 2000 entered into between our Company and the RCL 2 Lenders as supplemented, amended and/or modified from time to time

"RCL 2 Lenders": Mdm Chew Lan Keak Melissa and Mdm Toh Leh Lan

"RCL": RCL 1 and RCL 2 collectively, as defined above
“Reserved Shares” : The 1,300,000 Placement Shares reserved for our Group’s Independent Directors, employees, business associates and those who have contributed to the success of our Group

“Restructuring” : A restructuring exercise undertaken in December 1999 pursuant to which our Company became the investment holding company of our Group as set out on pages 63 to 64 of this Prospectus

“Restructuring Agreement” : The agreement entered into on 31 December 1999 with the vendors named in the agreement and our Company relating to the acquisition by our Company of shares in PVS, Hi-Tech and Switech in exchange for the issue of shares in our Company to the vendors

“Securities Account” : Securities account or sub-account maintained by a depositor with CDP

“Service Agreements” : The service agreements entered into between our Company and certain key management staff, as described in pages 100 and 101 of this Prospectus

“Share(s)” : Ordinary share(s) of $0.10 each in the capital of our Company

“Startech ESOS” : The share option scheme of Startech, the rules of which are summarised in pages 102 to 107 and set out in Appendix A of this Prospectus

“Underwriters” : Keppel TatLee Bank Limited and RHB-Cathay Securities Pte Ltd

“UK” : United Kingdom

“US” : United States of America

“US Person” : shall be as defined in the US Securities Act of 1933, as amended

“ft” : feet

“mm” : millimetre

“nm” : nanometer, equivalent to one millionth of a millimetre

“sq ft” : square feet

“sq m” : square metre

“%” : percentage or per centum

Currencies

“HK$” : Hong Kong dollars

“RMB” : Renminbi

“S$” or “$” and “cents” : Singapore dollars and cents respectively, unless otherwise stated

“US$” : US dollars
Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Prospectus and the Application Forms to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Prospectus and the Application Forms shall have the meaning assigned to it under the said Act or statutory modification as the case may be.

Any reference to any agreement or document in this Prospectus shall be to such agreement or document as may be amended, modified, varied and/or supplemented from time to time.

Any reference in this Prospectus and the Application Forms to Shares being allotted to an applicant includes allotment to The Central Depository (Pte) Limited ("CDP") for the account of that applicant.

A reference to a time of day in this Prospectus and the Application Forms shall be a reference to Singapore time unless otherwise stated.

Any reference to “we”, “us” and “our” in this Prospectus is a reference to our Company, our Group or any member of our Group as the context requires.
GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of our Group, the following glossary provides an explanation on some of the technical terms and abbreviations used in this Prospectus relating to the industries where our Group operates.

“ASTA” : Association of Short Circuit Testing Authority, UK. ASTA carries out testing and certification of short-circuit protection devices and their combination with other items of low voltage switchgear

“BGA” : Ball grid array. A form of integrated circuit packages using solder balls in array form for interconnections with better soldering performance (reducing short circuit problems) and higher input/output density of above 300 pin counts, as compared to QFP (defined below)

“Box-Build” : Complete product assembly or assembly of boards with mechanical parts such as chassis and cover as a complete unit or system

“bus-bar” : An electrical conductor in the shape of a bar which carries electrical currents from point to point

“chassis” : The body or framework of an electronic device or equipment which could be made of metal alloy or plastic material

“chip on flex” : The process of mounting flip chips on flexible PCB (defined below)

“CMP” : Chemical mechanical polishing is a silicon wafer surface polishing process that combines physical abrasion with chemical. The wafer is rotated in contact with a polishing pad whilst an abrasive chemical is fed onto the pad to remove material from the wafer surface

“EMS” : Electronics manufacturing services

“Gerber” : The industry standard software/programme, developed by Gerber Scientific Instrument Company, for drawing PCB layer artwork. The artwork will be saved as a Gerber file, a widely accepted file format for photo-plotting and as input to generate many formats of PCB testing programme and component placement programme

“flip chip” : Flip chip technology is a process developed to mount an unencapsulated IC (defined below) onto a PCB. This reduces the space required for the assembly, and correspondingly requires greater accuracy in assembling the IC onto the PCB

“high voltage switchgear” : Switchgear, busbars and protection devices meant for the distribution of high voltage (above 6.6 kilovolts) supply from the utility provider’s source (in our case, a PUB substation) to the user’s transformers

“high volume” : The production of between tens of thousands to hundreds of thousands of units for every batch order

“IC” : Integrated circuit. A device consisting of a number of elements such as transistors, diodes, resistors etc. which are fabricated and interconnected on a single chip of semiconductor material
"IEC" : International Electrotechnical Commission

"IP" : A coding system for indicating the degree of protection provided by electrical equipment enclosures against accidental direct contact with live parts and against the entry of solid foreign objects or water

"ISO 9000 certification" : A set of specifications and guidelines set by ISO that have been adopted by many countries. Achievement of ISO 9000 serves as recognition of a company’s ability to produce products and services of international standard

"ISO 9002 certification" : The part of the ISO 9000 series which covers the following 19 areas: management responsibility; quality system; contract review; document and data control; purchasing; control of customer-supplied product; product identification and traceability; process control; inspection and testing; control of inspection, measurement and test equipment; inspection and test status; control of non-conforming product; corrective and preventive action; handling, storage, packaging, preservation and delivery; control of quality records; internal quality audits; training; servicing; and statistical techniques

"KEMA" : Keuring van Elektrotechnische Materialen, a Dutch testing authority which provides various testing and verification services for electrical switchgear in the electrical industry

"LCD" : Liquid crystal display, which is used for displaying graphic, text and numeric messages

"low volume" : The production of between hundreds to thousands of units for every batch order

"low-K dielectric" : Dielectric is an insulating material used to electrically isolate specific elements, devices and layers within an IC. K-value is the dielectric constant which measures the dielectric property of a dielectric material. Typically, low-K dielectric material is of K-value of 3 and below, and is used in finer circuit line-width of 180 nm node or lesser to increase circuit speed of the IC device

"LV switchgear" : A low voltage (up to 600 volts) electrical switchboard which essentially comprises an assembly of electrical control systems, bus-bars and bus-bar insulation supports. The main purpose of the LV switchgear, normally located near the main source of electrical power supply, is to channel electricity to different paths of electrical loads. It also provides for switching and circuit protection

"M & E" : Mechanical and electrical

"metallisation" : The process of depositing metal at high temperature onto a wafer surface to form the conductive traces of the IC chips

"OEM" : Original equipment manufacturer

"PCB" : Printed circuit board. A flat board made of non-conductive material, such as plastic or fibreglass, onto which electrical components are mounted and connected electrically by a circuit pattern formed on the board by application of photographic, chemical and electroplating processes. It can be rigid or flexible, single or multi-layered
Printed circuit board assembly (PCBA)

A light-sensitive film spun onto a wafer surface and “exposed” using high-intensity light through a mask. The exposed photo-resist is dissolved in a developing solution, leaving a pattern of photo-resist which allows plasma etching to take place in some areas while preventing it in others.

A high energy gas made up of ionised particles (plasma)

A dry-etch process using reactive gases energised by a plasma field, to remove unwanted resin smear from the inside of holes (plasma etch)

The process of transferring patterns using light onto a semiconductor wafer surface to manufacture integrated circuit devices (Photo-Lithographic process)

The subsequent wet polymer residue removal step which follows the dry-etching of deposited metallisation on the wafer (Post Metal-Etch Process)

The subsequent wet polymer residue removal step which follows the dry-etching of deposited oxide layer to open up via-hole (Post Via-Etch Process)

Plated-through-hole. The conventional way of assembling through-hole leaded components on the PCB (PTH)

Quad flat packaging. A form of integrated circuit packaging using peripheral leads (gull wing) usually for pin count from 44 to 300 for interconnections with other components mounted on PCB with SMT process (QFP)

Random access memory. A memory that may be written to, or read from any address location in any sequence. Also called a read/write memory. Random access in the sense of providing access to any storage location in the memory. Stores digital bits temporarily and can be rapidly changed as required. RAM constitutes the basic read/write storage element in computers (RAM)

Request for Proposal. A document issued by the customer setting out details and specifications for a project. The specifications for each of the various work packages required under the project are spelt out in detail for the prospective contractors/subcontractors to study and revert with a proposal (RFP)

Request for Quotation is issued by a prospective customer soliciting quotes for production services based on his specifications for a product, including design, list of materials, delivery schedule, etc (RFQ)

Surface mount technology. A PCBA process whereby surface mount or leadless components are mounted on the PCB using pick and place machines (SMT)

An assembly of main and auxiliary switching devices for the operation, regulation, protection and control of electrical installations (switchgear)

A series of tests conducted on LV switchgear which includes short circuit test, temperature rise and IP test conducted by the various accreditation bodies for compliance with IEC standards (type-test)
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<td>&quot;Via&quot;</td>
<td>Small hole used solely to interconnect tracks on different layers of the circuit</td>
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<td>&quot;wafer&quot;</td>
<td>A thin, usually round slice of a semiconductor material, from which IC chips are made</td>
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DETAILS OF THE LISTING

LISTING ON SGX SESDAQ

Application has been made to the SGX-ST for permission to deal in, and for quotation of, all the Shares already issued as well as the New Shares and the Shares which may be issued pursuant to options granted or to be granted under the Startech ESOS on the Official List of SGX SESDAQ. Such permission will be granted when our Company has been admitted to the Official List of SGX SESDAQ. Acceptance of applications will be conditional upon permission being granted to deal in, and for quotation of, all the issued Shares as well as the New Shares and the Shares which may be issued pursuant to options to be granted under the Startech ESOS. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or benefit arising therefrom and at the applicant’s own risk, if the said permission is not granted.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX SESDAQ is not to be taken as an indication of the merits of the Invitation, our Company, Startech ESOS, our subsidiaries, our Shares or the New Shares.

Our Directors individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed are fair and accurate in all material respects as at the date of this Prospectus and there are no other material facts the omission of which would make any statement in this Prospectus misleading.

No person is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by our Company or the Manager. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our Group or in any statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur and are material or are required to be disclosed by law and/or the SGX-ST, we will make an announcement of the same to the SGX-ST and lodge a supplementary document or replacement document pursuant to Section 50A of the Act and take immediate steps to comply with said Section 50A. All applicants should take note of any such announcement and, upon release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our Group. This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the New Shares or for any other purpose. This Prospectus does not constitute an invitation to subscribe for the New Shares in any jurisdiction in which such invitation is unauthorised or unlawful nor does it constitute an offer or invitation to any person to whom it is unlawful to make such offer or invitation.

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, from:

RHB-Cathay Securities Pte Ltd
9 Raffles Place #25-01
Republic Plaza
Singapore 048619

Keppel TatLee Bank Limited
63 Market Street
KepBank@Central
Singapore 048942

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore.

The Application List will open at 10.00 a.m. on 26 July 2001 and will remain open until 12.00 noon on the same day or for such further period or periods as our Directors may, in their absolute discretion, decide, subject to any limitation under all applicable laws.
STRUCTURE OF OUR INVITATION

This section should be read in conjunction with, and is qualified in its entirety by reference to, the section entitled “Terms, Conditions and Procedures for Applications” in Appendix D of this Prospectus.

The Invitation structure is as follows:

- **Invitation**
  - 13,000,000 New Shares at $0.32 for each Share

- **Placement**
  - 11,700,000 Placement Shares (90.0% of Invitation)

- **Public Offer**
  - 1,300,000 Offer Shares (10.0% of Invitation)

- **Reserved Shares**
  - 1,300,000 Reserved Shares (10.0% of Invitation)

  - 10,400,000 Placement Shares (80.0% of Invitation)

The Invitation is open for application by members of the public in Singapore, subject to and on the terms and conditions in this Prospectus (including Appendix D).

1. **Public Offer Tranche**

   The Public Offer is open to members of the public in Singapore as well as to institutional and professional investors. Investors may apply for New Shares under the Public Offer Tranche by way of printed Offer Shares Application Forms or by way of electronic applications through the ATMs belonging to the Participating Banks (“ATM Electronic Applications”) or through Internet Banking ("IB") websites of the relevant Participating Banks ("Internet Electronic Applications”, which together with ATM Electronic Applications, shall be referred to as “Electronic Applications”).

   The terms and conditions and the procedures for application of New Shares under the Public Offer Tranche are set out in Appendix D of this Prospectus.

   Only one application may be made for the benefit of a person for New Shares under the Public Offer Tranche. A person submitting an application for New Shares in the Public Offer Tranche by way of a printed Offer Shares Application Form may not submit another application of New Shares by way of an Electronic Application and vice versa. A person submitting an application for the New Shares in the Public Offer Tranche by way of ATM may not submit another application of New Shares by way of an Internet Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected.

   The Public Offer Tranche of 1,300,000 New Shares at the Issue Price represents 10.0% of the Invitation and 1.6% of our post-Invitation issued and paid-up share capital.

   Allocation of New Shares under the Public Offer Tranche will be based on the level of valid applications received. In the event that the Public Offer Tranche and the Invitation on the whole are over-subscribed, there may be balloting and applicants who are not successful in the ballot will not receive any New Shares under the Public Offer Tranche while successful applicants in the ballot may receive less than the number of New Shares they applied for under the Public Offer Tranche.
(2) Placement Tranche

The Placement Tranche of 11,700,000 New Shares at the Issue Price represents 90.0% of the Invitation and 14.2% of our post-Invitation issued and paid-up share capital. The Placement Tranche comprises 1,300,000 Reserved Shares and 10,400,000 Placement Shares.

(i) Applications for Placement Shares (other than Reserved Shares)

The Placement will involve selective marketing of 10,400,000 New Shares to institutional and professional investors and other investors expected to have a sizeable demand for the New Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Application for Placement Shares (other than Reserved Shares) may only be made by way of printed Placement Shares Application Forms. The terms and conditions and the procedures for application of Placement Shares are set out in Appendix D of this Prospectus.

An investor who has agreed to subscribe for Placement Shares (other than Reserved Shares) or who otherwise subscribes for Placement Shares shall not make or procure to be made any separate application for Offer Shares. Such separate application will be deemed to be multiple applications and shall be rejected.

(ii) Applications for Reserved Shares

1,300,000 New Shares under our Invitation are subject to priority allocation to our Independent Directors, employees, business associates and those who have contributed to the success of our Group.

Application for the Reserved Shares may only be made by way of printed Reserved Shares Application Forms. The terms and conditions and the procedures for application of Reserved Shares are set out in Appendix D of this Prospectus.

An applicant making an application for the Reserved Shares using the Reserved Shares Application Form may submit one separate application for New Shares under the Public Offer Tranche in his own name either by way of an Offer Shares Application Form or through an Electronic Application or submit one separate application for Placement Shares (other than Reserved Shares) by way of a Placement Shares Application Form, provided he adheres to the terms and conditions of this Prospectus. Such separate applications will not be treated as multiple applications.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares as at the close of the Application List. Any of the Reserved Shares not taken up will be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares as at the close of the Application List. In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and the number of Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares shall be determined by ballot, or otherwise as determined by our Directors and approved by SGX-ST.

Investors may apply to subscribe for any number of New Shares in integral multiples of 1,000 Shares. In order to ensure a reasonable spread of shareholders, our Directors have the absolute discretion to prescribe a limit to the number of New Shares to be allotted to any single applicant and/or to allot New Shares above or under such prescribed limit as our Directors shall deem fit.
RESULTS OF APPLICATION AND DISTRIBUTION

We will publicly announce the level of subscription for New Shares and the basis of allocation of the New Shares, as soon as it is practicable after the closing date for applications:–

(i) through a MASNET announcement to be posted on the Internet at the SGX-ST website http://www.sgx.com; and

(ii) in the local English and Chinese newspapers.

If you make ATM Electronic Applications through the ATMs of the following banks, you may check the results of your Electronic Applications as follows:–

<table>
<thead>
<tr>
<th>Bank</th>
<th>Telephone</th>
<th>Available at ATM</th>
<th>Operating Hours</th>
<th>Service expected from</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBS</td>
<td>1800 222 2222</td>
<td>Internet Banking or Internet Kiosk</td>
<td>24 hours a day</td>
<td>7.00 p.m. of the balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://www.dbs.com(1)">www.dbs.com(1)</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KTB</td>
<td>222 8228</td>
<td>ATM</td>
<td>ATM</td>
<td>ATM — Evening of the balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phone Banking:</td>
<td>Phone Banking: 8.00 a.m. on the day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mon – Fri:0800–2200</td>
<td>after the balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sat: 0800–1500</td>
<td></td>
</tr>
<tr>
<td>OCBC</td>
<td>1800 363 3333</td>
<td>ATM</td>
<td>ATM — 24 hours a day</td>
<td>Evening of the balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phone Banking —</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>24 hours a day</td>
<td></td>
</tr>
<tr>
<td>OUB</td>
<td>1800 224 2000</td>
<td>OUB Personal Banking</td>
<td>Phone Banking:</td>
<td>Evening of the balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://www.oub2000.com.sg(1)">www.oub2000.com.sg(1)</a></td>
<td>24 hours a day</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>OUB Mobile Buzz(2)</td>
<td>Internet Banking:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>24 hours a day</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>OUB Mobile Buzz —</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>24 hours a day</td>
<td></td>
</tr>
<tr>
<td>UOB</td>
<td>1800 533 5533</td>
<td>ATM (Other Transactions — “IPO Enquiry”)</td>
<td>ATM/Phone Banking:</td>
<td>6.00 p.m. on the</td>
</tr>
<tr>
<td></td>
<td>1800 222 2121</td>
<td></td>
<td>24 hours a day</td>
<td>balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://www.uobgroup.com(1)(3)">www.uobgroup.com(1)(3)</a></td>
<td>Internet Banking:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>24 hours a day</td>
<td></td>
</tr>
</tbody>
</table>

(1) If you make your Internet Electronic Application through the IB website of DBS, OUB or UOB Group, you may check the result through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of DBS, OUB or UOB Group.

(2) If you make your Electronic Applications through the ATMs or IB website of OUB and have activated your OUB Mobile Buzz service, you will be notified of the results of your Electronic Application via your mobile phone.

(3) If you make your Electronic Applications through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal UniBanking, UOB ATMs or UOB Phone Banking Services.

If your ATM Electronic Application is made through the ATMs of DBS (including those of its POSBank Services division), KTB, OCBC Group, OUB or UOB Group and is unsuccessful, no notification will be sent by such Participating Bank.

If your Internet Electronic Application made through the IB website of DBS, OUB or UOB Group is unsuccessful, no notification will be sent by such Participating Bank.
INDICATIVE TIMETABLE FOR LISTING

In accordance with the SGX-ST's News Release of 28 May 1993 on the trading of initial public offering shares on a “when issued” basis, an indicative timetable is set out below for the reference of applicants:

<table>
<thead>
<tr>
<th>Indicative date/time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 July 2001, 12 noon</td>
<td>Closing date and time for applications</td>
</tr>
<tr>
<td>27 July 2001</td>
<td>Balloting of applications, if necessary (in the event of an oversubscription for the Offer Shares)</td>
</tr>
<tr>
<td>30 July 2001, 9.00 a.m.</td>
<td>Commence trading on a “when issued” basis</td>
</tr>
<tr>
<td>7 August 2001</td>
<td>Last day of trading on a “when issued” basis</td>
</tr>
<tr>
<td>8 August 2001, 9.00 a.m.</td>
<td>Commence trading on a “ready” basis</td>
</tr>
<tr>
<td>14 August 2001</td>
<td>Settlement date for all trades done on a “when issued” basis and for all trades done on a “ready” basis on 8 August 2001</td>
</tr>
</tbody>
</table>

The above timetable is only indicative as it assumes that (i) the closing of the Application List takes place on 26 July 2001, (ii) the date of admission of our Company to the Official List of the SGX SESDAQ will be 30 July 2001, (iii) the SGX-ST’s shareholding spread requirement will be complied with and (iv) the New Shares will be issued and fully paid up prior to 30 July 2001. The actual date on which the Shares will commence trading on a “when issued” basis will be announced when it is confirmed by the SGX-ST.

In the event of a change in the closure of the Application List which may result in the lengthening or the shortening of the time period during which the Invitation is open, we will publicly announce such changes:

(a) through a MASNET announcement to be posted on the Internet at the SGX-ST website http://www.sgx.com; and

(b) through a paid advertisement in a major local English newspaper.

The above timetable and procedure may be subject to such modifications as the SGX-ST may in its discretion decide, including the decision to permit trading on a “when issued” basis and the commencement date of such trading. All persons trading in the Shares on a “when issued” basis, if implemented, do so at their own risk. In particular, persons trading in the Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if “when issued” trading ends sooner than the indicative date mentioned above. Persons who have a net sell position traded on a “when issued” basis should close their position on or before the first day of “ready” basis trading.

Investors should consult the SGX-ST announcement on the “ready” listing date on the Internet (at the SGX-ST website http://www.sgx.com), INTV or the newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

We will provide details of the results of the Invitation through the channels in (a) and (b) above.
PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this Prospectus. Since the summary does not contain all the information that you should consider before investing in our Shares, it is advised that you read the entire Prospectus carefully before making an investment decision. This Prospectus contains forward-looking statements, which involve risks and uncertainties. Our results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in “Risk Factors”, the consolidated financial statements and the related notes.

OUR COMPANY

We were incorporated in Singapore under the name of PV Startech Holdings Pte Ltd (registration no. 199906220H) on 12 October 1999 as a private company limited by shares, to assume the role of a holding company for our Group. We changed our name to Startech Electronics Pte Ltd on 5 February 2001 and upon our change of status to a public limited company, we have been renamed Startech Electronics Ltd since 2 July 2001.

Our place of business is located at 13 Woodlands Walk, Singapore 738318. Our contact number is (65) 756 1602 and our facsimile number is (65) 756 7300. Our website is at http://www.startechgrp.com. Information at our website does not constitute a part of this Prospectus.

OVERVIEW OF OUR GROUP

Our principal business is the provision of electronics manufacturing services, whereby we assemble PCBs on a contract basis for OEM customers. This core business is supplemented by our distribution business and switchgear design & assembly business which add diversity to our earnings base.

Electronics manufacturing services (“EMS”)

We started our EMS business in 1989 with one production line and it has since expanded to seven lines, including two lines in the PRC. This is our core business, accounting for 76.8% of our Group’s revenue for FY2000 (it accounted for 59.7% and 61.1% of Group’s revenue in FY1998 and FY1999 respectively). Our EMS operations entail the assembly of electronic components onto PCBs in accordance with the specifications provided by our OEM customers. We provide such services either on a consignment or turnkey basis, and we also engage in Box-Build projects whereby we assemble the complete product. In the PCBA process, we employ a combination of SMT and PTH technologies and we can also support chip on flex production technologies.

To augment the basic PCBA services, we provide value-added services such as:-

(i) production engineering support by providing design recommendations to OEMs so that their products can be more efficiently produced (by minimising production steps, thereby reducing the production time of a unit of PCBA);

(ii) prototype production runs (as further detailed on page 72 of this Prospectus) to support our client’s prototype development; and

(iii) supply chain management service whereby we source for and procure components on behalf of our customers through our network of approved vendors, marketing/procurement representatives, and manage the scheduling of raw materials.

We have traditionally focused on the high mix/low-to-medium volume segment of the EMS market. High mix refers to high diversity of product types, each requiring a different set of machine configurations. As such, we are versatile in our operations (as mentioned on page 73 of the prospectus, the layout of the production lines are planned for ease of reconfiguration) and we are able to take on projects that require a higher degree of non-standard processes such as Box-Build projects. Such production processes require more customised/non-standard processes such as
assembly of the PCBAs into the chassis as discussed on page 73 of this Prospectus). Focusing on
this market segment has helped us to establish a base of 16 EMS customers, none of whom
accounted for more than 27% of our Group's turnover in the three financial years ended 31
December 2000. Please refer to the section entitled “Major Customers” on page 88 of this
Prospectus for further details.

We expanded our manufacturing operations into the PRC with the set-up of the Shenzhen plant which
became fully operational in August 1999. This expansion allows us to be closer to the end-markets of
our customers who have a regional presence, and to reap the benefits of lower production cost.

Our EMS business has been ISO 9002 certified since 1997.

Distribution Business

Distribution business accounted for 26.6%, 21.4% and 16.5% of our Group’s revenue for FY1998,
FY1999 and FY2000 respectively. The products we distribute include machinery and associated
consumables used by the electronics manufacturing industry, which accounted for approximately
9.7% of our Group’s revenue for FY2000 and specialty chemicals used in the wafer fabrication
process, which accounted for approximately 6.8% of our Group’s revenue for FY2000.

The machinery we distribute includes contact cleaning machines from Teknek Electronics Ltd
(“Teknek”). Such machines are used to remove dry unattached surface contaminants from
substrates before production steps like dry film lamination and photo exposure during the production
of PCBs and etched lead-frames. This is further described on page 74 of this Prospectus. We also
distribute hot air solder levelling machines from Circuit Engineering Marketing Co. Ltd, UK
(“CEMCO”) (which are used for applying solder coating onto exposed copper surfaces on a PCB).
The customers who buy these products are the manufacturers of PCBs, LCDs and etched lead-
frames used in the making of semiconductor chips. We deal in the consumables associated with
these machinery such as adhesive rolls, chemicals, dry film and replacement parts. We have been
the distributor for Teknek since 1988 and CEMCO since 1989, and we also provide maintenance
support and parts for the machines that these principals supply.

Our other line of distribution products includes specialty chemicals and materials (such as precious
metal conductive and resistive paste) and related equipment used by the semiconductor and wafer
fabrication industries. The most prominent product line in this category is Ashland-ACT’s range of
photo-resist stripping agents used in the wafer fabrication industry. Since our appointment as
Ashland-ACT’s distributor in November 1997, we have been successful in promoting its products to
six out of eleven operating wafer fabrication plants in Singapore. Apart from the distribution of these
products, we are involved in customising these chemicals to suit the specific needs of our customers
by facilitating the trouble-shooting process between the customers and the technical staff at Ashland-
ACT. For instance, if a certain chemical formulation used by the customer has a corrosive effect on
other sensitive metals on a wafer, we would submit a field report to Ashland-ACT’s technical staff.
Based on our feedback, Ashland-ACT will re-formulate the stripper chemistry to rectify the problem.

Switchgear Design & Assembly

Further diversification of our earnings base is achieved through our switchgear design & assembly
business which has a low performance correlation to the electronics sector. For FY1998, FY1999
and FY2000, this business contributed 13.7%, 17.5% and 6.7% of Group’s revenue respectively.
The two co-founders of this business, Mr Yap Soo Kiat and Mr Yong Kuen Shoo, collectively have
more than 40 years of relevant experience in designing and assembling LV switchgear which are
used in government infrastructure projects such as sewerage treatment plants. These LV
switchgears are control panels that provide switching and circuit management for the low voltage
electrical systems such as pumps and motors which are used in infrastructure installations. We
design, assemble, and install the switchgear as a subcontractor largely to projects put on tender by
ENV. We supply a wide range of products and services related to switchgear design & assembly and
associated parts. Our direct customers consist of mechanical and electrical contractors, consultants
and building owners. We have maintained a good relationship with ENV, consultants and other main
contractors focusing on ENV’s projects, as we have been the subcontractor for more than 18 of ENV’s switchgear installation works for water and sewerage treatment projects since 1993.

We are one of the switchgear designers and assemblers frequently engaged for ENV projects. We believe this is because we are able to comply with ENV’s product and quality specifications by using CUBIC-supplied bus-bar systems and steel frameworks which are type-tested and certified by accredited quality testing agencies.

BUSINESS STRATEGY/FUTURE PLANS

Based on our Directors’ experience and knowledge of the EMS industry, we believe that the outsourcing trend for electronic manufacturing will continue as more OEMs seek to enjoy the advantages of outsourcing (further discussion on the outlook of the EMS industry can be found on page 51 of this Prospectus). We plan to achieve growth by capitalising on this outsourcing trend as well as the projected growth in the wafer fabrication industries, EDB’s intention being to further develop Singapore’s wafer fabrication industry by increasing the number of wafer fabrication plants from 11 to 25 by 2005 (announced by the EDB, as reported in The Straits Times on 16 December 2000).

For our EMS business, we intend to expand our production capacity by approximately 40% by acquiring three additional SMT lines by June 2002. We plan to enhance our EMS services by adopting the following measures:

(i) strengthening our engineering capability, by employing and training more production and process engineers to provide value-added services to our customers (such as rendering engineering advice to customers to enhance the manufacturability of their products);

(ii) strengthening our materials procurement ability, through maintaining good relationships with our existing suppliers and establishing relationships with new suppliers;

(iii) where opportunities arise, we would also expand our capacity and range of products and services through mergers and acquisitions or joint ventures;

(iv) to provide more responsive and more cost-effective manufacturing support for our customers with operations and end-markets in North Asia. In this respect, we are exploring the feasibility of expanding our PRC operations. This is to take advantage of the proximity to our customers’ end-markets, which will translate to shorter delivery time and lower freight charges for our customers. In addition, we will also enjoy lower labour and overhead expenses in the PRC; and

(v) we plan to appoint more marketing and procurement representatives in other strategic locations (such as the US and UK) over the next two years so as to enhance our network for the purpose of material sourcing and sourcing of new business contracts.

For our distribution business, we will strive to obtain new distributorships for products that are related or complementary to the range of products we currently distribute. We are always on the lookout for such related or complementary products and we are currently in preliminary discussions with a few potential new principals. We believe we can utilise the same channels to distribute any new complementary products to the same client base. We will strive to more thoroughly penetrate the market for the photo-resist stripping agents that we currently distribute to. As mentioned on page 19 of this Prospectus, we have successfully marketed to six out of eleven operating wafer fabrication plants in Singapore. As for our switchgear design & assembly business, we intend to take advantage of the capability and experience gained from infrastructure projects to expand our business into new markets, such as those for residential and commercial projects. In this respect, we will continue to rely on the experience of the two co-founders of our switchgear design & assembly business, namely Mr Yap Soo Kiat (who has 23 years of relevant experience) and Mr Yong Kuen Shoo (who has 21 years of relevant experience).
COMPETITIVE STRENGTHS

We have a pool of 16 customers for our EMS business. This represents a potential source for future business as our Group can benefit from the growth of any of these customers. These customers have shown stable growth over the past years and we will benefit if they continue to grow. The relationships with our customers have been satisfactory as evidenced by the high rate of 90% repeat orders. We have also been able to secure new customers, for instance, MSL Technology Services (M) Sdn Bhd and Advent Electronics Pte Ltd in FY2000. Our Directors also feel that as a result of our concentration in the “high mix” EMS business, we have developed versatility in our operations. Our production lines, for instance, are set up in a modular fashion so as to facilitate quick reconfigurations. This makes us more competitive in vying for high mix/low-to-medium volume orders. We enhance our competitiveness by integrating our basic PCBA operations with other value-added services such as supply chain management services (through sourcing and procurement of electronics components), design services to ensure manufacturability, development of testing tools (in pre-production stage) and logistics services (including inventory management).

Our distribution business and switchgear design & assembly business operate in markets with relatively few competitors in Singapore (please refer to our market position on pages 85 and 86 of this Prospectus). The photo-resist strippers, contact cleaning machines and LV switchgear are products that have very specific applications such as in wafer fabrication plants and ENV infrastructure projects where there are barriers to entry for potential competitors. For instance, in respect of potential competitors for our existing customer base for chemical stripping agents, the typical qualification period for a wafer fabrication customer to evaluate and switch over to a new stripper chemistry is about 18 months. The qualification process, which involves much engineering time, resources and cost, acts as a barrier to entry for competitors. Unless the existing stripper chemistry has serious shortcomings in performance, it is unlikely that the customer will consider a change. The range of machinery and specialty chemicals that we carry are from accredited principals such as Ashland-ACT, Teknek and CEMCO (who rank amongst the largest in their respective markets), and our Directors believe that these products compare favourably with other competitors (please refer to the section entitled “Business” on page 72 of this Prospectus for discussion on our principals). We believe we are competitive in the switchgear design & assembly business because we are familiar with the requirements of the major customer, ENV. We have participated in more than 18 ENV projects since 1993. This represents more than 50% of ENV’s switchgear installation works for water and sewerage treatment projects for which we participated in the tender since 1993.

Another of our competitive strengths is our strong management. All three of our businesses are headed by the respective management teams who founded their respective business divisions. Our management teams have extensive technical knowledge, business experience and long-standing relationships with suppliers and customers, which they can use to serve the interests of our Group.
THE INVITATION

Issue Size : 13,000,000 New Shares, which will, upon registration in the name of CDP or its nominee, rank pari passu in all respects with the then existing issued Shares.

Issue Price : $0.32 for each New Share.

Purpose of the Invitation : Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX SESDAQ will enhance our Group's public image. It will also provide members of the public, as well as the management, staff and business associates of our Group with an opportunity to participate in the equity of our Company.

Use of Proceeds : The net proceeds from the Invitation (after deducting estimated expenses in relation to the Invitation of $0.9 million) are estimated to be approximately $3.3 million. We intend to use the net proceeds in the following manner:

(a) approximately $1.0 million for expansion of our operations as further detailed on page 51 under the heading “Business Strategy, Prospects and Future Plans” of this Prospectus;

(b) approximately $1.1 million for repayment of bank borrowings as further detailed on pages 56 and 57 of this Prospectus; and

(c) the balance of approximately $1.1 million for working capital to finance our continued growth and development.

We may, from time to time, acquire or make investments in additional businesses, products and technologies or establish joint ventures or strategic alliances that we believe will complement and enhance our current and future business. Some of these acquisitions or investments could be material.

Pending the deployment of net proceeds as aforesaid, the net proceeds will be added to our Group’s working capital or used for investment in short-term money market instruments and/or to repay short-term bank borrowings as our Directors may deem appropriate.

Reserved Shares : 1,300,000 of the 13,000,000 New Shares will be reserved for our Group’s Independent Directors, employees, business associates and those who have contributed to the success of our Group. In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy applications for the Placement Shares. Should the Independent Directors accept the Reserved Shares, they may hold, dispose of or transfer all or part of their respective shareholding in our Company after the Shares are listed on the SGX SESDAQ.

Listing Status : The shares will be quoted on the SGX SESDAQ, subject to admission of our Company to the Official List of the SGX SESDAQ and permission for dealing in and quotation of the Shares being granted by the SGX-ST.
SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the New Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory requirements of any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of the New Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the New Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by the Company, the Manager, the Underwriters and the Placement Agents to inform themselves about, and to observe and comply with, any such restrictions.

Without prejudice to the generality of the foregoing, this Prospectus is not an offer of securities for sale in the US. The New Shares may not be offered or sold in the US or to or for the account of US Persons absent registration or an exemption from registration under the US Securities Act of 1933, as amended. We do not intend to register the New Shares or conduct a public offering in the US. This Prospectus (and the information contained in it) is not for publication or distribution to persons in the US.
RISK FACTORS

You should carefully consider the following risk factors before deciding whether to invest in our Shares. These are not the only risks we face. Some risks are not yet known to us and there are others we do not currently believe are material but could later turn out to be so. All these risks could adversely affect our business. The trading price of our Shares could decline because of general market conditions or if any or all of these risks came to pass, and you could lose all or part of your investment. In evaluating the risks of investing in our Company, you should also evaluate the other information set forth in this Prospectus, including our financial statements and the notes accompanying them. The attention of prospective investors is drawn to pages 32 to 34 of the Prospectus, which sets out the risk in investing in our Shares arising from the uncertainties surrounding the financial position of one of our substantial shareholders.

GENERAL RISKS AFFECTING OUR GROUP’S BUSINESS

We are dependent on a few major customers

Amongst our customers, there are three in FY1999 and five in FY2000 (excluding ENV which we indirectly provide switchgear design & assembly services to through the main M & E contractors for the ENV projects), who individually accounted for 5% or more of our Group’s revenue (as referred to on page 88 of this Prospectus). Besides the EMS business, our switchgear design & assembly business is also exposed to customer-concentration risk as we act largely as the M & E subcontractor for infrastructure projects from the ENV. Although we have not experienced any significant reduction in orders for the past three financial years ended 31 December 2000, there is no assurance that we would be able to retain the same amount of orders from our customers. If, for some reason, we lose these customers or these customers significantly reduce the level of services or products ordered from us, our financial performance would be materially adversely affected.

We are dependent on our key personnel and senior management staff

Since inception, a few key executives have spearheaded the development and growth of our three businesses. These key executives continue to play very crucial roles in business development, marketing, engineering and production supervision. The critical factors such as relationships with customers and suppliers, and leadership attributes are largely in the hands of these individuals. Our continued growth is dependent on our ability to retain these key management staff and other experienced employees. In particular, we are reliant on (i) Mr Saw Chee Keang for leadership of the Group, and specifically for our core EMS business, (ii) Mr Choo Tian Wang and Mr Leow Peng Liam for the distribution business, and (iii) Mr Yap Soo Kiat and Mr Yong Kuen Shoo for the switchgear design & assembly business. These key executives are founders who have been responsible for developing our three respective businesses from inception to the Restructuring and will continue to play key roles in the operation as well as development of each of the businesses in future. In the event of any loss of the services of such key employees without adequate and timely replacement and the inability to attract and retain suitably qualified personnel may have an adverse impact on the performance of our Group. Details on our Directors’ working experience are disclosed under the section entitled “Directors, Management and Staff” starting from page 91 of this Prospectus. We are not covered by any key-personnel insurance policy.

Until his appointment as our Chairman and Chief Executive Officer, Mr Saw Chee Keang, was only responsible for leadership of the EMS business. His ability to lead the entire Group, including the other two business divisions, has not yet been fully tested. Should his leadership of our Group prove to be ineffective, our future development, including our financial performance, may be adversely affected.

We are exposed to the cyclicality of the electronics industry

With the exception of our switchgear design & assembly business (which services mainly government infrastructure projects), we principally operate in the electronics industry. The electronics sector is made up of various sub-segments, and these sub-segments, as well as the sector as a whole, have historically been volatile, alternating between industry upturns and downturns. These cycles arise out of a disequilibrium between supply and demand of the various components, services, and products of
the electronics industry. The cyclicity is especially pronounced for the electronics industry since it is highly dynamic with rapid technological developments. Our financial performance may be adversely affected if there is a prolonged downturn in the electronics industry.

**We had experienced negative working capital position before and we are heavily reliant on bank facilities to finance our operations**

In general, the time it takes for us to collect payments from our customers is longer than the time given to us to pay our suppliers. For the last three financial years ended 31 December 2000, our debtors’ turnover were 96 days, 102 days and 92 days respectively whereas our creditors’ turnover were 58 days, 89 days and 36 days respectively. We extend long credit terms to our customers because we believe that it would help us to secure EMS contracts from them. We also believe that it would help us to negotiate for better prices from our customers. Due to our relatively low cash position, and the inability to secure sufficient long-term loan facilities, we have relied on short-term bank borrowings such as trust receipts to finance the inventory over the time gap between payment to our suppliers and receipt from our customers. As long as the profit margin for a contract justifies the interest cost for financing the inventory over the aforementioned time gap, and we are satisfied with the ability of the customer to pay us as agreed, we will continue to engage in such contracts and rely on short-term borrowings to finance them. The use of trust receipts and other short-term borrowings increased in FY1998 when we started to take on more turnkey EMS contracts (which required materials financing) and as we carried a higher inventory of Ashland-ACT products for distribution. While we expect to secure more long-term bank facilities following our listing to ease our reliance on short-term loans, we will nonetheless remain reliant on the availability of bank facilities for our operations. Any significant withdrawal of facilities by any of our bankers, without adequate substitution by other bankers will, in particular, affect our ability to undertake turnkey projects and to carry the required distribution inventory. This may also affect our ability to pay our creditors.

In view of the above, we may encounter a negative working capital position if we do not properly manage our current liabilities and current assets. In FY1999, when the Proforma Group of companies were subsidiaries of PV, we did not have sufficient creditworthiness to secure the required long-term loan facilities from the banks. Further, due to a fixed and floating charge on all of PVS’s assets in connection with loans taken from a particular bank, we encountered difficulty in securing additional facilities from other banks at that time. As a result, our Directors had used $2.6 million of a $5.6 million overdraft to partially finance an acquisition of $4.1 million in plant and machinery. The use of short-term loans to finance long-term assets had an adverse effect on our working capital position, and was the main cause of our negative $2.5 million working capital position as at 31 December 1999 as disclosed on page 38 of this Prospectus.

Since then, our working capital position has improved to a positive $4.6 million as at 31 December 2000 largely due to conversion of $5.6 million of our short-term bank borrowings to term loans, and partly due to higher trade debtors in line with the turnover growth. Based on management accounts, our working capital position was a positive $5.5 million as at 31 May 2001. This has improved further with the conversion of the RCL (aggregating $2.5 million) into equity on 3 July 2001. However, if our Directors choose to finance long-term assets with short-term liabilities again in the future, our working capital position will again be adversely affected.

In view of our high debt to equity ratio, we may face difficulties in securing additional bank loans. Please refer to pages 57 and 58 of this Prospectus for discussion on our bank facilities.

**Our working capital position and our liquidity may be adversely affected if there is a significant increase in bad debts**

The improvement in our working capital position as at 31 December 2000 compared to the previous year was caused in part by the 50.2% (or $3.7 million) rise in our trade debtors. Although our debtors’ turnover is generally longer than the credit terms we extend to our customers, there has been no requirement to make any material provision for doubtful debts as we have been able to collect these debts successfully, albeit with a delay of about one to two months. With this pattern of successful but delayed debt collection, there has not been any material provision for doubtful debts in the last three years (disclosed on page 120 of this Prospectus, Note E2 of the Accountants’ Report). However, there is no assurance that there will not be any significant rise in doubtful debts in the future. If there is a
A significant rise in doubtful debts, and if we are not able to obtain any bridging loan from the banks, we may not have the means to pay our creditors on time.

**We are exposed to the risk of currency fluctuations**

A significant portion of our Group’s sales and purchases are denominated in foreign currencies as set out below:

<table>
<thead>
<tr>
<th>FY2000</th>
<th>US$</th>
<th>S$</th>
<th>Other currencies*</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of sales</td>
<td>46.3%</td>
<td>52.7%</td>
<td>1.0%</td>
</tr>
<tr>
<td>% of purchases</td>
<td>33.4%</td>
<td>62.8%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

* Other currencies include Deutsche Mark, Sterling Pounds, Eurodollar, RMB.

Our Group’s sales for FY2000 can be broken down as 46.3% in US$, 52.7% in S$ and the balance in other currencies. All revenue from our switchgear design & assembly business, which focuses on the Singapore market, are denominated in S$. The US$ sales are from our EMS business and distribution business. For our overseas EMS customers, we may quote or bill them in US$. We sometimes bill our customers in US$ for some of the contact cleaning machines we distribute.

Our cost of goods sold (“COGS”) for FY2000 can be broken down as 33.4% in US$, 62.8% in S$ and 3.8% in other currencies. The foreign currency purchases were incurred as we purchased some of the raw materials for our EMS business in US$ and other currencies. We also incurred foreign currencies purchases (in US$, Deutsche Mark and Sterling Pounds) for our distribution business and switchgear design & assembly business. This is because the principals for these two businesses, such as Ashland-ACT, CEMCO, CUBIC and Teknek, are overseas companies.

Due to our substantial amount of US$ sales and purchases, we may incur transactional losses/gains. Such foreign exchange losses/gains arise because transactions in foreign currencies are translated into S$ at the exchange rates in effect at the time of transactions, which may be different from those prevailing at the points of payments to our suppliers and receipts from our customers. Please refer to page 41 of this Prospectus for further details on our foreign currency exposure.

We do not actively adopt any hedging strategies to cover our foreign exchange exposure. We will evaluate the commercial efficacy of such hedging strategies on a case-to-case basis for future foreign currency denominated transactions.

**We may require additional funding for our future growth**

Although we have identified our future plans as set out on pages 51 to 54 of this Prospectus as the avenues to pursue growth in our business, we are unable to accurately predict the total amount of funding that is required to implement these plans. We may also chance upon opportunities to grow through acquisitions which cannot be predicted at this juncture. Under such circumstances, the issue proceeds from the Invitation may not be sufficient for us to capitalise on and develop these growth opportunities. Secondary issue(s) of securities after the Invitation may be necessary to raise the required capital. If new Shares are issued after the Invitation, they may be priced at a discount to the then prevailing market price of our Shares trading on the SGX SESDAQ, in which case, shareholders’ equity interest will be diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS may be diluted, and this could lead to a decline in our share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

**Short Leases of factory spaces in Woodlands and PRC**

We have entered into lease agreements with PV and Dong Wan Industrial Co., Ltd (Shenzhen City) for the leasing of factory space for our Woodlands premises and Shenzhen plant respectively. The lease for our Woodlands premises will expire on 30 November 2002, with an option for extension of a further two years at the then prevailing market rates, while that of the Shenzhen plant will expire on 31 December 2001. There is however no guarantee that we will succeed in renewing these leases at the end of the contract period with the respective parties. Even if we are able to renew the existing leases, there is a possibility that the rental and other charges would be higher than the rate at which
we are currently paying (please see rental price comparison table on page 108 of the Prospectus). In addition, the terms and conditions may change, which may make it more costly for us to comply with them. Any failure to renew existing lease agreements, and/or higher rental charges and compliance costs (such as costs incurred to reconfigure the layout of the new premises) would have an adverse material impact on our financial performance.

RISKS RELATED TO THE SPECIFIC BUSINESS SEGMENTS

Electronics Manufacturing Services (“EMS”)

We are reliant on the relationship with our suppliers and are exposed to the risk of component shortages and price fluctuations

EMS services accounted for 59.7%, 61.1% and 76.8% of our Group’s revenue for FY1998, FY1999 and FY2000 respectively. In FY2000, 81.9% of our EMS revenue (or 62.9% of our Group’s revenue for FY2000) was derived from turnkey contracts, wherein we are responsible for procuring components for our customers. Although we have a network of local and overseas suppliers for our EMS business worldwide, there is no contractual arrangement with these suppliers to ensure availability of the required components. This is due to the practical difficulty in obtaining contractual arrangements with the large number of suppliers to procure all the materials required in each type of order. Our ability to respond competitively to a customer’s RFQ depends on whether these suppliers are able to provide us with quotes in a timely fashion. The supply of components is done on commercial terms, and we may not have the same advantages (in terms of price and allocation) as a bigger competitor that is able to offer better payment terms to the suppliers. This may be exacerbated for components that are in short supply (such as RAM, flash memory chips, etc). Any unavailability of components, or lengthy lead-times in the delivery of the required components will seriously impair our ability to secure orders. Even if the customer has accepted a lead-time committed by our suppliers, any shipment delay on the part of our suppliers will also result in delays in the delivery of our end products, and would therefore affect our financial performance since there will be a delay in income recognition. Further, such delays would result in delays in receipts from our customers. This would then result in cost overruns since we would have to incur higher interest costs for carrying the inventory longer than expected (since we only repay the financiers of our materials upon receipts of payment from our customers). We have not experienced any late delivery penalties for delays as these delays were attributable to late delivery of components by our suppliers, and sufficient notices were given to our customers.

In times of uncertainty in the component supply situation, prices of certain components may fluctuate rapidly such that the prices at the point of commitment to our customers differ from those at the time of actual billing. In very rare instances, we may not be able to pass on such price increases to the customers. Although our financial performance has so far not been adversely affected by such price fluctuations to any material degree, it may still affect our financial performance in future if there is a change in the contractual terms with our customers such that we are unable to pass the price increases to them.

We may be affected by the level of competition in the EMS business

To the best of our Directors’ knowledge, there are about 60 companies in the local EMS industry. Each of these companies has the potential to be our competitor although differences in cost structures may discourage some of them from competing for our customers. Our Directors believe that there are around 10 to 15 comparable companies in Singapore that target the same segment as PVS, including CEI Contract Manufacturing Limited and Jurong Technologies Industrial Corpn. Ltd (please refer to further details on page 83 of this Prospectus). These companies come largely from the high mix/low-to-medium volume segment and target, or are more likely to target, the same customer segment as we do.

Customers evaluate EMS companies based on their time-to-market, reliability, quality, manufacturing competence and available capacity. So far, the growth in demand in the EMS industry has moderated any detrimental impact of competition for players in the EMS market. However, any significant increase in the level of competition in our targeted market segment in the future may adversely affect our performance. Our competitors may succeed in winning over our customers, or in winning new contracts we are targeting. This would reduce our sales or curb our sales growth. We may have
to respond with more competitive pricing and if this is not coupled by a corresponding cost reduction, we would suffer from reduced profit margins.

**We are dependent on the continuation of the global trend for OEMs to outsource production**

The prospects for growth in our EMS business are dependent on the continuation of the global trend for OEMs to outsource production. Some of the factors that encourage outsourcing are discussed on page 51 of this Prospectus. We believe that this trend has spurred our growth in the past. Our future growth will also be dependent on whether the outsourcing trend would continue. Should this trend weaken because more OEMs decide to do production in-house instead of outsourcing, for whatever reasons, our growth would be adversely affected.

**Our success is dependent on our ability to adapt to changes in manufacturing technology**

Our Directors believe that as more sophisticated products, such as miniaturised electronic goods, are developed by our customers, our ability to compete effectively will depend on our ability to adopt the required production technologies to cater to their needs. Our financial performance may be affected if we are not as efficient as our competitors in acquiring the new production technologies that may be required to meet the new production specifications of our customers and potential customers. Although we have successfully adapted to technological changes in the past, we may encounter difficulties in catching up with the rapidly changing technological requirements of our customers in future. We may also be prevented from acquiring the relevant technologies due to limitations of our financial resources.

We are also indirectly affected by our customers’ ability to keep up with the rapid developments in their respective product segments and react to the competitive product offerings and evolving demands in the market place. If they fail to develop new products to keep pace with market demands, their sales would be adversely affected, as would their demand for our services and this would have an adverse impact on our financial performance.

**Distribution Business**

Our distribution income will be severely affected if any of our distribution agreements are terminated

Our distribution business accounted for 26.6%, 21.4% and 16.5% of our Group's revenue in FY1998, FY1999 and FY2000 respectively. As is the case with the distribution business in general, we are reliant on the continuation of the distribution arrangements that we have with our principals, such as Teknek, CEMCO and Ashland-ACT. We have been appointed as the distributor for Teknek (in Singapore and Malaysia) and CEMCO (in Singapore, Malaysia, Thailand and Vietnam) for more than 10 years and for Ashland-ACT (in Singapore and Thailand) since November 1997. Our distribution agreements are renewable on an annual or bi-annual basis. They can also be terminated with notice of 60 to 90 days. Should any such distribution arrangements be discontinued, in particular for major product lines (such as the range of photo-resist strippers from Ashland-ACT), there would be material adverse impact on our future financial performance.

**Switchgear Design & Assembly Business**

We face increasing competition in tendering for government infrastructure projects

Our switchgear design & assembly business contributed to 13.7%, 17.5% and 6.7% of our Group’s revenue for FY1998, FY1999 and FY2000, respectively. This business entails the design, assembly and sale of LV switchgear. We target mainly the water treatment and sewerage treatment projects that are put on tender by statutory boards. We supply such services as the accepted subcontractor for the M & E package of the work scope. In tendering for such projects, we face competition from other subcontractors who bid for the same job with other main contractors. We generally compete based on factors such as track record, reliability, quality of services, ability to meet deadlines, and pricing. The level of competition will rise if more companies engaged in switchgear design & assembly also begin to target government-infrastructure projects. If statutory boards such as ENV accept more of such subcontractors for the supply of switchgear, our position in this niche market will be threatened. Any significant increase in the level of competition will erode our profit margins as we will have to trim our profit margins to stay competitive. The likelihood of us securing the project will
also diminish as a result of increased competition. This scenario may result in a material adverse effect on our future financial performance.

We are dependent on the fiscal spending on government infrastructure works and being selected by the main contractors to participate in such projects

Our LV switchgears are mainly supplied to the government infrastructure projects (water and sewerage treatment projects) of ENV in Singapore. Our revenue from this business is therefore dependent on the fiscal spending pattern of the Singapore government on such projects.

We are able to participate as subcontractor for ENV projects because we have been accepted and recognised by ENV to carry out M & E works for them, having participated in more than 18 ENV water and sewerage treatment projects since 1993. The pre-acceptance is based on criteria such as a proven track record, quality of work, ability to meet the technical specifications and deadlines, and pricing. Should we fail to satisfy any of ENV’s individual project specifications, we face the risk of being barred from bidding for future ENV projects, and our financial performance would be adversely affected.

We may be liable for liquidated or other damages if there are delays in the completion of our projects, thereby affecting our financial performance

For the ENV projects that we participate in, we may encounter unforeseen circumstances which could result in work disruptions possibly delaying the completion of projects. Reasons for such delays could possibly include inclement weather, delays in delivery of the required materials, etc. Such delays may result in cost overruns and we may have to pay liquidated or other damages in the event that such delays are attributable to us, and our financial performance would be adversely affected.

RISKS ASSOCIATED WITH OUR OPERATION IN THE PRC

WES is our wholly-owned subsidiary located in Shenzhen, PRC, and is set up as an extension of our manufacturing arm with a paid-up capital of HK$6.45 million. WES takes production orders mainly from within our Group. WES commenced operations in August 1999 and in FY2000, it accounted for approximately 5% of our EMS turnover. Please refer to the discussion on WES on page 73 of this Prospectus.

Our exposure to the PRC means that we may be affected by developments in the economic situation there and any changes in the PRC’s policies toward foreign enterprises

Through WES, our Group has an exposure to the economic outlook and the business environment in the PRC.

Since the late seventies, the PRC has adopted an open-door policy and the country is gradually shifting itself towards a more market-oriented economy. Such reforms have significantly liberalised the country’s investment and business environment. However, as the economy continues with its transition, a number of reforms may be subject to further refinements and readjustments. It is difficult to determine whether these refinements and readjustments would negatively affect our Group’s business and operation in the PRC in the future.

Our PRC operations are subject to a legal and regulatory framework that is in a dynamic state of evolution

The National People’s Congress, or its Standing Committee, is responsible for the passing of new laws of the PRC and any amendments thereto. The PRC legal system is based on written statutes. Court judgments are therefore not legally binding although judges in subsequent cases will often make reference to them in forming their judgment. The interpretation of the PRC laws may be subject to policy changes reflecting the domestic, political and social developments at the time. There may also be uncertainty as to how certain laws and regulations standards are interpreted and applied.

There is no guarantee that the changes and modifications of laws and regulations in future will be advantageous to foreign investors. Uncertainty therefore exists as to the effect of the change and development of any law and regulation and of the legal system itself. There is no guarantee that any
change in and interpretation of the PRC laws in future will not have any adverse effect on the business and the prospects of our Group.

Interpretation of certain PRC customs tax regulations may affect part of our current operations in PRC

WES obtained approval for its establishment as a Wholly Foreign Owned Enterprise ("WFOE") in Shenzhen, PRC on 18 December 1998. WES’ current WFOE business license is for a registered operational term of 10 years. It has an option to apply for an extension of a further 10 years. WES is currently granted exemption from import customs duties only on raw materials which it uses for manufacturing products which are for export. Since WES is located in the Shenzhen Special Economic Zone, it currently enjoys a preferential 15% corporate tax rate on its profits. As previously mentioned, legislation (including tax legislation) may be subject to future changes which may have a negative impact on our Group’s operation and financial performance. Please refer to Appendix B for more discussion on PRC Taxation.

Government control on foreign exchange and currency conversion risks may also affect our operation in the PRC

Our Group will need to convert S$ or US$ into RMB for payment. Since the introduction of the unified floating rate system in 1994, movements in the exchange rate of the RMB against other currencies, such as the US$, are to an extent subject to market forces. Despite such developments, the RMB is still not a freely convertible currency as it is the People’s Bank of China that publishes on each bank business day the RMB exchange rates against major foreign currencies (please refer to Appendix B for more details). Additionally, there is no assurance that the RMB will not be subject to devaluation or depreciation due to the administrative or legislative intervention by the PRC government or adverse market movements. Consequently, the imposition of additional restrictions on currency conversion may affect our operations in the PRC, and any devaluation or depreciation of the RMB may affect the value of our investments.

We are awaiting the receipt of the letter of no-objection from the China Securities Regulatory Commission ("CSRC") for the listing of our Shares on the SGX-ST

The CSRC was established to regulate securities matters in the PRC. Where a foreign corporation to be listed on a stock exchange in a foreign country owns a subsidiary in the PRC, the CSRC requires that a legal opinion be submitted by a PRC counsel for the purpose of ensuring compliance with the PRC rules and regulations, essentially on the due establishment and legal business activities of the foreign companies and subsidiaries in the PRC and the actual status of whether there are any PRC nationals in control of such foreign corporation. The CSRC will typically issue a letter of no-objection where such legal opinion is satisfactory to the CSRC. Our PRC subsidiary, WES, was incorporated on 6 January 1999 in Shenzhen, PRC and commenced operations in August 1999. On 1 June 2001, our PRC counsel submitted a legal opinion to the CSRC and we are awaiting the receipt of the no-objection letter from the CSRC in respect of such opinion.

It is possible that a non-receipt of this letter of no objection from the CSRC could have other consequences for WES. For example, if WES is required to seek approval from another authority in PRC for any purpose in the future, it is possible that such an authority might withhold its approval on the ground that WES did not receive this letter of no objection from CSRC. The potential impact on our Group is that any plans to expand our operations in the PRC in the future may be hindered if such plans require further regulatory approvals.
RISKS RELATING TO THE INVITATION

Shares eligible for future sale by our current shareholders may decrease the price of our shares
If our substantial shareholders sell substantial amounts of our Shares upon staggered expiry of the Moratorium as described on page 63 in the public market, it may have a negative impact on the price of our Shares should demand fall short of supply.

Investors in our Shares may face dilution in the value of their Investment
We intend to implement a share option scheme known as the Startech ESOS. The exercise price of any option to acquire new Shares under the scheme may be below the market price of the Shares prevailing at the time of the exercise. In such a case, existing shareholders may suffer dilution in the value of their investments.

There has been no prior market for our Shares and this offering may not result in an active or liquid market for these Shares
There has not been a public market for our Shares prior to this Invitation. Therefore, we cannot assure investors that an active public market will develop or be sustained after the Invitation. The Issue Price was determined by negotiations between us and the representatives of the Manager, the Underwriters and the Placement Agents and may not be indicative of prices that will prevail in the trading market.

Investors may not be able to sell their Shares at or above the Issue Price.

Our Share price may be volatile, which could result in substantial losses for investors who subscribe for Shares in this Invitation
Volatility in the trading price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. The market price of our Shares may fluctuate significantly and rapidly as a result of, inter alia, the factors mentioned below:–

(a) Announcements by us or our competitors of significant contracts, acquisitions, strategic alliances or capital commitments;
(b) Announcements of technological developments;
(c) Fluctuations of share price and volume, which are particularly common among highly volatile securities of companies in industries similar to ours in Singapore and the region;
(d) Changes in our operating results;
(e) Changes in securities analysts’ estimates of our financial performance and their recommendations;
(f) Changes in market valuation of similar companies; and
(g) Involvement in litigation.

Negative publicity relating to any of our substantial shareholders may adversely affect our share price
Any negative publicity or announcements relating to any of our substantial shareholders may adversely affect the stock market’s perception of our Company, whether or not this is justified. For example, if any of our substantial shareholders are involved in insolvency proceedings, our Company’s share price may be adversely affected.
RISKS RELATING TO OUR SINGLE LARGEST SHAREHOLDER, PV

Our single largest shareholder, PV, although not part of the management team, can significantly influence the outcome of corporate actions

PV, which is the single largest shareholder, holds 37.59% of our post-Invitation share capital. PV is a financial investor in our Company, and is not involved in our management. PV has not given any undertaking that it would not interfere in our management in the future. Given its substantial interest, PV would be able to significantly influence matters requiring shareholders’ approval, including the election of Directors and the approval of transactions such as capital restructuring and business ventures.

Our single largest shareholder may change after expiry of the Moratorium and we do not know how the incoming single largest shareholder (if any) may influence our Group’s operations and direction

Due to the uncertain financial position of PV, it may be compelled to dispose of its entire interest in our Company immediately upon expiry of the Moratorium. The compulsion for PV to sell its Shares is likely to come from PV’s creditors who may demand repayment of the monies owed to them by PV. PV has granted our management full autonomy in the day-to-day operations as well as in setting directions for future development. This is evident from the fact that none of our current Directors is nominated by PV. This may change if, upon divestment by PV, another investor accumulates enough equity interest in our Company to become the new single largest shareholder. Such a new single largest shareholder would be able to significantly influence matters requiring shareholders’ approval. There is no guarantee that the changes brought about by such a shareholder, if any, would not be detrimental to our financial performance.

The shareholders who have been responsible for the management of our Group hold in aggregate 11.17% of our post-Invitation share capital. These shareholders will have to obtain support from such a new single largest shareholder in charting the future direction of our Group. Should this new single largest shareholder choose to take over or influence the decision making function of our Group, its large shareholding would put it in a good position to influence the future direction of our Group.

PV may demand immediate repayment of the outstanding amounts owed to it

As at 31 May 2001, we owed PV a net amount of $1.3 million, including (i) $579,000 in interest-free loans and (ii) $821,000 in unpaid rentals and other administrative charges relating to utilities, telephone charges, security charges and other fees as disclosed on page 108. We will repay PV all the outstanding amounts in 12 interest-free monthly installments commencing from 1 August 2001. In view of PV’s uncertain financial position, it is possible that PV may demand immediate repayment of all amounts owed to them. As at 31 May 2001, our working capital position was a positive $5.5 million. As disclosed on pages 57 and 58 of this Prospectus, we have sufficient unutilised bank facilities that we can draw down on to meet such an eventuality. If there is a demand by PV for immediate repayment of the said outstanding amount, the impact on our financial performance is an increase in interest expense of approximately $105,000 per annum, representing 3.5% of our PBT for FY2000.

PV intends to pledge its 37.59% interest in our post-Invitation share capital to its banking creditors as security for its own banking facilities

PV has given an undertaking to the Manager and our Company that it will not realise or transfer any part of its shareholding in our Company for a period of 12 months commencing from the date of admission of our Company to the Official List of the SGX-SESDAQ ("Listing Date"), and it will not dispose of its shareholding in our Company to below 50% of its original shareholding in the 12 months thereafter (the “Moratorium” as set out on page 63 of this Prospectus). PV has agreed with its three principal banking creditors to pledge its Shares, which are under Moratorium (“Moratorium Shares”), to these banking creditors as security for its own banking facilities. Such pledging of Moratorium Shares will not contravene PV’s undertaking in respect of the Moratorium provided there is no change in legal ownership of the Moratorium Shares. PV has agreed an undertaking to the Manager and our Company that if it grants security over its Shares to its banking creditors, it will require the banking creditors to undertake to honour the Moratorium. Further, on 12 July 2001, PV’s three principal banking creditors irrevocably and unconditionally agreed and
undertook to PV that (i) they shall not transfer or realise any part of the Moratorium Shares pledged to them for a period of 12 months from the Listing Date, and (ii) in the 12 months thereafter, they will not reduce their respective holdings of the Moratorium Shares to less than 50% of the original amount pledged to each of them. The Moratorium Shares are not transferable during the period of the Moratorium, and the underlying share certificates for such Shares have been marked prominently either “The Shares comprised herein do not constitute good delivery until after 29 July 2002” or “The Shares comprised herein do not constitute good delivery until after 29 July 2003”. Any attempts to transfer legal ownership of the Moratorium Shares in scrip form will be prevented by the Board whose approval is required to complete the transfer of any Shares in scrip form. Under Article 24(1) of our Articles of Association (which is summarised on page 147 of this Prospectus), our Directors have the discretion to refuse to register any transfers where required by the Listing Rules of the SGX-ST, including any moratorium requirements imposed in connection with the listing of our Shares. Our Directors will accordingly be able to prevent the registration of any transfers which are in breach of the Moratorium.

Under certain circumstances, such as events of default, PV’s banking creditors may assume beneficial ownership of PV’s Shares even though legal ownership of these shares shall remain with PV in accordance with the terms of the Moratorium. While there may be restrictions on the ability of the banks to force-sell shares under Moratorium which are pledged to them, however, depending on the terms of the pledge, the banking creditors may be able to take over control of the voting rights attached to PV’s Shares, even before expiry of the Moratorium. This would be tantamount to a change in the controlling shareholder for our Company during the Moratorium period, and the risks associated with this change have been discussed above.

Upon expiry of the Moratorium, if PV’s position has not improved, there is a strong likelihood that PV’s banking creditors will force-sell any Shares that are pledged to them by PV. If large tranches of such Shares are disposed of over a short period of time, our share price will be adversely affected as discussed above.

**In the event PV is involved in any insolvency proceedings, PV’s creditors or liquidator may attempt to challenge the Restructuring Agreement to which PV was a party. Our share price will be adversely affected by the negative publicity so generated**

PV was a party to the Restructuring Agreement pursuant to which PV together with the other Subsidiary Vendors (as defined on page 63) swapped all their shares in our three immediate subsidiaries, namely, PVS, Hi-Tech and Switech, in exchange for Shares in the listing vehicle, Startech (“Consideration Shares”) (the “Restructuring”). The Restructuring is described on pages 63 to 67 of this Prospectus. Prior to the Restructuring, PV held equity interests of 100% in PVS, 71.5% in Hi-Tech and 60% in Switech. The amount of Consideration Shares issued in aggregate to the Subsidiary Vendors was based on the audited NTA values (as at 31 December 1999) in each of the three subsidiaries.

As PV was a party to the Restructuring Agreement, in the event of a liquidation of PV, its liquidators may contemplate challenging the Restructuring Agreement. However, the method of valuation, being the NTA basis, employed in the Restructuring for determining the number of Consideration Shares to be issued in exchange for the shares in PVS, Hi-Tech and Switech has been confirmed as fair in the context of a restructuring exercise in preparation for a listing. This confirmation is based on the independent opinion of Chio Lim & Associates, a firm of Certified Public Accountants with experience in insolvency matters. A copy of the opinion from Chio Lim & Associates in respect of the fairness of the NTA basis employed in the Restructuring is available for public inspection at our Company Secretary’s office.

Our Directors, having sought legal advice from Drew & Napier LLC, are of the view that in the event of a liquidation of PV, the liquidator would have no ground to successfully challenge the Restructuring Agreement. A copy of the legal opinion (the “Legal Opinion”) from Drew & Napier LLC on this subject is available for public inspection at our Company Secretary’s office. A copy of the Legal Opinion will be made available by facsimile upon request by calling our Company at telephone number 756 1602. We shall also make available copies of the Legal Opinion by facsimile upon requests from countries other than Singapore if such transmission of the Legal Opinion by facsimile
to such countries is not unlawful and will not result in any liability other than as arises under Singapore law.

Notwithstanding the foregoing, any attempt to challenge the Restructuring Agreement may create negative publicity that adversely affects our share price.

In the unlikely scenario wherein the liquidator succeeds in challenging the Restructuring Agreement, he may either:

(i) seek compensation from the other Subsidiary Vendors, in which case the Subsidiary Vendors may be required to transfer the relevant amount of Shares or pay cash to the liquidator; or

(ii) seek compensation from the Company in which case the Company may issue additional new Shares resulting in dilution for all our shareholders; or

(iii) seek to avoid the Restructuring and seek return of shares in the three aforementioned subsidiaries, in which case our Company will lose all or substantially all of its equity stakes in the respective subsidiaries to the liquidator. We would therefore lose all or substantially all of our earnings from the three subsidiaries and the Group financial performance, as well as its Shares price, will be severely affected.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our officers, Directors or employees acting on our behalf, that are not statements of historical fact, constitute ‘forward-looking statements’. You can identify some of these statements by forward-looking terms such as ‘expect’, ‘believe’, ‘plan’, ‘intend’, ‘estimate’, ‘anticipate’, ‘may’, ‘will’, ‘would’, and ‘could’ or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to our revenue and profitability, cost measures, planned strategy and any other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. We are not warranting or representing to you that our actual future results, performance or achievements will be as discussed in those statements.
ISSUE STATISTICS

Issue Price for each New Share $0.32

NET TANGIBLE ASSETS\(^{(1)}\)

NTA\(^{(1)}\) per Share based on the consolidated balance sheet of our Group as at 31 December 2000, after taking into account the sub-division of shares referred to on page 60 of this Prospectus:–

(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 69,333,590 Shares 13.56 cents

(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 82,333,590 Shares 15.38 cents

Premium of Issue Price of $0.32 per Share over the NTA\(^{(1)}\) per Share above:–

(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 69,333,590 Shares 136.0%

(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 82,333,590 Shares 108.1%

EARNINGS

Historical net earnings per Share of our Proforma Group for the financial year ended 31 December 2000 based on the pre-Invitation share capital of 69,333,590 Shares 3.64 cents

Estimated historical net earnings per Share of our Proforma Group had the Service Agreements been effected for the financial year ended 31 December 2000, based on the pre-Invitation share capital of 69,333,590 Shares 3.48 cents

NET OPERATING CASH FLOW\(^{(2)}\)

Historical net operating cash flow per Share for the financial year ended 31 December 2000, based on the pre-Invitation share capital of 69,333,590 Shares 5.29 cents

PRICE TO EARNINGS & PRICE TO CASH FLOW RATIOS BASED ON THE ISSUE PRICE OF $0.32 PER SHARE

Historical price earnings ratio based on the historical net earnings per Share of our Proforma Group (using the pre-Invitation share capital of 69,333,590 Shares) for the financial year ended 31 December 2000 8.8 times

Estimated historical price earnings ratio based on the historical net earnings per Share of our Proforma Group (using the pre-Invitation share capital of 69,333,590 Shares) had the Service Agreements been effected for the financial year ended 31 December 2000 9.2 times

Historical price to net operating cash flow based on the historical net operating cash flow per Share (using the pre-Invitation share capital of 69,333,590 Shares) for the financial year ended 31 December 2000 6.0 times
MARKET CAPITALISATION

Our Company’s market capitalisation based on the post-Invitation share capital of 82,333,590 Shares and the Issue Price of $0.32

$26.3 million

Notes:
(1) Inclusive of $2.5 million equity funds from conversion of RCL on 3 July 2001.
(2) Net operating cash flow is defined as net profit after tax with provision for depreciation added back.
SELECTED GROUP FINANCIAL INFORMATION

SUMMARY OF PROFORMA GROUP FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the Accountants' Report set out on pages 115 to 138 of this Prospectus as well as the full text of this Prospectus. There has been no change in our Group’s accounting policies since 1 January 1998.

Results of Operations of our Proforma Group(1)

<table>
<thead>
<tr>
<th>($’000)</th>
<th>Audited financial year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY1998</td>
</tr>
<tr>
<td>Turnover</td>
<td>19,705</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(15,746)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(2,697)</td>
</tr>
<tr>
<td>Other income</td>
<td>292</td>
</tr>
<tr>
<td>Depreciation(4) and amortisation expense</td>
<td>(253)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(636)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>665</td>
</tr>
<tr>
<td>Taxation(5)</td>
<td>(109)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>556</td>
</tr>
<tr>
<td>Minority interest</td>
<td>(41)</td>
</tr>
<tr>
<td>Profit attributable to shareholders(3)</td>
<td>515</td>
</tr>
<tr>
<td>EPS (cents)(2)(3)</td>
<td>0.74</td>
</tr>
</tbody>
</table>

Notes:–
(1) The financial results of our Proforma Group for the period under review have been prepared on the basis that our Proforma Group has been in existence since 1 January 1998.
(2) For comparative purposes, EPS is calculated using profit after taxation attributable to shareholders and divided by the pre-Invitation share capital of 69,333,590 Shares.
(3) Had the Service Agreements as described on pages 100 and 101 of this Prospectus been effective from 1 January 2000 instead of the actual effective date of 1 January 2001, the total remuneration paid to Mr Saw Chee Keang and Mr Choo Tian Wang would have been $535,536 instead of $393,812. The profit after tax attributable to shareholders and EPS would have been $2,415,074 and 3.48 cents respectively.
(4) Only general depreciation. Depreciation expenses of manufacturing assets are included under COGS, which were $437,000 in FY1998, $635,000 in FY1999 and $770,000 for FY2000.
(5) Taxation is below the statutory corporate tax rate due to PVS’s unutilised capital allowances. Tax benefits arising from the unutilised capital allowances have been used to offset PVS’s taxation for the past three financial years ended 31 December 2000. The utilisation of such allowances is subject to compliance with the conditions set out in the Singapore Income Tax Act.

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

37
## Financial Position of our Proforma Group\(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>($'000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td>3,723</td>
<td>7,513</td>
<td>7,185</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>12</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td><strong>Deferred expenditure</strong></td>
<td>169</td>
<td>136</td>
<td>50</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>227</td>
<td>203</td>
<td>203</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock and work-in-progress</td>
<td>3,377</td>
<td>4,188</td>
<td>6,077</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>5,167</td>
<td>7,399</td>
<td>11,113</td>
</tr>
<tr>
<td>Others debtors</td>
<td>112</td>
<td>92</td>
<td>145</td>
</tr>
<tr>
<td>Amount due from affiliated companies(^{(4)(7)})</td>
<td>3</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Fixed deposit</td>
<td>197</td>
<td>450</td>
<td>2,407</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>296</td>
<td>820</td>
<td>1,562</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>9,152</td>
<td>12,951</td>
<td>21,308</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>2,497</td>
<td>5,012</td>
<td>3,523</td>
</tr>
<tr>
<td>Other creditors and accruals(^{(7)})</td>
<td>530</td>
<td>1,632</td>
<td>674</td>
</tr>
<tr>
<td>Hire-purchase creditors</td>
<td>211</td>
<td>199</td>
<td>436</td>
</tr>
<tr>
<td>Amount due to affiliated company(^{(5)(7)})</td>
<td>28</td>
<td>7</td>
<td>370</td>
</tr>
<tr>
<td>Amount due to a corporate shareholder(^{(3)(7)})</td>
<td>719</td>
<td>579</td>
<td>1,172</td>
</tr>
<tr>
<td>Amount due to Directors(^{(7)})</td>
<td>2</td>
<td>1</td>
<td>434(^{(6)})</td>
</tr>
<tr>
<td>Proposed dividends</td>
<td>50</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Bank borrowings — secured</td>
<td>4,503</td>
<td>7,826</td>
<td>7,099</td>
</tr>
<tr>
<td>Redeemable convertible loan</td>
<td>—</td>
<td>—</td>
<td>2,500</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>154</td>
<td>245</td>
<td>533</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>8,694</td>
<td>15,501</td>
<td>16,741</td>
</tr>
<tr>
<td><strong>Net current assets/(liabilities)</strong></td>
<td>458</td>
<td>(2,550)</td>
<td>4,567</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>(1,463)</td>
<td>(852)</td>
<td>(5,032)</td>
</tr>
<tr>
<td><strong>Share capital</strong></td>
<td>1,031</td>
<td>4,433</td>
<td>4,433</td>
</tr>
<tr>
<td><strong>Revenue reserves</strong></td>
<td>2,095</td>
<td>—</td>
<td>2,521</td>
</tr>
<tr>
<td><strong>Shareholders' equity</strong></td>
<td>3,126</td>
<td>4,433</td>
<td>6,954</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>—</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td><strong>NTA per Share (cents)(^{(2)})</strong></td>
<td>4.25</td>
<td>6.19</td>
<td>9.95</td>
</tr>
</tbody>
</table>

### Notes:

1. The financial results of our Proforma Group for the period under review have been prepared on the basis that our Proforma Group has been in existence throughout the period under review.

2. For comparative purposes, the NTA per Share is calculated based on the pre-Invitation share capital of 69,333,590 Shares, based on shareholders' equity less minority interests, deferred expenditure and intangible assets.

3. PV

   FY1999 and FY2000 : Enviromax Technology Pte Ltd

5. FY1998 and FY1999 : Jackson Automation (S) Pte Ltd
   FY2000 : MEI Project Engineers Pte Ltd

6. FY2000 : Mainly loan from Mr Ng Chee Fatt

7. Amounts are interest-free and repayable within the next 12 months.
REVIEW OF PAST PERFORMANCE

This following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes, set out on pages 37 to 38 in this Prospectus.

REVENUE

Our revenue is derived from the three principal activities of our Group, namely, (i) EMS, (ii) distribution and (iii) switchgear design & assembly.

EMS Business

We generate the bulk of our revenue by assembling PCBs for our OEM customers under contract manufacturing arrangements. In FY1998, FY1999 and FY2000, this business accounted for approximately 59.7%, 61.1% and 76.8% of our Group’s turnover, respectively. We provide such services to a broad range of OEM customers such as Creative Technology Limited, Lem Heme Ltd, Giken Sakata Singapore Pte Ltd and Philips Singapore Pte Ltd which are located in Singapore and the UK. These customers engage us to assemble PCBs for them either on a consignment basis or on a turnkey basis, and some also engage us on a complete product assembly basis or Box-Build basis (discussed in detail on page 73). For turnkey and Box-Build contracts (for which we are responsible for procuring raw materials), the recognisable revenue would be higher compared to consignment contracts because the cost of materials is factored into the revenue. A significant portion of our current business (approximately 90%) is from repeat customers. We also secure orders from new customers through referrals, trade fairs, or through our representatives located overseas. Customers who are contemplating our services will solicit our quotation by issuing RFQs to us (amongst others) to spell out the technical specifications of the assembly services required. We then bid for such contracts after securing quotes for the required components, and our pricing is based on factors such as: (i) the degree of complexity of the product specifications (usually a function of board density); (ii) the amount of value-add required from us, i.e., the type of testing services, the nature of the contract (whether it is on consignment, turnkey or Box-Build basis); (iii) the product turnaround time; and (iv) the cost of material. The size of our contracts can be as small as 500 pieces, as such low-to-medium volume orders represent a niche which we are targeting as part of our business strategy. The lead-time for such a contract is typically around 90 days from the award of contract. Apart from securing orders through RFQs, the majority of our customers approach us directly to take on their orders. Due to the lead-times (which are driven by component availability), we would typically have a backlog of confirmed orders which can extend up to three months forward during the period under review. Some of our repeat customers also provide a non-binding rolling forecast of their orders up to one year. However, on average, our backlog of orders extends two months forward and we would also have indicative forecast for another two months thereafter. In general our revenue will depend on the ability to provide the following: (i) competitive pricing; (ii) consistently acceptable quality; (iii) lead-time (which is largely dependent on the procurement lead-time for components); (iv) available capacity; and (v) the relationship with our customers. Given the strong demand for EMS during the period under review, our EMS revenue has been to a significant extent, capacity-driven.

Distribution Business

In FY1998, FY1999 and FY2000, our distribution business accounted for approximately 26.6%, 21.4% and 16.5% of our Group’s turnover, respectively. This business can be broken down into two components, namely, (i) sale of contact cleaning machines and other machinery and supply of associated consumables such as adhesive rolls, chemicals, dry films and replacement parts to manufacturers of PCBs, LCDs and etched lead-frames, and (ii) the supply of photo-resist strippers used by the wafer fabrication industry. We supply such equipment and materials as an authorised distributor of principals such as Teknek, CEMCO and Ashland-ACT (some of the terms of our distribution agreements with these principals are set out on page 28 of this Prospectus).
Our distribution revenue comes in two forms: (i) revenue from selling products which we stock to end-users, and (ii) commission from the sale of high-value products (which we do not stock) between our principals and the end-users located in our distribution territory. We distribute to clients largely situated in Singapore. Our profit margin varies according to the product line, and tends to be higher in percentage terms for machinery and photo-resist strippers compared to the more commodity-like consumables. We also, occasionally, receive commission from the sale of high-end products (such as those worth over $1 million which we do not carry in our inventory). For the contact cleaning and hot air solder levelling business, the supply of the related consumables and parts provides recurring revenue after the initial sale of the equipment.

Similarly, for the photo-resist strippers, after a wafer fabrication plant has qualified and implemented the photo-resist strippers into their processes, the revenue stream from these customers is generally recurring in nature. Revenue is recognised upon delivery and acceptance of our products. Our distribution revenue is dependent on the continuing relationship with our principals. Revenue growth in this business partly depends on our ability to secure new product lines from our existing principals or from other new principals. It is also dependent on the continued demand for these product lines and the ability to secure additional orders from existing customers who may be expanding their production volume. As some of our customers expand their manufacturing capabilities and adopt more advanced manufacturing processes, our continued business with them will depend on our ability to provide machinery and materials that continue to be relevant to their needs. Demand for our distribution products is also dependent on the cyclical nature of the electronics industry.

Switchgear Design & Assembly Business

In FY1998, FY1999 and FY2000, our switchgear design & assembly business accounted for approximately 13.7%, 17.5% and 6.7% of our Group’s turnover, respectively. This is a project-based business wherein we act as the subcontractor to main contractors who bid for large infrastructure projects from various government agencies in Singapore. The types of project include water treatment and sewerage treatment works that are put on tender by ENV, PUB and other government agencies. These tenders, *inter alia*, require the design and supply of electrical control systems and associated switchgear. Our involvement in these projects is as follows:–

(i) the assembly and supply of switchgear in Singapore using KEMA and ASTA-certified bus-bar systems and steel frameworks type-tested by our principal, CUBIC (We can design and assemble switchgear using bus-bar systems and steel frameworks from CUBIC);

(ii) assembly of the complete switchgear, which entails structural assembly, component assembly, bus-bar assembly and wiring;

(iii) design of the control algorithm and programme that enables the switchgear to perform the specific electrical control function required for the project; and

(iv) design of structural modifications and provision of full installation of the switchgear and integration with the other systems.

The pricing of our subcontract is dependent on the complexity and extent of the work scope which is spelt out in the customers’ RFP documents. Based on the RFP’s specifications, we would provide quote based on estimates of the required amount of engineering man-hours, production man-hours, material costs, and associated overheads. In cases where the tenders attract many bidders, the chances of our main contractor securing the contract may be affected, and we may also have to quote more competitively thereby affecting our revenue size and the likelihood of securing that revenue. Payment and revenue recognition for the switchgear design & assembly business is on a progressive basis and is pegged to specified payment milestones, with the bulk of payment made upon completion of the entire project. The duration of these projects varies from four to five months for small-scale projects to up to two years for large-scale infrastructure projects. Our revenue stream is dependent on our ability to complete the projects on schedule. It is possible that revenue recognition may be delayed due to delays incurred by other subcontractors of the project. Given the focus on government infrastructure projects, the revenue stream for this business is largely dependent on the fiscal spending on infrastructure projects.
**Foreign Currency Exposure**

Our foreign currency exposure arises from foreign currency denominated sales and purchases. For example, cost of purchases is recorded based on exchange rates determined as at the date of invoice. However, we pay the costs of purchases based on the exchange rate determined at the time of the payment. Similarly, revenue is recorded based on the exchange rates determined on the date of issuance of sales invoices, however the amount received from our customers will be based on the exchange rate at the time of their payment. The different prevailing exchange rates on the date of goods receipts/sales invoice and at the time of payment/receipt give rise to foreign exchange exposure.

For example, electronic components are purchased from an overseas supplier at a cost of US$1,000.00. The exchange rate prevailing on the date of invoice is 1.7 and the cost of these electronic components is recorded at S$1,700.00. If the exchange rate subsequently rises to 1.8 on the date of payment, the overseas supplier will be paid S$1,800 and we will suffer an exchange loss of S$100.00 as a result.

We do not actively adopt any hedging strategies to cover our foreign exchange exposure. We will evaluate the commercial efficacy of such hedging strategies on a case-to-case basis, taking into consideration the expenses of such exercises and the extent of foreign exchange risks. In addition, as we may purchase components from as many as 100 suppliers for a single EMS production, it is not commercially viable for us to hedge all foreign currency purchases. Our net foreign exchange differences for the past three financial years ended 31 December 2000 relative to our profit before tax are as follows:

<table>
<thead>
<tr>
<th></th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange (loss)/gain ($'000)</td>
<td>(72)</td>
<td>27</td>
<td>100</td>
</tr>
<tr>
<td>Profit before tax ($'000)</td>
<td>665</td>
<td>1,427</td>
<td>2,968</td>
</tr>
<tr>
<td>% of foreign exchange gain/loss to profit before tax</td>
<td>(10.8)%</td>
<td>1.9%</td>
<td>(3.4)%</td>
</tr>
</tbody>
</table>

# The foreign exchange loss of $72,000 in FY1998 was due to US$ denominated purchases, from (i) Teknek and (ii) Ashland-ACT (of which purchases increased significantly when we were appointed as distributor in November 1997), during the Asian currency crisis period where the US$ strengthened against the S$. The foreign exchange loss of $100,000 in FY2000 was due to transfers of money to a S$ account from a US$ account, and then back to the US$ account in a strengthening US$ environment. These transfers were necessary as part of the management of cash flow.

**The Seasonal Characteristic of Our EMS and Distribution Revenue Streams**

Our Group's turnover has always demonstrated a degree of seasonality, with an average of 63.7% of the annual turnover registered in the second half of the year.

<table>
<thead>
<tr>
<th>Group Turnover</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half</td>
<td>49%</td>
<td>41%</td>
<td>19%</td>
</tr>
<tr>
<td>Second Half</td>
<td>51%</td>
<td>59%</td>
<td>81%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The total electronics sector has been known to exhibit a degree of seasonality with more activities in the second half of the calendar year as compared to the first. Such seasonality is largely due to the strong pickup in demand for consumer electronics, personal computers and peripherals, telecommunications products, etc. in the year-end festive season. As a result, both our EMS business and distribution business (especially for the consumables) typically have more orders in the second half compared to the first as shown in the table above. Another factor that contributes to this seasonality is that most of our customers engage us to conduct production test runs and prototype runs for their products in the first half of the year to prepare their products for mass production in the second half of the year.
As we do not envisage our revenue structure to change significantly from the above, we expect the majority of our annual earnings to be generated in the second half of the year.

EXPENSES

Cost of Goods Sold

For both our EMS business and switchgear design & assembly business, COGS comprises mainly material costs, direct labour costs, depreciation expenses of manufacturing assets, freight charges and factory overheads. As we increased the proportion of turnkey and Box-Build EMS contracts from FY1997 to FY2000, the costs of materials also increased over the period. Such material costs relate largely to those of electronic components, bare PCBs, solder and solder paste, wirings, and chassis for the completed products. We order these materials when we are awarded the relevant purchase orders from our customers and the payment terms given by the suppliers are usually 30 days from the date of delivery order or invoice. Component prices are dependent on the supply and demand situation and this can be seen in the recent increases in component prices in the face of global shortage. In the case of the switchgear design & assembly business, material costs comprise costs for the bus-bar supports, frameworks, electrical components, sheet metals and copper bars. Depreciation expenses relate to those of our production machinery, in particular those used for EMS such as the different types of SMT machines (the “Chip-shooter” and the “IC Placer”), wave soldering machines, PTH machines, ovens, aqueous cleaning machines and test equipment. Based on an estimate of the usage of the various types of machinery, we are able to allocate direct depreciation to the various manufacturing contracts. Similarly, through time-stamping, we are able to allocate direct labour costs of our production operators to the various EMS contracts and switchgear design & assembly projects. Freight charges refer only to out-going freight as incoming freight is already factored into the costs of materials. In FY1999 and FY2000, out-going freight charges increased compared to FY1998 largely due to our EMS activities in the PRC where we ship raw materials into the PRC for manufacturing, and then re-export the products upon completion. Factory overheads refer largely to the non-time-based salary expenses of factory personnel, utilities and factory rental.

The COGS of the distribution business refers largely to the costs of machinery, the consumables like adhesive rolls used by these machines, the photo-resist strippers and the associated freight charges.

General and Administrative Expenses (“G&A”)

Our G&A expenses include interest expense, office rental, salaries, general depreciation, marketing expenses and others. Interest expense represents one of our most significant cost items. This is mainly due to our expansion into the turnkey business which we started in FY1997. For the EMS business, we had relied heavily on short-term bank financing, largely in the form of trust receipts, to bridge the working capital requirement. The time lag between the purchase of components from our suppliers and the receipt of payments from our customers is approximately 90 days, while the interest rate for such trust receipts is approximately 0.5% above the prime rate per annum. We also incur interest expense from bank loans, hire purchase and bank overdrafts which we use for the purchase of machinery and for working capital required by the EMS business. Our interest expense stood at $0.8 million as at 31 December 2000. Salaries and related expenses form another major component of G&A expenses. This amount may increase if we increase our staff strength or if we hire a larger number of better-qualified personnel such as engineers. This also increased with the 4% reinstatement of the mandatory employer’s CPF contribution to 16% with effect from 1 January 2001. Rental expenses are in relation to our office and factory space in Woodlands and in Shenzhen, PRC. The leases for our Woodlands premises will expire on 30 November 2002, with an option for extension of a further two years at the then prevailing market rates while that of the Shenzhen plant will expire on 31 December 2001. During the tenure of the lease, there is no provision for any revision in the rental rates. Other contributions to G&A expenses include the depreciation of office equipment and furniture and marketing expenses in respect of travel, participation in trade shows, and entertainment.
PROFITABILITY

While there is generally a correlation between revenue and profit, profit levels also depend on cost structures.

For our distribution business and switchgear design & assembly business, the cost structure is relatively uncomplicated because (i) both are not very capital intensive, (ii) the proportion of operating cost to total cost is relatively smaller, and (iii) material prices are relatively stable. Therefore, for these two business segments, profitability varies largely in line with sales.

However, the profitability of our EMS business is sensitive to a number of factors. Customers with large orders may negotiate for discounts, and in such cases, the absolute profitability depends on whether the volume justifies a reduced gross profit margin, after taking into account other operating costs. For turnkey and Box-Build contracts (as opposed to consignment contracts), we are generally able to command better gross margins because customers are willing to pay a premium for the convenience of one-stop manufacturing services. However, whether such margins can be passed on to the pre-tax profit level depends, inter alia, on how effectively we manage the additional financing cost associated with raw material purchases. Given that credit terms granted for us to pay our suppliers are significantly shorter than the terms we grant to our customers, there is a significant materials financing cost which may affect profitability. Although turnkey projects in general command higher gross profit margins, we have to weigh this against the costs of financing the required materials, which is by various forms of expensive short-term bank facilities such as trust receipts. We hope to manage such costs more effectively by securing more term loans in the future. With our negative working capital position in FY1999, the high financing cost for materials had moderated the growth in profit margin despite a larger amount of turnkey contracts. In 1999 and 2000, due to slow supply of a few components, coupled with rising demand for components in general, the lead-time for components delivery increased from eight weeks to sixteen weeks. This increased our working capital requirement and therefore interest expenses although this was moderated by better control of G&A expenses. Profitability has so far not been affected by fluctuations in component prices to any material degree because we have been able to pass on such increases to our customers in almost all instances, pursuant to our agreement with them. During the commissioning period of new machinery (production lines), the initial increase in production volume may not match the increase in depreciation expenses, and this may result in a reduction of our profit margin.

REVIEW OF PAST FINANCIAL POSITION

Our growth has been financed through a combination of shareholders’ equity, shareholders’ loans, retained earnings and credit facilities. We have secured adequate bank facilities to finance our operations. As at 31 December 2000, we had total borrowings (loans from banks and financial institutions) of approximately $10.9 million on a secured basis. Of this $10.9 million in total borrowings, $7.1 million are repayable within 12 months while the rest are long-term borrowings. Our total bank facilities as at 31 December 2000 is $15.8 million, of which $12.0 million are short-term facilities and $3.8 million are long-term facilities. Please see further details of our banking facilities on page 57 and 58 of this Prospectus.

We have also been granted a loan of $2.5 million in the form of RCL. The RCL were converted to new ordinary shares in the capital of our Company on 3 July 2001. This $2.5 million RCL was injected in two tranches. RCL 1 of $2.0 million was made pursuant to the RCL 1 Agreement entered into between our Company and the RCL 1 Lenders on 12 June 2000 and RCL 2 of $0.5 million was made pursuant to the RCL 2 Agreement entered into between our Company and the RCL 2 Lenders on 28 December 2000. RCL 1 was guaranteed by Messrs. Chua Boon Tat, Saw Chee Keang and Wee Beng Sing Roland. Messrs. Chua Boon Tat and Wee Beng Sing Roland were directors of our Company at the time of issue of RCL 1, before their resignation from the Board on 2 October 2000. RCL 2 was guaranteed by Mr. Saw Chee Keang. Please see page 65 for further details on the RCL. The effective cost to the RCL Lenders can be found in the Dilution table on page 55 of the Prospectus.
Save as disclosed above, our Company and our subsidiaries had, as at 31 December 2000, no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**Fixed assets**

Our Group’s fixed assets comprise mainly production machinery, test equipment, and office and factory fixtures. We do not own any property. Our Group’s fixed assets increased by 101.8% from $3.7 million in FY1998 to $7.5 million in FY1999 as we invested approximately $4.2 million in acquiring new production lines for our EMS business and $0.5 million in motor vehicles and other assets, offset by a $0.9 million depreciation. As at 31 December 2000, fixed assets decreased to $7.2 million mainly due to normal depreciation.

**Deferred Expenditure**

Our deferred expenditure consists mainly of pre-operating, preliminary and other expenditure amounting to approximately $230,000 incurred in setting up a manufacturing plant in Shenzhen, PRC, which commenced operations in August 1999. This expenditure will be written off over a two-year period.

**Current Assets**

Current assets comprise mainly stock and work-in-progress, trade debtors, cash and bank balances. In FY1999, current assets increased by approximately 41.5% (or $3.8 million) from $9.2 million in FY1998 to $13.0 million. This was contributed to by an increase in stock and work-in-progress of approximately 24% (or $0.8 million) from $3.4 million in FY1998 to $4.2 million in FY1999 as we took on more turnkey projects and stepped up our distribution of Ashland-ACT products. Another contributing factor was that, as a result of higher turnover, trade debtors rose by 43.2% (or $2.2 million) from $5.2 million in FY1998 to $7.4 million in FY1999. Fixed deposit and cash and bank balances accounted for another $0.8 million increase, as the total of these items increased from $0.5 million in FY1998 to $1.3 million in FY1999. In FY2000, current assets increased by approximately 64.5% from $13.0 million in FY1999 to $21.3 million. Trade debtors continued to increase by 50.2% to $11.1 million in FY2000. Stocks also increased by 45.1% to $6.1 million in FY2000. The increase in trade debtors and stocks was due to the increase in sales activities of the Group during FY2000.

According to the Group’s accounting policy, known bad debts are written-off and specific provisions are made for those debts considered to be doubtful of collection. The Group’s doubtful debts are insignificant and are set out on page 120 of this Prospectus.

Our debtors’ turnover for the past three financial years ended 31 December 2000 was 96 days, 102 days and 92 days respectively. These are longer than our credit policy of 30 to 60 days credit mainly due to slower payments from debtors during the economic crisis in FY1998 and FY1999. In FY2000, the debtors turnover remained high at 92 days despite the recovery in the economy because a disproportionately large amount of turnover was recognised in the last quarter (in line with the pronounced concentration of earnings in the second half of FY2000). Our inventory turnover for the past three financial years ended 31 December 2000 was 78 days, 74 days and 62 days respectively.

**Current Liabilities**

From FY1998 to FY1999, our current liabilities increased by 78.3% or $6.8 million to $15.5 million. During the year, we had also used short-term borrowings (bank overdrafts of $2.6 million and fixed assets financing of $1.1 million) to finance the addition of two additional production lines. The capacity expansion was prompted by the rise in orders and short-term loans were used as we were unable to secure the required term loans in time to take advantage of the rise in prospective orders. As a result, bank borrowings repayable within the year jumped 73.8% (or $3.3 million) to $7.8 million in FY1999. The increased activity level also resulted in higher trade creditors which rose by 100.7% or $2.5 million to $5.0 million. There was also a 207.9% or $1.1 million increase in other creditors due to the purchase of additional machinery, which was purchased on credit.
In FY2000, our current liabilities increased by approximately 8.0% (or $1.2 million) to $16.7 million due to the issuance of the $2.5 million RCL of which $500,000 was used for the purchase of SMT equipment and the balance for working capital purposes (the RCL provided a less costly source of funds in the interim period before our listing). There was an increase of $1.4 million in amounts due to an affiliated company, corporate shareholder and directors, comprising interest-free loans of $0.4 million from MEI Project Engineers Pte Ltd (“MEI”) (formerly an affiliated company) and $0.4 million from Messrs Ng Chee Fatt (balance as at 31 December 2000, as set out on page 109), as well as an increase of $0.6 million in unpaid rental and other administrative charges owed to PV. The amounts borrowed from MEI and Messrs Ng Chee Fatt were used for working capital during the interim period when we were approaching our bankers to negotiate for more lending facilities. Please refer to pages 57 and 58 of the Prospectus for further details on our banking facilities. We intend to repay the amounts owed to MEI, Messrs Ng Chee Fatt and PV over the next 12 months. There was also an increase of $0.2 million in hire-purchase creditors and an increase of $0.3 million in provision for taxation.

These increases were offset by a reduction of $1.5 million in trade creditors (due to repayment of trade creditors using the trade financing facilities), a $1.0 million reduction in other creditors and accruals and a $0.7 million decrease in secured bank borrowings. The reduction of $0.7 million in secured bank borrowings was due to (i) a reduction of $6.5 million in overdrafts (largely because we successfully negotiated with the relevant bank to convert $5.6 million of overdrafts to term loans and because of a $0.9 million improvement in other overdraft positions); (ii) a $1.7 million increase in short-term loan (attributed to the $2.0 million being the current portion of the term loan that had been converted from the aforementioned overdraft, an amount of $0.4 million becoming a current portion of an existing long-term loan, offset by a $0.7 million scheduled repayment of short-term loan); and (iii) an increase of $4.1 million trust receipts taken to support the increase in EMS activities during the year.

Our creditors’ turnover for the past three financial years ended 31 December 2000 was 58 days, 89 days and 36 days respectively. The fluctuation in creditors’ turnover is a reflection of the suppliers’ response to the cyclical changes in the electronics industry. The suppliers tend to provide longer credit terms to their customers during a market downturn to accommodate the customers’ longer collection period. When there is an improvement in the market conditions, they tend to revert to the original terms.

**Non-current liabilities**

Our Group’s non-current liabilities decreased by about $0.6 million from $1,463,000 in FY1998 to $852,000 in FY1999. This drop was largely due to part of the term loans becoming current in FY1999 in accordance with the repayment schedule and partly due to repayment. Our non-current liabilities increased to $5.0 million in FY2000 mainly due to a net increase of $3.2 million in long-term loans (of which $3.6 million was from the reclassification of $5.6 million overdrafts to term loans offset by $0.4 million which became the current portion of the term loan). We had originally used overdraft (amounting to $2.6 million) and short-term interest-free financing from fixed assets creditors of $1.1 million to purchase equipment for the EMS production line in FY1999 because we could not secure the required term loans in time. However, in FY2000, we negotiated with the relevant bank and the overdraft of $5.6 million from that bank was converted to a term loan which continues to be secured by the debenture which had already been granted to that bank for existing facilities. This conversion was to rectify the earlier mismatch of short-term liability being used to finance long-term assets that was detrimental to the working capital position. In addition, long-term hire-purchase creditors increased by $961,000 in FY2000 to take over the short-term fixed assets financing undertaken in FY1999.

**Shareholders’ equity**

Shareholders’ equity increased by 41.8% from $3.1 million in FY1998 to $4.4 million in FY1999 mainly due to an increase in retained earnings. Continued increase in retained earnings raised shareholders’ equity to $7.0 million in FY2000.
Liquidity and Capital Resources

Summary Cashflow Statement

<table>
<thead>
<tr>
<th>($'000)</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash (used in)/provided by operating activities</td>
<td>(460)</td>
<td>2,654</td>
<td>(2,771)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(595)</td>
<td>(4,648)</td>
<td>(731)</td>
</tr>
<tr>
<td>Net cash provided by/(used in) financing activities</td>
<td>436</td>
<td>(1,783)</td>
<td>12,674</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>(619)</td>
<td>(3,777)</td>
<td>9,172</td>
</tr>
</tbody>
</table>

In financing our operations, we have relied on the capital injection by our shareholders, bank borrowings consisting of both short-term advances and long-term loans and retained earnings. The liquidity structure of our operations was affected by two structural changes in the business: (i) the transition from consignment EMS to turnkey EMS (which commenced in FY1998), and (ii) the distribution of high-value products of Ashland-ACT by Chemitec where we are required by the customers to maintain a stipulated stock level (since November 1997).

FY1998

In FY1998, net cash position deteriorated by $0.6 million to a negative of $1.7 million. This $0.6 million can be attributed to: (a) approximately $0.5 million ($460,000) outflow used in operating activities; and (b) approximately $0.2 million outflow which is the difference between $0.6 million ($595,000) used in investing activities and $0.4 million ($436,000) generated from financing activities.

(i) Net cash from operating activities deteriorated mainly due to an increase in trade and other debtors of $1.6 million (due to increase in turnover), an increase in stock level of $1.1 million (due to increase in purchases for turnkey EMS inventory and the higher level of stocks held by Chemitec, as this was its first full year of distributing Ashland-ACT products), net interest paid of $0.6 million and income tax paid of $0.1 million. These were offset by an increase of $0.1 million in trade and other creditors, an increase in amount due to our corporate shareholder of $0.8 million and an operating profit (after adjusting for non-cash items) of $2.0 million.

(ii) Net cash used in investing activities of $0.6 million was incurred mainly due to further renovation made to the new premises at Woodlands in FY1998.

(iii) Net cash raised from financing activities increased due to bank borrowings of $0.3 million and hire-purchase borrowings of $0.2 million. The Group incurred an outflow in dividend payout of $0.1 million.

FY1999

In FY1999, net cash position further deteriorated by $3.8 million to a negative of $5.5 million. Net cash generated from operating activities improved in FY1999 to $2.7 million. However, net cash used in investing and generated from financing activities amounted to $4.6 million and $1.8 million respectively.

(i) In FY1999, $2.7 million in cash was generated from our operating activities. Contributing to this were $3.0 million from operating profit (after adjusting for non-cash items) and an inflow due to increased financing of $3.6 million from our trade and other creditors. However, as the economy was still in a recovery phase, we encountered slower payments from our customers which resulted in an outflow due to the increase of $2.2 million in our trade and other debtors. During the year, there was a $0.8 million outflow attributed to the increased stock purchases. There were also payments made in respect of interest and income tax amounting to $0.8 million. There was a further outflow of $0.1 million due to a loan extended to our corporate shareholder.

(ii) Net cash used in investing activities of $4.6 million was incurred mainly on the expansion of our EMS business, of which $3.6 million was used to purchase local production lines and $1.0 million was incurred to set up our plant in Shenzhen, PRC.

(iii) Cash used in financing activities amounted to $1.8 million due to repayment of bank borrowings.
In FY2000, net cash position improved by $9.2 million to a positive of $3.7 million. Net cash used in operating activities and investing activities were $2.8 million and $0.7 million respectively. Net cash provided by financing activities was $12.7 million.

(i) The $2.8 million used in operating activities was attributable to the increase in sales in FY2000, which resulted in an increase in stocks of $1.9 million, trade and other receivables of $3.8 million. These increases in stocks and trade and other receivables are consistent with the sharp increase in our business activities in FY2000, as evident from the $17.5 million (108.3%) jump in our EMS turnover and a $1.6 million (27.5%) rise in distribution turnover. Cash is used by both these businesses to purchase EMS materials as well as distribution inventory. In the year, there was also a decrease in trade and other creditors of $2.5 million. In the light of the general improvement in business performance in FY2000, our suppliers reverted to the original, shorter, credit terms as explained on page 45 of this Prospectus. During the year, we made a payment of $1.0 million in respect of income tax and interest. These were offset by an operating profit (after adjusting for non-cash items) of $5.0 million, an increase in amount due to our corporate shareholder of $0.6 million (trade payables), an increase in amount due to our Directors of $0.4 million (loans), an increase in amount due to an affiliated company of $0.4 million (loans) and interest received of $0.1 million.

(ii) Net cash used in investing activities was mainly due to acquisition of fixed assets amounting to $0.7 million.

(iii) Net cash provided by financing activities amounted to $12.7 million. However, of this amount, $5.6 million was due to the conversion of overdraft to term loan, which did not have any effect on the total cash flow. This is because in the presentation of cash flow statement, bank overdraft is a component of cash and cash equivalents, shown as a deduction against positive cash and bank balances. With the conversion to term loans, the $5.6 million portion of overdraft ceased to be part of cash and cash equivalent and now forms part of proceeds from bank borrowings under cash flows from financing activities. The balance of $7.1 million represented an enhancement in the cash flow due to the issuance of the $2.5 million RCL, an increase in bank borrowings of $3.4 million (contributed by the $4.1 million increase in trust-receipt offset by the $0.7 million repayment of short-term debt) and an increase in hire-purchase of $1.2 million as this was taken to replace the maturing short-term financing provided by the equipment vendor at the point of purchase in FY1999.

Tax

Our effective tax rates for the past three financial years ended 31 December 2000 were 16.4%, 15.1% and 15.1% respectively. These were lower than the effective statutory tax rate mainly due to PVS’s unutilised capital allowances. As at 31 December 2000, we had used all PVS’s unutilised capital allowance.

WES Taxation

WES is incorporated in the PRC. It obtained its Foreign Investment Enterprise status and business licence on 6 January 1999. Being a foreign investment enterprise with operations in Shenzhen Special Economic Zone but having its holding company established outside the PRC, WES is subject to tax on income generated from sources within the PRC. WES is exempted from income tax in the first two profit-making years and entitled to a 50% relief on the income tax that would otherwise be charged for the succeeding three years if their operating period is not less than 10 years. WES is required to pay income tax on the income derived from production or business operations, and on profits, dividends, interest, rental royalties and other income derived inside or outside the PRC, which are actually related to these establishments. The current tax legislation allows WES to enjoy the preferred tax rate of 15% indefinitely as long as it continues operating in the Shenzhen Special Economic Zone.
WES is also subject to value-added tax ("VAT"). Pursuant to the Interim Regulations of the PRC on VAT effective from 1 January 1994 and the Implementing Rules of the Interim Regulations of the PRC on VAT effective from 1 January 1994, VAT is imposed on the entity or individual who engages in the sale of goods; provides processing, repair and replacement services; and/or imports goods into the PRC. The relevant VAT payable by WES in the PRC is 17%. WES does not pay VAT on import of materials which are used in the production of goods for export from PRC.

In general, the current income tax rates are 30% for the state income tax and 3% for local income tax (although the local PRC government may reduce such tax rate).

**TURNOVER AND PROFITABILITY**

For the purpose of this Prospectus, we have segmented our turnover, profit before tax ("PBT") and PBT margin by our three core business activities namely EMS, distribution and switchgear design & assembly, as follows:

### Past Performance by Activity

**Turnover**

<table>
<thead>
<tr>
<th>Activity</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>%</td>
<td>$'000</td>
</tr>
<tr>
<td>EMS</td>
<td>11,762</td>
<td>59.7</td>
<td>16,183</td>
</tr>
<tr>
<td>Distribution</td>
<td>5,247</td>
<td>26.6</td>
<td>5,660</td>
</tr>
<tr>
<td>Switchgear design &amp; assembly</td>
<td>2,696</td>
<td>13.7</td>
<td>4,639</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,705</td>
<td>100.0</td>
<td>26,482</td>
</tr>
</tbody>
</table>

**PBT**

<table>
<thead>
<tr>
<th>Activity</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>%</td>
<td>$'000</td>
</tr>
<tr>
<td>EMS</td>
<td>257</td>
<td>38.6</td>
<td>780</td>
</tr>
<tr>
<td>Distribution</td>
<td>234</td>
<td>35.2</td>
<td>315</td>
</tr>
<tr>
<td>Switchgear design &amp; assembly</td>
<td>174</td>
<td>26.2</td>
<td>332</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>665</td>
<td>100.0</td>
<td>1,427</td>
</tr>
</tbody>
</table>

**PBT margin**

<table>
<thead>
<tr>
<th>Activity</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMS</td>
<td>2.2</td>
<td>4.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Distribution</td>
<td>4.5</td>
<td>5.5</td>
<td>9.9</td>
</tr>
<tr>
<td>Switchgear design &amp; assembly</td>
<td>6.5</td>
<td>7.2</td>
<td>5.8</td>
</tr>
<tr>
<td>Overall</td>
<td>3.4</td>
<td>5.4</td>
<td>6.8</td>
</tr>
</tbody>
</table>
Past Performance by Geographical Region

For the switchgear design & assembly business and the distribution business, our markets are located mainly in Singapore. However, for our principal EMS business, we are not able to accurately determine the countries in which our products finally end up. Accordingly, we have segmented our turnover geographically, based on the location of the entities that we bill for our EMS services. The locations of the entities that we bill may differ from the locations to which we ship our assembled PCBs. Furthermore, (apart from our Box-Build products), the PCBs we assemble may be shipped to another location for assembly and integration with other sub-systems, before the final products are distributed to yet other locations for final consumption.

In view of the above, an analysis of the our financial performance along geographical lines could be misleading and readers should be aware of this limitation when evaluating the geographical data presented below. The PBT contributions from the distribution and the switchgear design & assembly business are allocated entirely to Singapore. In determining the EMS PBT segmentation, we have assumed that the EMS operating expenses are allocated in direct proportion to the EMS turnover for the respective geographical regions. There is no difference in the EMS manufacturing process or cost of production across the different billing countries.

<table>
<thead>
<tr>
<th>Turnover</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>%</td>
<td>$'000</td>
<td>%</td>
</tr>
<tr>
<td>Singapore</td>
<td>12,203</td>
<td>61.9</td>
<td>15,069</td>
</tr>
<tr>
<td>Japan</td>
<td>29</td>
<td>0.1</td>
<td>2,840</td>
</tr>
<tr>
<td>US</td>
<td>205</td>
<td>1.1</td>
<td>5,560</td>
</tr>
<tr>
<td>Europe</td>
<td>7,268</td>
<td>36.9</td>
<td>3,013</td>
</tr>
<tr>
<td></td>
<td>19,705</td>
<td>100.0</td>
<td>26,482</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PBT</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>%</td>
<td>$'000</td>
<td>%</td>
</tr>
<tr>
<td>Singapore</td>
<td>501</td>
<td>75.3</td>
<td>877</td>
</tr>
<tr>
<td>Japan</td>
<td>1</td>
<td>0.2</td>
<td>137</td>
</tr>
<tr>
<td>US</td>
<td>4</td>
<td>0.6</td>
<td>268</td>
</tr>
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<td>Europe</td>
<td>159</td>
<td>23.9</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td>665</td>
<td>100.0</td>
<td>1,427</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>PBT margin %</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>4.1</td>
<td>5.8</td>
<td>7.2</td>
</tr>
<tr>
<td>Japan</td>
<td>3.4</td>
<td>4.8</td>
<td>6.2</td>
</tr>
<tr>
<td>US</td>
<td>2.0</td>
<td>4.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Europe</td>
<td>2.2</td>
<td>4.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Overall</td>
<td>3.4</td>
<td>5.4</td>
<td>6.8</td>
</tr>
</tbody>
</table>
ANALYSIS OF OUR FINANCIAL PERFORMANCE OVER THE PAST THREE YEARS

FY1998 to FY1999

As a Group, our turnover increased $6.8 million (34.4%) from $19.7 million in FY1998 to $26.5 million in FY1999. EMS saw an increase of $4.4 million (37.6%) to $16.2 million, largely because of increase in orders from Creative Technology Limited, Giken Sakata Singapore Pte Ltd, Fumiyama Corporation Pte Ltd and Multiwave Singapore Pte Ltd. We added two new SMT production lines in September and October 1999 and this increased our production capacity by approximately 50%. However, because this capacity increase occurred late in the financial year, we were not able to fully utilise the additional capacity as there were inefficiencies associated with commissioning of the lines. Geographically, revenue from overseas business activities increased by about 52.1%, contributing approximately $11.4 million to our EMS business. This is due mainly to increases in sales to the US, from $205,000 in FY1998 to $5.6 million in FY1999.

Our distribution revenue increased slightly to $5.7 million in FY1999 as compared to $5.3 million in FY1998, with an increase of $0.4 million mainly from the sales of machinery, consumables and specialty chemicals.

Our switchgear design & assembly turnover grew 72.1% to $4.6 million, contributing a $1.9 million growth to Group turnover. This is due mainly to the revenue recognised upon completion of the major ENV projects awarded to us in FY1998 and progress payment revenue recognised from two major ENV projects, namely the Ulu Pandan Sewerage Treatment Works (a 29-month contract awarded in August 1997) and Seletar Sewerage Treatment Works (a 13-month contract awarded in March 1999). Generally, the progress payments comprise 30% down-payment, 30% upon installation of switchgear, 30% upon commissioning and the balance 10% to be received one year after commissioning.

The 30.6% rise in COGS was generally in line with the 34.4% increase in turnover.

General and administrative expenses for our Group increased by approximately 38.6% from $2.7 million in FY1998 to $3.7 million in FY1999. Our Shenzhen plant started operations in August 1999, and the pre-operating expenses incurred during the set-up phase amounted to $169,000. Our salary expenses for FY1999 were also higher at $2.8 million compared to $2.3 million in FY1998 with the increase in staff headcount mainly attributed to our plant in Shenzhen, PRC. Interest expense for our Group stabilised at around $656,000 in FY1999 despite the increase in bank loans for our EMS business because of the decline in interest rates in the face of an economic recovery. With a decline in interest rates from 12.000-14.000% per annum in FY1998 to 9.375-11.000% per annum in FY1999, the PBT margin for EMS business rose 2.6 percentage points to 4.8%, while the margins for the other two business segments were relatively steady.

With a higher turnover and lower interest rates, the PBT attributed to the EMS segment saw a sharp 203.5% rise to $0.8 million in FY1999, contributing $0.5 million growth to our Group’s PBT. The other $0.2 million PBT growth was mainly due to the switchgear design & assembly business which benefited mainly from the ENV projects mentioned above.

FY1999 to FY2000

Group turnover grew by approximately 65.7% or $17.4 million to $43.9 million in FY2000. The driver for this growth was the EMS segment which contributed about $17.5 million to our Group turnover. For FY2000, we have seen an elevated level of EMS activity, judging from the 108.3% rise in EMS sales compared to FY1999. The rise in demand was attributed mainly to increase in orders from customers such as Multiwave Singapore Pte Ltd, MSL Technology Services (M) Sdn Bhd and Advent Electronics Pte Ltd. The revenue growth was also due to the increase in volume of turnkey projects from five major customers for FY2000 and the additional capacity from the full-year operation of the two production lines in our Shenzhen plant which commenced operation in August 1999.

Sales from our distribution business grew by $1.6 million (or 27.5%). This was mainly because we succeeded in supplying Ashland-ACT photo-resist strippers to two additional wafer fabrication plants. The growth was also supported by the sale of dry film to a new customer dealing in etched lead-frames.
Revenue from the switchgear design & assembly business for FY2000 was $1.7 million (or 36.6%) lower than FY1999. This was mainly because projects which we were engaged in during FY2000 were of longer durations compared to those in FY1999, resulting in some of the key revenue recognition milestones occurring only in the following financial year.

Our COGS increased by $15.0 million (or 72.9%) as compared to FY1999. This increase was higher than the 65.7% increase in turnover due mainly to increase in labour cost and the full-year direct depreciation (which was classified under COGS) of machinery bought in end-FY1999. The disproportionately higher increase in COGS relative to the rise in turnover gave rise to a deterioration in total gross profit margin from 22.4% in FY1999 to 19.0% in FY2000.

Despite the 65.7% increase in turnover, our general and administrative expenses only increased by $474,000 or 12.7% from $3.7 million in FY1999 to $4.2 million in FY2000 due mainly to an increase in rental, utilities charges, transport and travelling costs. As a result, our PBT rose 108.0%, or $1.5 million to $3.0 million in FY2000.

As a group, our PBT margin improved by 1.4 percentage points from 5.4% in FY1999 to 6.8% in FY2000.

**BUSINESS STRATEGY, PROSPECTS AND FUTURE PLANS**

**Electronic manufacturing services**

In the last three years ended 31 December 2000, our core EMS business has seen a compounded annual growth rate of 69.3% for turnover and 184.6% for PBT. For the first quarter ended 31 March 2001, we have also observed a growth in turnover compared to the same period in the previous year. However, in light of the slow-down in the global electronics sector, some customers have requested for price-reduction and this may lead to lower profit margins. Our customers are generally providing shorter projections of their requirements. Whereas they used to provide two months of firm orders followed by another two months of projected indicative orders, they now tend to place orders on a month-to-month basis.

Notwithstanding the above, the impact of the sectoral slow-down is expected to be more moderate for the EMS segment compared to other segments in the electronics sector. Our Directors believe that the EMS industry is expected to benefit from the continuation of the trend for OEMs to outsource manufacturing to EMS companies. Some of the reasons for OEMs to outsource production include:

(i) reduction in production costs as EMS companies can achieve better economies of scale with their manufacturing expertise;

(ii) reduction in time-to-market since EMS companies, being manufacturing specialists, can be expected to develop more efficient processes that facilitate speedy production;

(iii) allows OEMs to focus on product design/development and marketing; and

(iv) allows OEMs to re-channel their capital expenditure to research and development.

Although these benefits have been apparent for some time, certain OEMs had until recently refrained from outsourcing production due to concerns over poor quality which may be detrimental to their brand equity, and concerns over confidentiality as competing product lines may be assembled under the same roof. Concerns over quality were largely allayed as the ISO-certified EMS companies have been able to meet the quality expectation of the OEMs. OEMs are also becoming less concerned about confidentiality as the production processes as well as the components used have become more generic.
Given that our Directors expect the outsourcing trend to continue, our growth hinges on whether we can adopt an effective strategy to capitalise on the opportunities before us. As a small player (with an annual turnover of less than US$100 million currently), we may not enjoy the economies of scale that the larger players have in terms of marketing, purchasing and production. Therefore, our strategies for growth involve positioning ourselves away from the bigger players and focusing on being highly efficient in servicing the niche of high mix/low-to-medium volume contracts.

**Capacity expansion**

Our seven EMS production lines have been running at about 75% utilisation rate\(^1\), although there has been a certain degree of slow-down over the last few months to approximately 65%. Our high gearing and high interest expense have constrained our expansion so far although our Directors believe there had been significant demand to justify further capacity expansion during the past three years. We plan to utilise $1.0 million of the equity capital raised from this Invitation to acquire up to three more SMT lines for our Singapore plant and relocate two of our existing lines from Singapore to our Shenzhen plant by June 2002. These new lines will have machines of better performance (faster speed) than our existing lines. It is expected that that the setting up of new lines and transfer of existing lines to the PRC will not cause any significant interruption in production. These new lines are expected to increase our production capacity by approximately 40% (although this will not necessarily translate to a proportionate increase in turnover).

**Process enhancement at all levels of our manufacturing services**

As OEM customers continue to outsource more of their traditional functions to the EMS companies, it is important for EMS companies to provide “one-stop” services. Apart from the actual production, we currently advise OEMs on design matters to simplify the manufacturing process and reduce the cost of production. On an ad-hoc basis, we also perform prototype runs when required. As we target more small-volume businesses, we expect to encounter a larger number of small OEMs that would require a higher degree of assistance in terms of production engineering support. We intend to strengthen our production engineering capability through training and through employment of additional production and process engineers so as to strengthen our engineering capability. This would allow us to provide a higher degree of production engineering support and prototype development support to our customers as part of our value-added services.

Another important manufacturing process that we will continue to enhance is the provision of logistics management services, which include materials procurement, warehousing and drop-shipment services. We have developed a material resource planning system in-house (commissioned in 1st quarter 2001) and we intend to continue enhancing this system.

Within the production process, we are constantly monitoring the efficacy of new technologies such as those required to handle flip chips. Should the demand for such new processes justify it, we would acquire the necessary machines to support these processes. Such capability enhancement would allow us to widen the scope of contracts that we can pursue.

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\(^1\) It is not possible to achieve 100% utilization rate in view of the downtime required for reconfigurations and maintenance.
We will strengthen our relationships with major suppliers and customers

We will continue to foster long-term working relationships with our major suppliers and customers. We rely on our suppliers to enhance our ability to support our customers. As an EMS company, we routinely rely on component suppliers’ quotes in our responses to RFQs. The responsiveness of our suppliers, both in terms of responding with quotes and in providing short lead-times, has a direct bearing on our ability to clinch orders from OEMs who are driven by time-to-market considerations. Good relationships with our suppliers would ensure that we receive high quality materials from them in a timely manner. This in turn will enable us to produce products that meet customers’ specifications and short time-to-market requirements. Well-established relationships with our major customers will help ensure a stream of recurring revenue for our Group as it is costly and time consuming for OEMs to change their EMS partners. Good working relationships with our major customers help us to secure more comprehensive contracts, such as Box-Build contracts from these customers. We believe that our status as a listed company will be helpful in this respect.

We will explore mergers and acquisitions and joint ventures as possible avenues to expand capacity and capability

When opportunities arise and subject to commercial viability, we will acquire or merge with companies in related fields or form strategic alliances or joint ventures with our business partners. This will enhance our range of EMS services, capacity, supplier base and customer base. We have neither identified any specific mergers and acquisitions opportunity nor have we set a deadline to achieve this goal. However, the listed status will position us to take advantage of such opportunities when they arise, because (i) we would have access to the public equity market to raise funds for such acquisitions and (ii) we may issue new shares to acquire or merge with potential partners through an exchange of shares. Should such opportunities arise, we shall seek approvals (where necessary) from our shareholders and the relevant authorities as required by the relevant rules and regulations.

We will explore further expansion of our regional manufacturing operations

As many of the OEMs and their end-markets are situated outside Singapore, we intend to build up a stronger regional presence so as to support these OEMs more effectively. Currently, we only have one overseas manufacturing arm located in Shenzhen, PRC, which turned operational in August 1999 and which has a current paid-up capital of HK$6.45 million. As mentioned above, we intend to relocate two production lines to our current facility in Shenzhen by June 2002. We believe an operational presence in the PRC, apart from the cost advantages, will help us to secure more orders from OEMs with markets in the Greater China region. Our Directors are evaluating the need for further expansion vis-à-vis customer demand for PRC-based manufacturing, and the commercial efficacy of relocating more of our current operations to the PRC. If the demand justifies it, we intend to strengthen our presence in the PRC. Depending on the scale of such expansion, we may either rely on internally generated funds, long-term bank borrowings or new equity funds to finance such expansion.

Enhance contract-sourcing and component-sourcing capability

In March 2001, we appointed a commission-based marketing and procurement representative in California, US. Over the next two years, we intend to appoint more of such commission-based representatives in other parts of the US and UK. Such representatives serve three purposes: (i) source for RFQs and create awareness of our Group in the global markets; (ii) act as an external component-sourcing division to complement the domestic and sourcing of components via the internet; and (iii) to seek out newly-developed components introduced in the more developed markets in order to keep abreast with the latest technologies. Under the terms of the appointment, we will pay a commission (as a percentage of the value of the contract) to the representative for any contracts that he secures for us. The commission is negotiable and determined based on factors such as the nature of the contract (turnkey or consignment) and value of the contracts.
**Distribution**

We will try to secure new distributorships to bring in new product lines that support the electronic manufacturing industry. The new product lines that we would pursue are those that would complement our existing line of contact cleaning machines, hot air solder levelling machines, related consumables and specialty chemicals.

Our Directors expect the sale of contact cleaning machines to benefit from the growth in the local electronic manufacturing industry in the medium to long term. Although the industry is currently experiencing a slow down, our Directors believe that the market’s longer term prospects are encouraging.

The outlook for Chemitec’s business is closely tied to the growth of the wafer fabrication industry within its distribution territories. In December 2000, EDB announced its intention to further develop Singapore’s wafer fabrication industry by increasing the number of wafer fabrication plants from 11 to 25 by 2005 (as reported in The Straits Times on 16 December 2000).

As at the date of this Prospectus, Chemitec has supplied Ashland-ACT’s line of specialty chemical products to six out of the eleven operating wafer fabrication plants in Singapore. Please see page 75 for further details of Ashland-ACT’s products. As this line of product gains wider acceptance, we expect to see more orders from both existing and new customers.

**Switchgear Design & Assembly**

In the book entitled “home.work.play” published by URA in 1999, it is envisaged that Singapore’s next phases of infrastructure development will be spread along the Central, Northern, North-Eastern, Eastern and Western regions. In addition to a new business district planned in Marina South, extensive waterfront housing under the URA Concept Plan is also expected in areas such as Punggol in the north-east, Simpang in the north, Tanjong Rhu and Kallang Basin in the central region, Singapore River along Robertson Quay in the central region, the Southern Islands and Sentosa. More land will also be set aside for high-value industries which include wafer fabrication plants and pharmaceuticals. These infrastructure developments represent potential business opportunities for Switech.

Furthermore, ENV has launched a major project, the Deep Tunnel Sewerage System (“DTSS”) to replace Singapore’s existing sewerage system. Phase I of the project is expected to be completed in 2008, while the rest of the project is scheduled for completion by 2015. PUB (the water department of PUB and the Drainage and Sewerage department of ENV have been merged since 1 April 2001) is expected to put up six to seven major tenders for this DTSS project in the second half of 2001 (Singapore government press release of speech by Acting Minister for the Environment on 25 May 2001). Switech will work with various main contractors to respond to the relevant RFPs once the tenders for the DTSS projects are called for.

Although there is no assurance that we will be able to secure any part of the above projects, they nonetheless represent visible opportunities that we can pursue, thereby lending optimism to our Directors’ outlook for the switchgear design & assembly business. In addition, ENV’s upgrading, improvement and maintenance programmes for its existing sewerage systems, which occur about every two to three years, represent a potential recurring stream of income for Switech.
DILUTION

In this section, dilution means the amount by which the Issue Price paid by the subscribers of our Shares in this Invitation exceeds our NTA\(^{(1)}\) per Share after the Invitation. The audited NTA\(^{(1)}\) per Share of our Group as at 31 December 2000 before adjusting for the net proceeds from the Invitation and based on pre-Invitation issued and paid up share capital of 69,333,590 Shares was 13.56 cents. Pursuant to the Invitation in respect of 13,000,000 New Shares at the Issue Price of $0.32 per Share, our Group’s NTA\(^{(1)}\) per Share after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation issued and paid-up share capital of 82,333,590 Shares would have been 15.38 cents. This represents an immediate increase in NTA\(^{(1)}\) per Share of 1.82 cents per Share or approximately 13.4% to our existing shareholders and an immediate dilution in NTA\(^{(1)}\) per Share of 16.62 cents per Share or 51.9% to our new investors as illustrated in the table below:–

<table>
<thead>
<tr>
<th>Per Share</th>
<th>cents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Price per New Share</td>
<td>32.00</td>
</tr>
<tr>
<td>NTA(^{(1)}) per Share as at 31 December 2000</td>
<td>13.56</td>
</tr>
<tr>
<td>Increase in NTA(^{(1)}) per Share attributable to new investors</td>
<td>1.82</td>
</tr>
<tr>
<td>NTA(^{(1)}) per Share after the Invitation</td>
<td>15.38</td>
</tr>
<tr>
<td>Dilution(^{(2)}) in NTA(^{(1)}) per Share to new investors</td>
<td>16.62</td>
</tr>
</tbody>
</table>

Notes:–
(1) Inclusive of $2.5 million equity funds from conversion of RCL on 3 July 2001.
(2) Issue Price per Share minus NTA per Share.

The following table summarises as 17 July 2001, the total number of Shares issued by us, the total consideration paid and the average effective price per Share paid by our existing shareholders and by our new investors in the Invitation.

<table>
<thead>
<tr>
<th>Consideration $’000</th>
<th>Total Number of Shares of $0.10 each</th>
<th>Average Effective Price per Share (cents)(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary Vendors(^{(2)})</td>
<td>2,610(^{(6)})</td>
<td>34,227,278</td>
</tr>
<tr>
<td>Investor Group A(^{(3)})</td>
<td>3,300</td>
<td>16,881,690</td>
</tr>
<tr>
<td>Investor Group B(^{(4)})</td>
<td>443(^{(6)})</td>
<td>5,809,832</td>
</tr>
<tr>
<td>Investor Group C(^{(6)})</td>
<td>93</td>
<td>1,213,810</td>
</tr>
<tr>
<td>RCL 1 Lenders</td>
<td>2,000</td>
<td>9,224,970</td>
</tr>
<tr>
<td>RCL 2 Lenders</td>
<td>500</td>
<td>1,976,010</td>
</tr>
<tr>
<td>New investors</td>
<td>4,160</td>
<td>13,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,106</strong></td>
<td><strong>82,333,590</strong></td>
</tr>
</tbody>
</table>

Notes:–
(1) Adjusted for stock split and bonus issues.
(2) This refers to vendors of the acquired subsidiaries (PVS, Hi-Tech and Switech) which are PV, Choo Tian Wang, Chua Boon Tat, Tan Wee Kiat, Leow Peng Liam, Lee Sui Kum, Wee Beng Sing Roland, Yap Soo Kiat and Yong Kuen Shoo. Pursuant to the Transfer of Differential Shares to PV as set out on page 65 of this Prospectus, Messrs Chua Boon Tat and Wee Beng Sing Roland, no longer directly hold any shares in our Company.
(3) This refers to Ng Chee Fatt, Chan Soh Har, Gay Khiam Soon and Teo Chye Har © Goh Gim Hong.
(4) This refers to Messrs Saw Chee Keang and Tan Wee Kiat.
(5) This refers to Messrs Chung Foong Yee, Ho Yew Cheong and Lee Chew Seng.
(6) This refers to the effective total consideration after deducting the value of shares which the various investors have disposed of since the date of their respective initial investment.

Please see section entitled “Restructuring” on pages 63 to 67 of this Prospectus for details on our share movement.
CREDIT POLICY

All billings for our three principal businesses are progressive, depending on the stage of completion of the project or agreed milestone. In the past three years, largely due to the nature of our customer base, which comprises primarily government bodies and/or reputable MNCs, we have experienced no material collection and/or bad debt problems despite our long credit terms granted of 30 to 60 days. We are typically given 30 days payment terms by our suppliers. The provision for doubtful debts for each of the three financial years ended 31 December 2000 are set out in the Accountants’ Report on page 120 of this Prospectus.

DIVIDEND POLICY

We have not declared or paid any dividend since our incorporation and our Directors do not intend to recommend any dividend for FY2000. Our future dividend policy will depend on our performance, financial position, our capital requirements to finance expansion and other factors deemed relevant by our Directors.

The dividends paid by our subsidiaries for the financial year ended 31 December 1998 are set out in the Accountants’ Report on page 138 of this Prospectus. Dividend distributions in the past of our Company or our subsidiaries are not to be taken as an indication of the future dividend distribution of our Company or our subsidiaries.

INFLATION

There has been no material impact on our revenue or operating results on a consolidated basis, arising from inflation, for the periods presented.

CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalents and capitalisation as at 31 May 2001:–

(i) on an actual basis; and

(ii) as adjusted to give effect to the allotment and issue of Shares pursuant to the conversion of the RCL, the issuance of New Shares from the Invitation, and the net proceeds, based on an Issue Price of $0.32 per Share, after deducting estimated expenses.

You should read this table in conjunction with our financial statements and the related notes included in this Prospectus.

<table>
<thead>
<tr>
<th></th>
<th>Actual $'000</th>
<th>As Adjusted $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>3,461</td>
<td>5,621</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Short-term debt</th>
<th>Actual $'000</th>
<th>As Adjusted $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>— Secured term loans (i)</td>
<td>1,333</td>
<td>233</td>
</tr>
<tr>
<td>— Secured trade facilities</td>
<td>5,170</td>
<td>5,170</td>
</tr>
<tr>
<td>— Unsecured hire-purchase creditors</td>
<td>269</td>
<td>269</td>
</tr>
<tr>
<td>— Unsecured redeemable convertible loan which was converted to common equity on 3 July 2001</td>
<td>2,500</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>9,272</td>
<td>5,672</td>
</tr>
</tbody>
</table>
Long-term debt

- Secured term loans 3,824 3,824
- Secured hire-purchase creditors 1,194 1,194

Total 5,018 5,018

Shareholders’ equity:

- Share capital, fully paid 4,433 8,233
- Share premium — 2,860
- Retained earnings 3,168 3,168

Total shareholders’ equity 7,601 14,261

Total capitalisation 21,891 24,951

Note:
(1) The interest rate for our secured term loans (which is the short-term portion of our long-term loans due on June 2003) is prime rate plus 1.5% to 3.0%. The interest rate for our short-term overdraft is prime rate plus 0.5% to 3.0%.

As at 31 December 2000, we do not have any material commitments for capital expenditure.

Save for the foregoing, as at 31 May 2001, our Group has no other borrowings or indebtedness and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, obligations under finance leases, guarantees or other material contingent liabilities.

Of the net proceeds from the Invitation, $1.0 million will be used to acquire new machinery, $1.1 million will be used for the repayment of bank borrowings and the balance of $1.1 million for general working capital as disclosed on page 22 of this Prospectus.

Our bank borrowings are in line with the seasonality characteristic of our business as disclosed on page 41 of this Prospectus. All borrowings are within the limit of our banking facilities. As at 31 December 2000, the total bank facilities utilised and unutilised by our Group were as follows:

<table>
<thead>
<tr>
<th>Facilities granted</th>
<th>Overdraft</th>
<th>Term Loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities utilised</td>
<td>850</td>
<td>7,500</td>
<td>7,480</td>
</tr>
<tr>
<td>Facilities unutilised</td>
<td>281</td>
<td>4,534</td>
<td>6,108</td>
</tr>
</tbody>
</table>

As at 31 December 2000, our total facilities offered by RHB Bank Berhad ("RHB Bank") amounted to $7,480,000, comprising term loan and other facilities. These facilities are secured with a fixed and floating charge over all the assets of PV Startech Pte Ltd (by way of a first open debenture amounting to $7.0 million); a joint and several guarantee on an open basis by Messrs Chua Boon Tat, Wee Beng Sing Roland, Saw Chee Keang, Lee Chew Seng and Choo Tian Wang; and a corporate guarantee on an open basis by our corporate shareholder, PV.
The term loans of $6.1 million due to RHB Bank are repayable over 37 monthly instalments commencing November 2000. Interest charged on these bank loans was at a fixed rate of 8% per annum.

As at 31 December 2000, our total facilities offered by Malayan Banking Berhad (‘‘Maybank’’) amounted to $6.85 million, comprising bank overdraft and other facilities. These facilities are secured with our fixed deposits of $2,250,000, continuing corporate guarantees by our corporate shareholder, PV, a continuing personal joint and several guarantee of $500,000 by Messrs Yap Soo Kiat, Yong Kuen Shoo, Chua Boon Tat and Wee Beng Sing Roland, a continuing personal joint and several guarantee of $1,100,000 by Messrs Leow Peng Liam, Choo Tian Wang, Chua Boon Tat and Wee Beng Sing Roland, and a continuing personal joint and several guarantee of $5,400,000 by Messrs Chua Boon Tat, Wee Beng Sing Roland, Choo Tian Wang, Leow Peng Liam and Saw Chee Keang.

As at 31 December 2000, the total bank facilities offered by Overseas Union Bank Limited (‘‘OUB’’) amounted to $0.8 million comprising bank overdraft and other facilities. These facilities are secured with a fixed deposit of $50,000, a continuing guarantee of $500,000 by Messrs Chua Boon Tat, Yap Soo Kiat and Yong Kuen Shoo, and a continuing guarantee of $500,000 by our corporate shareholder, PV.

The total bank facilities offered by United Overseas Bank Limited (‘‘UOB’’) amounted to $0.7 million comprising bank overdraft and other facilities. These facilities are secured with our fixed deposits of $200,000, a corporate guarantee of $500,000 by our corporate shareholder, PV, and a joint and several guarantee of $800,000 by Messrs Chua Boon Tat, Yap Soo Kiat and Yong Kuen Shoo.

Our fixed deposits pledged to the banks cannot be withdrawn unless the facilities are paid-up and the security granted to the banks is discharged. Interest rates on the fixed deposits are dependent on the prevailing terms at the dates of renewal.

We have been in discussions with the relevant banks to discharge the guarantees given by PV and the individual shareholders and Directors mentioned above. Our Directors are of the view that the withdrawal of the guarantees should not affect our existing facilities. Should our existing facilities be affected by the withdrawal of the guarantees, our Directors believe that with our listed status and strengthened financial position from the expected net proceeds from the Invitation, we would be able to secure alternative sources of banking facilities and negotiate better terms without the credit support of our Directors or shareholders.

The abovementioned $10.92 million of utilised facilities as at 31 December 2000 were guaranteed by PV. As at 9 July 2001, we are finalising the relevant agreements with Maybank (the “Maybank Agreements”) to discharge the guarantee given by PV on our existing $6.85 million facilities as well as in respect of the grant of $6 million in new facilities to us. Our Directors expect the Maybank Agreements to be completed after the Invitation. Upon completion of the Maybank Agreements, we will have banking facilities totalling $14.25 million which are independent of any corporate guarantee from PV, comprising a total of $12.85 million from Maybank, $0.8 million from OUB (who have agreed to discharge the guarantee given by PV) as well as $0.6 million from Hongkong & Shanghai Banking Corporation Limited (“HSBC”). In addition to the above, UOB has agreed to discharge the guarantee provided by PV for UOB’s existing $0.7 million facility upon the admission of our Company to the Official List of the SGX SESDAQ. We have also commenced discussions with RHB Bank to discharge PV’s guarantee on an existing facility granted by them.

Upon completion of the Maybank Agreements, there will be sufficient banking facilities to meet our Group’s requirements even if all the remaining facilities, which are guaranteed by PV, are excluded.

Subsequent to 31 December 2000, our Company has issued corporate guarantees to Maybank, HSBC and OUB for banking facilities extended to our subsidiaries.
GENERAL INFORMATION ON OUR GROUP

SHARE CAPITAL

Our Company was incorporated as PV Startech Holdings Pte Ltd in Singapore on 12 October 1999 under the Act as a private limited company. We were renamed Startech Electronics Pte Ltd on 5 February 2001. We changed our name to Startech Electronics Ltd on 2 July 2001 in connection with our conversion to a public company limited by shares. As at the date of this Prospectus, there is only one class of shares in our Company. The Articles of Association of our Company relating to the voting rights of our shareholders are set out on pages 145 and 146 of this Prospectus.

As at 31 December 2000, our Company had an authorised share capital of $7,000,000 divided into 7,000,000 ordinary shares of $1.00 each, and an issued and paid-up share capital of $4,433,359 divided into 4,433,359 shares of $1.00 each. This excludes the new Shares which were issued to the RCL 1 Lenders and the RCL 2 Lenders on 3 July 2001, pursuant to the conversion of all the RCL into ordinary shares.

At Extraordinary General Meetings held on the dates set out below, the following corporate actions, *inter alia*, were approved:

2 July 2001

(a) the increase of the authorised share capital to $20,000,000;
(b) the conversion of our Company into a public limited company and the change of our name to Startech Electronics Ltd;
(c) the adoption of a new set of Articles of Association of our Company;

3 July 2001

(d) the issuance of 703,523 new shares of $1.00 each to the RCL 1 Lenders pursuant to their conversion of the RCL to ordinary shares;
(e) the bonus issue of 1,296,477 new shares of $1.00 each at one bonus share for every 3.96 shares owned (from the capitalisation of share premium arising from RCL 1 conversion as set out on page 60 of this Prospectus);
(f) the issuance of 188,730 new shares of $1.00 each to the RCL 2 Lenders pursuant to their conversion of the RCL to ordinary shares;
(g) the bonus issue of 311,270 new shares of $1.00 each at one bonus share for every 21.27 shares owned (from the capitalisation of share premium arising from RCL 2 conversion as set out on page 60 of this Prospectus);
(h) the sub-division of each ordinary share of $1.00 each in the capital of our Company into 10 ordinary shares of $0.10 each in the capital of our Company;

17 July 2001

(i) the issuance of 13,000,000 New Shares which are the subject of the Invitation. The New Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing Shares of our Company;
(j) the adoption of the Startech ESOS; and
(k) the authorisation for our Directors, pursuant to Section 161 of the Act, to issue Shares (apart from the 13,000,000 New Shares) from time to time, provided that the aggregate number of Shares issued pursuant to such authority shall not exceed 50% of the issued and paid-up share capital of our Company at any time, of which the aggregate number of such Shares to be issued other than on a *pro-rata* basis to the then existing shareholders of our Company shall not exceed 20% of the existing issued share capital of our Company.
Details of the changes in the issued and paid-up share capital of our Company since 31 December 2000, being the date of the last audited accounts of our Company, and our issued and paid-up share capital immediately after the Invitation, are as follows:–

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and fully paid ordinary shares of $1.00 each as at 31 December 2000</td>
<td>4,433,359</td>
</tr>
<tr>
<td>Conversion of RCL 1(^{(1)})</td>
<td>703,523</td>
</tr>
<tr>
<td>Conversion of RCL 2(^{(1)})</td>
<td>188,730</td>
</tr>
<tr>
<td>Issuance of bonus Shares from share premium arising from RCL conversion(^{(1)}) (Please refer to page 65 of the Prospectus for more details)</td>
<td>1,296,477</td>
</tr>
<tr>
<td>Issuance of bonus Shares from share premium arising from RCL 2 conversion(^{(1)})</td>
<td>311,270</td>
</tr>
</tbody>
</table>

After the sub-division of each ordinary share of $1.00 each into 10 ordinary shares of $0.10 each | 69,333,590 |

New Shares to be issued pursuant to the Invitation | 13,000,000 |

Post-Invitation share capital comprising ordinary shares of $0.10 each | 82,333,590 |

Note:–

(1) There were two tranches of RCL, namely RCL 1 amounting to $2.0 million and RCL 2 amounting to $0.5 million. On 3 July 2001, the $2.0 million of RCL 1 was converted to 703,523 ordinary shares of $1.00 each of approximately $2.84 per share whereas the $0.5 million of RCL 2 was converted into 188,730 shares of $1.00 each of approximately $2.65 per share, pursuant to the RCL 1 and RCL 2 Agreements.

The authorised share capital and the shareholders' funds of our Company as at 31 December 2000 before and after adjustments to reflect (i) the sub-division of the ordinary shares of $0.10 each, (ii) the increase in authorised share capital, (iii) the conversion of the RCL, (iv) the Bonus Issue and (v) the issuance of New Shares are set forth below. These statements should be read in conjunction with the Accountants’ Report set out on pages 115 to 138 of this Prospectus.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2000</th>
<th>As adjusted for RCL conversion and bonus issue</th>
<th>As adjusted for the Invitation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Authorised Share Capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares of $1.00 each</td>
<td>7,000,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Ordinary shares of $0.10 each</td>
<td>—</td>
<td>200,000,000</td>
<td>200,000,000</td>
</tr>
<tr>
<td><strong>Shareholders' Funds</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Issued and fully paid shares</td>
<td>4,433,359</td>
<td>6,933,359</td>
<td>8,233,359</td>
</tr>
<tr>
<td>Share premium</td>
<td>—</td>
<td>—</td>
<td>2,860,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>2,520,658</td>
<td>2,520,658</td>
<td>2,520,658</td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td>6,954,017</td>
<td>9,454,017</td>
<td>13,614,017</td>
</tr>
</tbody>
</table>
SHAREHOLDERS

The direct shareholdings in our Company before and after the Invitation are set out below:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Before Invitation</th>
<th>After Invitation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Shares</td>
<td>Number of Shares</td>
</tr>
<tr>
<td></td>
<td>of $0.10 each</td>
<td>of $0.10 each</td>
</tr>
<tr>
<td>Ng Chee Fatt</td>
<td>9,821,740</td>
<td>9,821,740</td>
</tr>
<tr>
<td>Saw Chee Keang</td>
<td>5,094,350</td>
<td>5,094,350</td>
</tr>
<tr>
<td>Choo Tian Wang</td>
<td>1,088,250</td>
<td>1,088,250</td>
</tr>
<tr>
<td>Shareholders of 5% or more</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pacific Vinitex Private Limited</td>
<td>30,949,760</td>
<td>30,949,760</td>
</tr>
<tr>
<td>Shareholders of less than 5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chan Soh Har</td>
<td>3,453,080</td>
<td>3,453,080</td>
</tr>
<tr>
<td>Teo Chye Har @ Goh Gim Hong</td>
<td>3,453,080</td>
<td>3,453,080</td>
</tr>
<tr>
<td>Double Assets Investments Limited</td>
<td>3,074,990</td>
<td>3,074,990</td>
</tr>
<tr>
<td>Toh Leh Lan</td>
<td>1,580,810</td>
<td>1,580,810</td>
</tr>
<tr>
<td>Ng Kam Ming</td>
<td>1,537,500</td>
<td>1,537,500</td>
</tr>
<tr>
<td>Chia Kwee Kee</td>
<td>1,153,120</td>
<td>1,153,120</td>
</tr>
<tr>
<td>Silksino International Pte Ltd</td>
<td>1,153,120</td>
<td>1,153,120</td>
</tr>
<tr>
<td>Dr Hwang Yee Cheau</td>
<td>987,070</td>
<td>987,070</td>
</tr>
<tr>
<td>Leow Peng Liam</td>
<td>875,810</td>
<td>875,810</td>
</tr>
<tr>
<td>Tan Wee Kiat</td>
<td>804,660</td>
<td>804,660</td>
</tr>
<tr>
<td>Lee Chew Seng</td>
<td>636,850</td>
<td>636,850</td>
</tr>
<tr>
<td>Yap Soo Kiat</td>
<td>585,980</td>
<td>585,980</td>
</tr>
<tr>
<td>Yong Kuen Shoo</td>
<td>585,980</td>
<td>585,980</td>
</tr>
<tr>
<td>Lee Chong Min</td>
<td>461,250</td>
<td>461,250</td>
</tr>
<tr>
<td>Knight Ventures Inc</td>
<td>396,680</td>
<td>396,680</td>
</tr>
<tr>
<td>Chew Lan Keak Melissa(1)</td>
<td>395,200</td>
<td>395,200</td>
</tr>
<tr>
<td>Ho Yew Cheong</td>
<td>340,930</td>
<td>340,930</td>
</tr>
<tr>
<td>Chung Foong Yee</td>
<td>236,030</td>
<td>236,030</td>
</tr>
<tr>
<td>Ang Cheng Moy</td>
<td>230,620</td>
<td>230,620</td>
</tr>
<tr>
<td>Leong Yuen Min Joachim(1)</td>
<td>230,620</td>
<td>230,620</td>
</tr>
<tr>
<td>Gay Khiam Soon</td>
<td>153,790</td>
<td>153,790</td>
</tr>
<tr>
<td>Lee Sui Kum</td>
<td>52,320</td>
<td>52,320</td>
</tr>
<tr>
<td>New Investors(2)</td>
<td>13,000,000</td>
<td>13,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>69,333,590</td>
<td>82,333,590</td>
</tr>
</tbody>
</table>

Notes:–
(1) Chew Lan Keak Melissa is the spouse of Leong Yuen Min Joachim.
(2) Inclusive of 1,300,000 Reserved Shares. Our Independent Directors, Messrs Ong Kian Min, Teo Boon Tieng and Wong Kwan Seng Robert, will each be offered 50,000 Reserved Shares at the Issue Price pursuant to the Invitation in recognition of their future contributions to our Group. Should they accept the Reserved Shares, they may hold, dispose of or transfer all or part of their respective shareholding in our Company after the Shares are listed on the SGX SESDAQ.
(3) Does not add up to exactly 100.00% due to rounding.

Save as disclosed above, there are no other relationships among the Directors and substantial shareholders of our Company.
Background of Our Corporate Shareholder

Pacific Vinitex Private Limited

Pacific Vinitex Private Limited ("PV") is an engineering company founded by a group of engineers in 1982. Its initial activities centered around the design and manufacture of laboratory fixtures such as laboratory work benches and fume cupboards for handling of chemicals. It has since expanded into other engineering businesses such as the design and installation of cleanrooms (enclosed areas where dust particles are controlled), environmental engineering (focusing on waste treatment and management and supply of chemicals for the treatment of waste water), and installation of high vacuum pumps and centralised vacuum systems for use in industrial buildings. Apart from the core engineering business, PV was also an investor in other promising engineering or manufacturing companies which led to PV’s investment in our three subsidiaries at various times. To provide the premises to house all its engineering companies as well as the other companies that it invested in, PV took loans from various banks to acquire the following industrial properties:– (i) 21 Marsiling Industrial Estate Road 9, Singapore 739175 in 1992 and (ii) 13 Woodlands Walk, Singapore 738318 in 1996. The valuations of these two properties have since depreciated in line with the downturn in the industrial property market over the last few years and accordingly, PV’s financial position has been adversely affected.

The shareholders of PV and their respective shareholdings as at 28 December 2000 are shown below:–

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chua Boon Tat(1)</td>
<td>1,355,000</td>
<td>38.94</td>
</tr>
<tr>
<td>Wee Beng Sing Roland(1)</td>
<td>1,355,000</td>
<td>38.94</td>
</tr>
<tr>
<td>Lee Sui Kum(2)</td>
<td>232,000</td>
<td>6.66</td>
</tr>
<tr>
<td>Tan Wee Kiat(3)</td>
<td>174,000</td>
<td>5.00</td>
</tr>
<tr>
<td>Low Beng Tin</td>
<td>118,000</td>
<td>3.39</td>
</tr>
<tr>
<td>Choo Tian Wang(4)</td>
<td>52,000</td>
<td>1.49</td>
</tr>
<tr>
<td>Tan Siew Hong</td>
<td>50,000</td>
<td>1.44</td>
</tr>
<tr>
<td>Zheng Wei</td>
<td>50,000</td>
<td>1.44</td>
</tr>
<tr>
<td>Soo Tat Seng</td>
<td>27,000</td>
<td>0.77</td>
</tr>
<tr>
<td>Ng Eng Hock</td>
<td>23,000</td>
<td>0.66</td>
</tr>
<tr>
<td>Heng Tang Ching David</td>
<td>10,000</td>
<td>0.29</td>
</tr>
<tr>
<td>Lim Eng Chuan</td>
<td>10,000</td>
<td>0.29</td>
</tr>
<tr>
<td>Looi Choong Teek</td>
<td>10,000</td>
<td>0.29</td>
</tr>
<tr>
<td>Teo Chin Bee Jimmy</td>
<td>10,000</td>
<td>0.29</td>
</tr>
<tr>
<td>Hiew Kim Len</td>
<td>4,000</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td>3,480,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Notes:–
(1) Mr Chua Boon Tat and Mr Wee Beng Sing Roland, are deemed to have an interest in PV’s 37.59% post-Invitation shareholding in our Company. Mr Chua and Mr Wee can influence the outcome of our Company’s shareholders meeting to the extent of their deemed shareholding. Mr Chua and Mr Wee have undertaken to put their shareholdings in PV under a moratorium as disclosed on page 63 of this Prospectus.
(2) Ms Lee Sui Kum holds 0.06% of our post-Invitation share capital.
(3) Mr Tan Wee Kiat holds 0.98% of our post-Invitation share capital.
(4) Mr Choo Tian Wang is an Executive Director of our Company, holding 1.32% of our post-Invitation share capital.
MORATORIUM

Shareholders of Startech

As a demonstration of their commitment to our Group, Mr Saw Chee Keang (an Executive Director and substantial shareholder) and PV (an existing substantial shareholder) have agreed to place their respective shareholdings in our Company under moratorium. Under this moratorium, they will not realise or transfer any part of their shareholdings in our Company for a period of 12 months commencing from the date of admission of our Company to the Official List of SGX SESDAQ, and they will not dispose their shareholdings in our Company to below 50% of each of their original shareholdings in the 12 months thereafter.

In addition, Mr Ng Chee Fatt, our Non-executive Director (with a shareholding of 11.93% in the post-Invitation share capital), has given an undertaking not to realise or transfer any part of his shareholding in our Company for a period of six months commencing from the date of admission of our Company to the Official List of SGX SESDAQ.

As demonstration of his commitment to our Group, Mr Choo Tian Wang, our Executive Director, has given a voluntary undertaking not to realise or transfer any part of his equity interest in our Company for a period of six months commencing from the date of admission of our Company to the Official List of SGX SESDAQ.

Shareholders of PV

Mr Wee Beng Sing Roland and Mr Chua Boon Tat collectively hold 77.88% interest in PV which translates to each of them having an original effective interest of 14.64% in our Company at the date of admission of our Company to the Official List of SGX SESDAQ. In the light of their deemed controlling interest in our Company through PV, both Mr Wee Beng Sing Roland and Mr Chua Boon Tat have undertaken not to dispose or transfer any part of their respective shareholdings in PV for a period of 12 months commencing from the date of admission of our Company to the Official List of SGX SESDAQ, and in the 12 months thereafter, that they will not dispose their respective shareholdings in PV to the extent that this results in a reduction of each of their effective interest in our Company by more than 50% of each of their respective original effective interest.

RESTRUCTURING

The Restructuring was undertaken in December 1999 pursuant to which our Company became the investment holding company of our Group. Prior to the Restructuring, our three main subsidiaries were subsidiaries in the PV group of companies. The equity interests that PV held in each of the three subsidiaries were: PV Startech Pte Ltd (100.0%), Hi-Tech Materials Pte Ltd (71.5%) and Switech Systems & Marketing Pte Ltd (60.0%). The purpose of the Restructuring was to streamline our corporate structure and consolidate our business activities in preparation for a listing. Pursuant to the Restructuring, the following transactions were effected:

Exchange of Shares

We acquired the entire issued and paid-up capitals of PV Startech Pte Ltd, Hi-Tech Materials Pte Ltd and Switech Systems & Marketing Pte Ltd (collectively the “Acquired Companies”) in consideration of the allotment of fully paid shares of $1.00 each in our then newly-incorporated Company. The aggregate purchase consideration for these shares was computed based on the audited aggregate NTA (of $4,433,355) of the Acquired Companies and their subsidiaries as at 31 December 1999. Consideration shares were allotted to the vendors of the Acquired Companies (the “Subsidiary Vendors”) in the following manner:
Subsidiary Vendors (Acquired Company/ies) | No. of consideration shares of $1.00 each | Equity Interest
--- | --- | ---
Pacific Vinitex Private Limited (PVS, Switech, Hi-Tech) | 2,994,729 | 67.55%
Choo Tian Wang (PVS, Hi-Tech) | 299,675 | 6.76%
Chua Boon Tat (Hi-Tech) | 245,189 | 5.53%
Tan Wee Kiat (Hi-Tech) | 13,620 | 0.31%
Leow Peng Liam (Hi-Tech) | 299,675 | 6.76%
Lee Sui Kum (Hi-Tech) | 13,620 | 0.31%
Wee Beng Sing Roland (Hi-Tech) | 245,189 | 5.53%
Yap Soo Kiat (Switech) | 160,829 | 3.63%
Yong Kuen Shoo (Switech) | 160,829 | 3.63%

4,433,355 | 100.00%*

Note:–

* does not add up to exactly 100.00% due to rounding.

Following the Restructuring, our Company became the holding company of PV Startech Pte Ltd, Hi-Tech Materials Pte Ltd and Switech Systems & Marketing Pte Ltd and their respective subsidiaries. PV Startech Marketing Limited ("PVSM") was later incorporated on 6 January 2000 as a wholly-owned subsidiary of our Company.

Subsequent to the Restructuring, Messrs Chua Boon Tat and Wee Beng Sing Roland, who were directors of our Company, resigned from our Board on 2 October 2000. With the resignations of Messrs Chua Boon Tat and Wee Beng Sing Roland, PV ceased to have any representation on our Board. Messrs Chua Boon Tat and Wee Beng Sing Roland are directors of PV. PV has not been involved in the management of our Group and it has always been a passive financial investor. In view of our listing plans and the added responsibilities associated with directorship of a listed company, Messrs Chua Boon Tat and Wee Beng Sing Roland, resigned from our Board to focus on the affairs of PV.

Sale and purchase of shares on 21 October 2000 and 25 October 2000

Following the Restructuring, there were further changes in our shareholding as some of the Subsidiary Vendors disposed of part of their interests in our Company as follows:–

<table>
<thead>
<tr>
<th>Date</th>
<th>Sale by</th>
<th>Purchase by</th>
<th>Number of Shares/par value</th>
<th>Consideration per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 October 2000</td>
<td>PV, Messrs Leow Peng Liam, Yap Soo Kiat and Yong Kuen Shoo</td>
<td>Ng Chee Fatt, Chan Soh Har, Gay Khiam Soon and Teo Chye Har @ Goh Gim Hong</td>
<td>1,287,447 shares of $1.00 each</td>
<td>$2.5632</td>
</tr>
<tr>
<td>21 October 2000</td>
<td>Messrs Choo Tian Wang, Chua Boon Tat, Lee Sui Kum, Leow Peng Liam and Wee Beng Sing Roland</td>
<td>Messrs Saw Chee Keang and Tan Wee Kiat</td>
<td>770,469 shares of $1.00 each</td>
<td>$1.00</td>
</tr>
<tr>
<td>25 October 2000</td>
<td>Mr Saw Chee Keang</td>
<td>Messrs Chung Foong Yee, Ho Yew Cheong and Lee Chew Seng(1)</td>
<td>92,568 shares of $1.00 each</td>
<td>$1.00</td>
</tr>
</tbody>
</table>

Note:–

(1) Mr Lee Chew Seng joined PVS (at that time known as Startech Electronics Pte Ltd) in 1992 and became Mr Saw Chee Keang’s business partner in 1993 when he acquired a 5% interest in the company. Ms Chung Foong Yee has been an employee of PVS (at that time known as Startech Electronics Pte Ltd) since 1992. Mr Ho Yew Cheong has been an employee of PVS (at that time known as Tenco Startech Pte Ltd) since 1996. Ms Chung Foong Yee, Mr Ho Yew Cheong and Mr Lee Chew Seng are not nominees holding shares in trust for Mr Saw Chee Keang.
Transfer of Differential Shares to PV on 29 June 2001

On 12 January 2000 and 16 June 2000, pursuant to the Restructuring Agreement and as agreed between all the Subsidiary Vendors, our Company issued and allotted consideration shares at par to the various Subsidiary Vendors. The total value of the consideration shares issued by our Company was equivalent to the aggregate NTA values of the Acquired Companies whose shares were transferred to our Company. However, the allocation of the consideration shares as agreed between the Subsidiary Vendors (including PV), resulted in PV receiving 418,954 less consideration shares and the other Subsidiary Vendors receiving 418,954 more consideration shares (the “Differential Shares”) than they would have received had the allocation of shares been exactly proportional to the NTA values in the Acquired Companies. As the major shareholder in each of the Acquired Companies, PV agreed to the allotment of the Differential Shares to the other Subsidiary Vendors (who were the minority shareholders in the Acquired Companies) in order to encourage the latter to support the Restructuring Agreement as well as the subsequent listing of our Company. It was subsequently agreed by all Subsidiary Vendors that shares equivalent to the Differential Shares be transferred to PV to restore PV’s difference in consideration shares. Pursuant to an agreement dated 20 April 2001, some of the other Subsidiary Vendors, together with Messrs Saw Chee Keang, transferred an aggregate of 418,954 shares of $1.00 each to PV without consideration.

<table>
<thead>
<tr>
<th>Date</th>
<th>Transferred by</th>
<th>Transferred to</th>
<th>Number of Shares/par value</th>
<th>Consideration per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 June 2001</td>
<td>Chua Boon Tat, Wee Beng Sing Roland, Choo Tian Wang, Tan Wee Kiat, Leow Peng Liam, Yap Soo Kiat, Yong Kuen Shoo and Saw Chee Keang</td>
<td>PV</td>
<td>418,954</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Conversion of RCL on 3 July 2001

To provide working capital and funding for capital equipment purchase in the interim period prior to the planned listing, we raised a total of $2.5 million from the RCL. On 12 June 2000, our Company entered into a RCL 1 Agreement with the RCL 1 Lenders in order to raise $2.0 million in gross proceeds. Pursuant to the RCL 1 Agreement, the RCL 1 was converted into Shares in our Company using the fixed formula set out in the RCL 1 Agreement, and based on the audited FY2000 profit after tax of $2.5 million. This conversion was at a valuation of 5 times the audited FY2000 profit after tax based on a pre-conversion share capital of 4,433,359 shares of $1.00 each. With the conversion on 3 July 2001, an aggregate of 703,523 Shares were issued to the RCL 1 Lenders, representing 13.70% equity interest following the RCL 1 conversion.

On 28 December 2000, our Company entered into a RCL 2 Agreement with the RCL 2 Lenders for a loan amount of $500,000. Pursuant to the RCL 2 Agreement, the RCL 2 was converted into an equity interest of 2.85% of the pre-Invitation share capital of our Company. Based on an audited FY2000 profit after tax (“PAT”) of $2.5 million, this is equivalent to a valuation of about 6.93 times of the audited FY2000 PAT based on the pre-Invitation share capital. With the conversion on 3 July 2001, an aggregate of 188,730 shares of $1.00 each were issued to them, representing 2.85% of the post-conversion, pre-Invitation share capital.

No interest was payable on the RCL. These RCL Lenders are independent investors in the Company.

The abovementioned transactions and the resultant shareholding in our Company are summarised on pages 66 and 67 of the Prospectus.
The table below sets out the share transfers\(^{(1)}\) that took place among our shareholders since our incorporation:

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Wyntex Private Limited(^{(2)})</td>
<td>2,947,290 (10,533,660)</td>
<td>4,189,540</td>
<td>23,603,170 53.24%</td>
<td>23,603,170 45.95%</td>
<td>23,603,170 45.95%</td>
<td>23,603,170 45.95%</td>
<td>29,560,280 44.64%</td>
<td>29,560,280 44.64%</td>
<td>29,560,280 44.64%</td>
<td>29,560,280 44.64%</td>
<td>29,560,280 44.64%</td>
<td>29,560,280 44.64%</td>
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<td></td>
</tr>
<tr>
<td>Choo Tian Wang</td>
<td>2,996,750 (2,074,620)</td>
<td>16.2%</td>
<td>829,930 1.87%</td>
<td>829,930 1.62%</td>
<td>829,930 1.62%</td>
<td>829,930 1.62%</td>
<td>829,930 1.62%</td>
<td>829,930 1.62%</td>
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<td>829,930 1.62%</td>
<td>829,930 1.62%</td>
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<td></td>
</tr>
<tr>
<td>Chua Boon Tat(^{(2)})</td>
<td>2,451,890 (1,698,220)</td>
<td>0.00%</td>
<td>667,920 1.51%</td>
<td>667,920 1.30%</td>
<td>667,920 1.30%</td>
<td>667,920 1.30%</td>
<td>667,920 1.30%</td>
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<td>667,920 1.30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lee Sui Kum</td>
<td>136,200 (96,300)</td>
<td>0.00%</td>
<td>613,660 1.38%</td>
<td>613,660 1.19%</td>
<td>613,660 1.19%</td>
<td>613,660 1.19%</td>
<td>613,660 1.19%</td>
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<td>613,660 1.19%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yap Soo Kiat</td>
<td>1,608,290 (1,111,760)</td>
<td>0.00%</td>
<td>446,880 1.01%</td>
<td>446,880 0.87%</td>
<td>446,880 0.87%</td>
<td>446,880 0.87%</td>
<td>446,880 0.87%</td>
<td>446,880 0.87%</td>
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<td>446,880 0.87%</td>
<td>446,880 0.87%</td>
<td>446,880 0.87%</td>
<td></td>
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</tr>
<tr>
<td>Ng Chee Fatt</td>
<td>7,490,340 (68,190)</td>
<td>0.00%</td>
<td>664,640 1.38%</td>
<td>664,640 1.19%</td>
<td>664,640 1.19%</td>
<td>664,640 1.19%</td>
<td>664,640 1.19%</td>
<td>664,640 1.19%</td>
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<td>664,640 1.19%</td>
<td>664,640 1.19%</td>
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</tr>
<tr>
<td>Saw Chee Keang</td>
<td>10</td>
<td>7,159,040 (925,680)</td>
<td>3,858,100 8.76%</td>
<td>3,858,100 7.66%</td>
<td>3,858,100 7.66%</td>
<td>3,858,100 7.66%</td>
<td>3,858,100 7.66%</td>
<td>3,858,100 7.66%</td>
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<td>3,858,100 7.66%</td>
<td>3,858,100 7.66%</td>
<td></td>
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</tr>
<tr>
<td>Ng Kam Meng</td>
<td>1,172,540 2.28%</td>
<td>295,930 1.51%</td>
<td>295,930 0.59%</td>
<td>295,930 0.59%</td>
<td>295,930 0.59%</td>
<td>295,930 0.59%</td>
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</tr>
<tr>
<td>Chong Foong Yee</td>
<td>180,000 0.35%</td>
<td>45,430 0.91%</td>
<td>45,430 0.91%</td>
<td>45,430 0.91%</td>
<td>45,430 0.91%</td>
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<td>45,430 0.91%</td>
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</tr>
<tr>
<td>Chew Lan Keak Melissa(^{(3)})</td>
<td>377,460 0.71%</td>
<td>17,740 0.35%</td>
<td>17,740 0.35%</td>
<td>17,740 0.35%</td>
<td>17,740 0.35%</td>
<td>17,740 0.35%</td>
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<td>17,740 0.35%</td>
<td>17,740 0.35%</td>
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<td></td>
</tr>
</tbody>
</table>

Notes:

(1) As adjusted for stock split of $0.10.
(2) Chua Boon Tat and Wee Beng Sing Roland are substantial shareholders and directors of PV, and the shareholding profile in PV is disclosed on page 62 of this Prospectus.
(3) Chew Lan Keak Melissa is the spouse of Leong Yuan Min Joachim.
GROUP STRUCTURE
The current Group structure is shown below:

![Group Structure Diagram]

Note:–
(1) The other 20% interest in PVP is held by Goh Koon Neng (sales manager in PVP) and Tan Kim Thian Peter (ex-employee of PVP). Mr Goh and Mr Tan are not related to the Directors or substantial shareholders of our Company.
The details of our subsidiaries are set out as follows:

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Date and place of incorporation</th>
<th>Principal business</th>
<th>Paid-up Capital</th>
<th>Equity held by Company/Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV Startech Pte Ltd (formerly known as</td>
<td>23 April 1994 Singapore</td>
<td>Contract Manufacturing</td>
<td>S$1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>Tenco Startech Pte Ltd)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weinixing Electronics (Shenzhen) Co., Ltd</td>
<td>Date of Approval (1): 6 January 1999 People's Republic of China</td>
<td>Contract Manufacturing</td>
<td>Registered capital (2) HK$7,000,000</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Paid-up capital HK$6,450,000</td>
<td></td>
</tr>
<tr>
<td>Hi-Tech Materials Pte Ltd</td>
<td>7 May 1987 Singapore</td>
<td>Distributor of equipment and consumable materials for the electronics industry</td>
<td>S$431,000</td>
<td>100%</td>
</tr>
<tr>
<td>Chemitec Industrial Private Limited</td>
<td>7 April 1997 Singapore</td>
<td>Distributor of specialty chemical products and consumable materials for the electronics industry</td>
<td>S$200,000</td>
<td>100%</td>
</tr>
<tr>
<td>Switech Systems &amp; Marketing Pte Ltd</td>
<td>26 August 1994 Singapore</td>
<td>Designer, assembler, supplier &amp; installer of electrical switch boxes</td>
<td>S$200,000</td>
<td>100%</td>
</tr>
<tr>
<td>PV Power Pte Ltd</td>
<td>18 August 1998 Singapore</td>
<td>Distributor of power transmission products</td>
<td>S$100,000</td>
<td>80%</td>
</tr>
<tr>
<td>PV Startech Marketing Limited</td>
<td>6 January 2000 British Virgin Islands</td>
<td>Marketing and trading electronics components</td>
<td>US$1</td>
<td>100%</td>
</tr>
</tbody>
</table>

PVP is a 80% subsidiary of Switech.

Notes:

(1) On the same date, WES received the Chinese Foreign Investment Council’s approval. Both approvals are for a registered operational term of 10 years. On 6 January 1999, WES received the business licence.

(2) WES was approved for a registered capital of HK$7,000,000 but its current paid-up capital is HK$6,450,000 and it is currently in the process of obtaining approval to reduce its approved registered capital to HK$6,500,000.

None of our subsidiaries is listed on any stock exchange.
HISTORY AND BUSINESS

HISTORY

Our Company was incorporated in Singapore under the Companies Act (Chapter 50) on 12 October 1999 as a private limited company under the name of PV Startech Holdings Pte Ltd to assume the role of an investment holding company for the three business entities of our Group, namely, EMS business, distribution business and switchgear design & assembly business. Our Group currently comprises our Company and seven subsidiaries. On 2 July 2001, following our conversion to a public limited company in preparation for a public listing, we changed our name to Startech Electronics Ltd.

History of our core EMS business

The history of our Group dates from April 1989 when Mr Saw Chee Keang formed Startech Electronics Pte Ltd with 10 employees and one production line located at a 3,000 sq ft plant in Bukit Batok. Its business was to provide contract manufacturing services to customers such as Archive Singapore Pte Ltd, Syquest Singapore Pte Ltd and AIWA Singapore Pte Ltd.

In April 1994, our manufacturing capabilities were enhanced from purely manual PTH to include SMT capability. Our customer base also increased from two in 1989 to six in 1994. However, it became apparent that an organic growth in our operations would not be able to accommodate the pace of the growth in orders. In April 1994, together with Tenco Westech Industries Pte Ltd, we formed a joint venture company with a paid-up share capital of $500,000, called Tenco Startech Pte Ltd ("TSPL"), to acquire the business and assets of Startech Electronics Pte Ltd (now known as SawCK Pte Ltd). TSPL was held as to 51% by Tenco Westech Industries Pte Ltd, 30% by Mr Saw Chee Keang and 19% by Mr Lee Chew Seng. Both Mr Saw Chee Keang and Mr Lee Chew Seng were responsible for managing and developing the business of TSPL. This joint venture provided us with expansion capital to acquire one additional SMT production line in 1994 and two more SMT production lines in 1995, bringing our total capacity to four lines. In 1994, we relocated to a new 13,000 sq ft factory in Ang Mo Kio.

Our EMS business was awarded the ISO 9002 certification by the Singapore Productivity and Standards Board ("PSB") on 24 February 1997. This SS ISO9002:1994 certification for Contract Manufacturing of Printed Circuit Board Assemblies is also accredited by the Dutch Council for Accreditation, the International Certification Network and the Singapore Accreditation Council. It serves as a recognition for our efforts in delivering quality products and services to our customers. It also serves as a milestone for the early stages of our manufacturing capabilities development. The award of ISO 9002 certification validates our quality standards and help us to market our EMS services to OEMs overseas. We have so far met the requirements of all half-yearly quality surveillance audits since the date of award.

In August 1997, with a view to further expanding our capability, we became part of the PV Group, which acquired 100% interest in TSPL (including the interest held by Mr Saw Chee Keang and Mr Lee Chew Seng), and the latter was then renamed PV Startech Pte Ltd ("PVS"). Through the PV Group, we were able to obtain the required financing to add another SMT line to our capacity. The manufacturing operations were then relocated from the 13,000 sq ft factory in Ang Mo Kio to a 20,000 sq ft facility in Woodlands.

In March 1999, the paid-up capital of PVS was increased to $1.5 million from $500,000 as we capitalised the retained earnings and an amount due to shareholders. In August 1999, we took our first step in regionalisation when we expanded our EMS operations to the PRC, with the incorporation of WES, a company with a paid-up capital of HK$6.45 million. We acquired two additional SMT lines in the same year and shifted two of the existing lines to the 10,000 sq ft manufacturing facility in Shenzhen, bringing our total capacity to seven SMT lines. WES has sufficient floor space to accommodate another three SMT lines. The foray into the PRC was motivated primarily by the strategic consideration of wanting to be close to the end-markets of our OEM customers, for instance those that engage us to produce set-top boxes and cash card readers. The PRC also offers the advantage of lower manufacturing costs, particularly in respect of rental, labour and logistics as compared to Singapore.
History of our distribution business

The distribution activities of our Proforma Group are undertaken by Hi-Tech Materials Pte Ltd (“Hi-Tech”) and Chemitec Industrial Private Limited (“Chemitec”). Hi-Tech supplies contact cleaning machines and other manufacturing machinery (such as hot air solder levelling machines), chemicals, materials and parts used in the manufacture of PCBs, LCDs, and etched lead-frames. Chemitec supplies specialty chemicals that are used in the wafer fabrication process.

Mr Choo Tian Wang, our Executive Director, was instrumental in the founding of Hi-Tech, together with two investors Mr Chua Boon Tat and Mr Wee Beng Sing Roland, on 7 May 1987 who injected an initial paid-up share capital of $188,000. Hi-Tech’s paid-up share capital was subsequently raised to $431,000 with further injections of equity by existing and new shareholders. In February 1994, Hi-Tech became one of PV’s subsidiaries when PV acquired 308,000 shares of $1.00 each (representing 71.5% of the share capital) from the then shareholders of Hi-Tech. Mr Choo Tian Wang was previously a technical sales representative with DynaChem Singapore Pte Ltd but subsequently left to set up Hi-Tech to take over the PCB material and equipment business of DynaChem Singapore Pte Ltd when the latter relocated to Hong Kong. Hi-Tech has since developed to be a distributor of contact cleaning machines and related manufacturing machines, chemicals, materials and parts to the electronics industry. The product range of Hi-Tech expanded to include photo-resist strippers when it acquired Chemitec on 7 April 1997.

Chemitec was incorporated in 1993 as a sole proprietorship, and the subsequent development and growth was spearheaded by its founder, Mr Leow Peng Liam, who is an Executive Officer of our Group. With the acquisition by Hi-Tech, Chemitec was converted to a private company limited by shares on 7 April 1997 with a paid-up share capital of $100,000. Its paid-up share capital was increased to $200,000 with the capitalisation of amounts owing to Hi-Tech, its immediate holding company. Chemitec supplies specialty chemicals, materials and related equipment primarily to the wafer fabrication industry. One major milestone in Chemitec’s development was in November 1997 when it was appointed as the distributor for Ashland-ACT’s line of products in Singapore. Ashland-ACT is one of the market leaders in chemical etch residue removal and photo-resist stripping, which are integral steps in the wafer fabrication process.

History of our switchgear design & assembly business

The third element of our Group’s business, the switchgear design & assembly business, was founded by Mr Yap Soo Kiat and Mr Yong Kuen Shoo in 1993 when they set up a partnership, Switech System & Marketing. Switech System & Marketing engaged in the design and assembly of various types of LV switchgear, control panels and power supply systems. In 1994, this partnership was converted into a private company limited by shares with a paid-up share capital of $100,000, with PV as a major shareholder, and was renamed Switech System & Marketing Pte Ltd (“Switech”). Its paid-up share capital was increased to $200,000 with the capitalisation of retained earnings in September 1999.

Switech was awarded four ENV projects from incorporation to 1996 and it was the successful completion of the largest of these projects (Seletar Sewerage Treatment Works) in 1996 which established Switech as a significant player in this field. In August 1998, Switech set up a subsidiary, PV Power Pte Ltd (“PVP”) with initial paid-up share capital of $2.00 (which was subsequently raised to $100,000 in May 1999) to undertake the business of distributing power transmission products.

History of PVSM

On 6 January 2000, we incorporated PV Startech Marketing Ltd (“PVSM”), with a subscriber share of US$1.00. Currently, apart from having a registered address in Hong Kong, PVSM does not own any assets nor does it have any employees under it. Our intention is to use PVSM as the international marketing arm for our Group, procuring new contracts outside Singapore for all companies under our Group.
BUSINESS

Overview

Our Group is engaged in three businesses:

(i) Electronics manufacturing services;
(ii) Distribution; and
(iii) Switchgear Design & Assembly.

These three business segments have been the Group’s main business for the last three years. There were no other significant products/services introduced nor are there any other significant products/services in development.

Electronics manufacturing services

Our core business is that of EMS, which accounted for close to 76.8% of the revenue and 70.1% of the pre-tax profit for our Proforma Group in FY2000. The EMS business is undertaken by our principal subsidiaries, PVS and WES. We are a high mix/low-to-medium volume EMS company. Our EMS services can be broadly broken down into PCBA and complete assembly of the finished product (also known as Box-Build operations). PCBA essentially involves the attachment of an assortment of electronic components (such as resistors, capacitors, inductors, QFPs, BGAs) onto pre-designated locations of a PCB.

The PCB forms the mechanical backbone for attachment of these components and through its conductive tracks, the PCB also provides a circuit to link these components electrically. When these components are linked in a specific order in a circuit, the electrical charges that flow through the circuit of the PCB are modulated, integrated, differentiated, or amplified, etc., to perform a specific function desired of the PCB. A single PCBA can function on a standalone basis or as part of a system when it is integrated with other PCB assemblies. Typically, the OEMs would specify the layout of the circuit and the components on the PCB.

Our PCBA business entails the attachment of the electronic components onto the PCB in a process described in the following section. Our PCBA technologies include SMT, PTH and chip on flex. The newer assembly technologies such as SMT support the miniaturisation of electronics products because they allow a higher density of miniature components, with very fine pin-spacing to be assembled onto a PCB with very fine tracks and track-spacing. Our equipment, which can handle components as small as 0.5 mm by 0.25 mm (up to speed of 0.12 seconds per component), is suitable for supporting miniaturised electronic end products such as personal digital assistants and cellular phones.

To add further value to our services, we developed capabilities to vertically integrate our core PCBA operations. At the upstream end, our production engineers advise our clients on the manufacturability of their designs and develop testing tools and efficient manufacturing processes for their specific products. Where required, we provide engineering and production support to our clients in their prototype developments, where we help to develop trial batches of our customers' new products. Such prototype production not only allows our customers to evaluate the functionality of their new products and detect design flaw, before products are launched in the market, it also allows our Group’s engineers to fine-tune the entire production process, enhancing the manufacturability of these new products for later mass production. We also provide supply chain management services to our turnkey clients whereby we source for components through our network of local sources and marketing and procurement representatives. Please see risk relating to our suppliers as disclosed on page 27 of this Prospectus.
Downstream integration of our PCBA operation includes integrating the PCBs with the rest of the system to assemble the entire end product, including the chassis. Box-Build operations represent the most comprehensive suite of manufacturing services that we currently provide, requiring our services from product design to component sourcing, to PCBA, and to the final assembly of the finished product. As a low-to-medium volume EMS company, we have the versatility in our operations to accommodate a higher degree of non-standard processes required for Box-Build contracts. The machines in our lines, and the layout of the lines, are engineered to be modular so as to provide maximum versatility. For both Box-Build contracts and pure PCBA contracts, we perform functional testing at the end of the assembly process. Functional testing is a process whereby system-specific test signals generated by a computer programme are inputted into the PCB or the final product and the functionality of the specimens are gauged by the responses that they return.

Our customers engage us to provide Box-Build and PCBA services either on a consignment basis and/or on a turnkey basis. Consignment EMS projects refer to those in which the customers procure all or most of the components and parts and supply them to us for assembly. However, the majority of our projects are on a turnkey basis whereby we are responsible for the procurement, transport, storage, packaging, handling and forecasting of the parts and components. Our turnkey projects tend to command a gross profit margin that is approximately five to eight percentage points above that of consignment projects. The proportion of our turnkey projects has increased over the years, from approximately 20% in FY1995 to approximately 81.9% in FY2000 due to customers' increasing preference for more comprehensive services.

To capitalise on the lower production cost in the PRC, we operate two lines in our Shenzhen plant. The Shenzhen plant serves as a manufacturing arm for our EMS business. For the financial year ended 31 December 2000, the total billing from WES to PVS amounted to $1.8 million, which is equivalent to approximately 5% to our EMS turnover. We intend to relocate up to two of our existing lines in Singapore to our Shenzhen plant by June 2002. Our intention for WES is to cater to the more labour-intensive product lines. The Singapore plant will be used primarily for contracts which require very short lead-times (such as three to four days) or more complex PCBAs.

Our EMS business covers a wide range of product mix as follows:

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Components/Products</th>
<th>Basis of Contract</th>
<th>Customers(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-media, computer systems</td>
<td>Sound Card</td>
<td>Consignment</td>
<td>Creative Technology Ltd</td>
</tr>
<tr>
<td>and peripherals</td>
<td>Set-top Box</td>
<td>Turnkey</td>
<td>Multiwave Singapore Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>Input Device Controller Board</td>
<td>Turnkey</td>
<td>MSL Technology Services (M) Sdn Bhd</td>
</tr>
<tr>
<td>Industrial equipment</td>
<td>Transducer</td>
<td>Turnkey</td>
<td>Lem Heme UK</td>
</tr>
<tr>
<td>Consumer electronics</td>
<td>Digital Video Creator</td>
<td>Turnkey</td>
<td>Advent Electronics Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>Signal modulator</td>
<td>Turnkey</td>
<td>Philip Singapore Pte Ltd</td>
</tr>
<tr>
<td>Automobile</td>
<td>Car alarm</td>
<td>Turnkey</td>
<td>Saint Electronics Pte Ltd</td>
</tr>
<tr>
<td>Medical and analytical</td>
<td>Flex module</td>
<td>Turnkey</td>
<td>Lem Heme US, Lem Heme Geneva</td>
</tr>
</tbody>
</table>

Note:–
(1) Customer listing is not exhaustive.
Distribution of machinery and related materials, and wafer fabrication chemicals

Our Group is also engaged in the distribution of contact cleaning machines and other manufacturing machinery (such as the hot air solder levelling machines) employed in the manufacture of PCBs, LCD and etched lead-frames. We also supply associated consumables such as adhesive rolls, specialty chemicals, dry films and spare parts. This business segment of our Group is undertaken by Hi-Tech (and its subsidiary, Chemitec) which accounted for 16.5% of our Group’s revenue in FY2000.

Contact Cleaning Machines (for PCBs, LCDs and etched lead-frame)

Residues or surface contaminants are accumulated on PCBs, LCDs and etched lead-frames during the manufacturing process. A high level of these residues or surface contaminants is detrimental to the final product quality. Use of contact cleaning machines during the manufacturing process will eliminate such contaminants thereby reducing the product rejection rates.

These contact cleaning machines are used in the intermediate manufacturing process before operations such as dry film lamination (a process for laminating a layer of photo-sensitive film onto the PCBs, LCDs and etched lead-frames). These contact cleaning machines form part of the manufacturing line for PCBs, LCDs and etched lead-frames.

When the PCB, LCD or etched lead-frame is rolled into the contact cleaning machines, the rubber roller of the contact cleaner comes into contact with the substrate and picks up any unattached surface contaminants on the component. The adhesive roll then removes the contaminants from the rubber roller. The diagram below illustrates the cleaning process performed by the contact cleaning machines:

![Diagram of contact cleaning machines]

A rubber roller touches the part to be cleaned, picks up the contaminant and transfers it to an adhesive roll which then removes it from the rubber roller.

Extracted from Teknek’s website at http://www.teknek.com

All of Hi-Tech’s contact cleaning machines are supplied by Teknek. To the best of our Directors’ knowledge, Teknek is a leader in the supply of contact cleaning machines (please refer to Teknek’s website at http://www.teknek.com which does not form part of this Prospectus). Generally, customers who have purchased contact cleaning machines from Hi-Tech tend to continue to purchase the related consumables. Hi-Tech also provides maintenance support and parts for these contact cleaning machines.

Hi-Tech supplies Teknek contact cleaning machines to most of the major PCB manufacturers such as Gul Technologies Singapore Ltd, Hitachi Chemical Asia-Pacific Pte Ltd, Sanmina Corporation (M) Sdn Bhd and major etched lead-frame manufacturers such as ASM Technology Singapore Pte Ltd and Possehl Besi Electronics (S) Pte Ltd. The other suppliers in the market are mostly from the US, Japan and Taiwan.

Other Manufacturing Machinery (for PCBs)

Hi-Tech also distributes other manufacturing machinery (such as the hot air solder levelling machines) supplied by CEMCO which are used in the manufacturing of PCBs. The customers include Hitachi Chemical Asia-Pacific Pte Ltd, Pentex-Schweizer Circuit Ltd and Sanmina Corporation (M) Sdn Bhd (formerly known as Hadco Corporation (M) Sdn Bhd).
**Specialty Chemicals (for wafer fabrication plants)**

Another aspect of our distribution business is the supply of:

(a) high purity specialty chemicals (such as photo-resist strippers, polymer residue removers and post-CMP cleaners) specifically for the wafer fabrication industry; and

(b) precious metal based electronic materials found in automotive, telecommunication, military and computer peripherals products.

Ashland-ACT’s products were used in Singapore prior to Chemitec’s appointment as the distributor. However, since Chemitec’s appointment in November 1997, it has been the only distributor for Ashland-ACT in Singapore and Thailand in respect of the latter’s range of high purity photo-resist strippers, side-wall polymer residue removers and post-CMP cleaners. These products are used at various cleaning process stages during wafer fabrication. Chemitec has so far not distributed to Thailand.

The photo-resist strippers and side-wall polymer residue removers, are specialty chemicals used in the various cleaning processes during the manufacture of a silicon wafer. These specialty chemicals are used after the Post Photo-Lithographic process, Post Metal-Etch and Post Via-Etch Process. The following two pictures illustrate the removal of polymer residues from the side-walls of metal line and Vias.

![Before and After](image)

*Courtesy of Ashland-ACT*

The post-CMP cleaners are primarily developed for the copper metallisation technology (which has become more prevalent in the industry over the last two years as this is a necessary technology to support fabrication of wafer with finer line widths of 150 nm). These cleaning chemicals are to be used during post-CMP of the copper metallisation to ensure that contamination of the wafer copper surface is eradicated after the CMP process.

All these products developed and manufactured by Ashland-ACT are proprietary in nature and they incorporate patented corrosion inhibition technology which protects the sensitive metallisation on the wafer from metal corrosion during the stripping process.

The two sales and technical staff at Chemitec have, in total, more than a decade of experience in selling to and supporting the wafer fabrication customers. With their understanding of customers’ technical needs, they are able to make appropriate recommendations to assist the process engineers in developing specific solutions to their process problems. Chemitec is part of the vital “value-added” intermediary link between the customers and Ashland-ACT, wherein the staff at Chemitec will work jointly with the application and technical staff at Ashland-ACT to address the specific problems of the customers and provide customised solutions to them.
Switchgear Design & Assembly

We also design and assemble LV switchgear and control panels, and distribute power supply systems. This business segment accounted for 6.7% of our Group’s revenue in FY2000.

The switchgear market is segmented into two main categories, namely high voltage switchgear (which are used for electricity transmission from power station to consumer premises) and LV switchgear (which are used for electricity transmission within consumer premises). Switech specialises in the LV segment. The two co-founders are experienced in designing and assembling switchgear mainly used in infrastructure projects such as water treatment works and sewerage treatment works. The experience in handling such projects also allows Switech to undertake other residential and commercial projects. Switech is one of the companies in Singapore that also supplies a wide range of products and services related to switchgear design and assembly. Some of the other companies in Singapore dealing in switchgear design and assembly include Guthrie Engineering (S) Pte Ltd, ABB Industry Pte Ltd and SMB United Limited.

As a one-stop LV switchgear designer & assembler, Switech designs and assembles a wide variety of switchgear applications such as the main switchboard and other associated sub-systems (including the distribution board which distributes electricity to different locations). In cases where the customers require that the switchgear conform to quality standards of recognised international test laboratories such as KEMA (i.e. type-tested switchgear), we would design the switchgear using CUBIC’s bus-bar systems and steel frameworks which are tested and type-approved by ASTA, Det Norske Veritas (“DNV”), KEMA and Underwriters Laboratories Inc. (“UL”). Switech has been authorised by CUBIC to assemble the latter’s type-tested switchgear in Singapore since 1996.

Switech’s customers consist of mechanical and electrical contractors, consultants, building owners and statutory boards dealings in infrastructure projects. Switech has maintained a good relationship with ENV, consultants and main contractors focusing on ENV’s projects. Switech has so far been able to produce quality products which comply with ENV’s specifications.

In order to provide a more comprehensive service to their customers, Switech set up a subsidiary, PVP, in August 1998. PVP supplies switchgear related products (product brands such as Baldor and PDL) including electric motors, variable speed drives for alternating current motors, uninterruptible power supply systems and luminous flux regulators (energy saving systems).

Manufacturing Process

EMS

The assembly of a PCB involves three stages, namely (i) procurement and production-planning, (ii) PCB assembly, and (iii) testing and quality inspection. If required by customers, we will perform complete product assembly, which will include assembly of the PCB into the chassis. The etched PCBs are delivered to us for component mounting using a combination of SMT and PTH processes. SMT and PTH represent the two ways to assemble components onto a PCB. PTH or Plated-through-Holes, as the name suggests, involves the insertion of pins or lead wires of the components, either using automated machines or manually, into drilled holes on the PCB and soldering of these components into place. Although PTH is an older technology in relation to SMT, PTH is still required for the mounting of all leded components onto the PCB, such as connectors and headers. SMT involves “printing” a layer of conductive solder paste onto the connecting pads on the surface of the PCB through a process called screen-printing. Since the pitch of SMT components are much smaller than PTH components, the SMT process is more space-efficient as it allows a high density of components to be mounted onto the PCB. Our SMT machines also have the precision to place miniature components (as small as 0.5 mm by 0.25 mm in dimension, and with pitch as fine as 15 milli-inches fine pitch QFP and BGA) onto PCBs with very fine circuitry. Components can also be mounted on both sides of the PCB for higher board density to support more functions. Testing and quality checks are performed at the end of the process flow to ensure functionality and compliance with specified industry standards (such as the IPC-A-610 mentioned on page 82 of the Prospectus).
Apart from rigid PCBs, we also handle flexible PCBs known as chip on flex (used in products such as cellular phones and LCD panels which cannot accommodate rigid PCB). The manufacturing process is similar to that described above except that the flexible board is attached to a rigid support before it is sent to the assembly line.

The PCBA process is summarised as follows:

![PCBA Process Flow Diagram]
Procurement and Production Planning

Purchase of Materials

For turnkey contracts that our Group engages in, the procurement department will coordinate the purchase of components and parts. The procurement of materials will be in accordance with the bill of materials and the artwork and Gerber file furnished by the customers. For consignment contracts, the material and planning department will plan the production and delivery schedule according to the customers' requirement and arrange for collection of materials. As a result of this just-in-time inventory management, we do not face any problem in stock obsolescence.

Our inventory and procurement management system can be linked to those of the customers' and the vendors' through our in-house developed material resource planning ("MRP") system which was commissioned in the 1st quarter of 2001. MRP is a widely used material-planning system in the EMS industry. PVS's MRP linkage, however, is conditioned upon the customer/vendor's inventory system being on the same window/DOS platform. PVS's MRP system allows the suppliers and customers to check on their purchase order through emails or direct dial-in. As our MRP system is developed in-house, the development cost is insignificant. We have appointed marketing and procurement representatives in the US to enhance our component sourcing capability. All components purchased are subject to in-coming quality inspection to ensure that they meet the specification, quality and functionality required.

Materials Kitting

The Material and Planning Department will set the production dates according to the customers' schedule and components delivery by the suppliers. Once the production schedule is determined, specific work orders will be issued to the store to prepare the required materials for the production floor and to the engineering department to prepare and set-up the lines for production.

PCB Assembly

Our PCB assembly line has four processes: (i) moisture removal, (ii) SMT process, (iii) PTH process and (iv) testing and quality control.

Moisture Removal

The bare PCB is first put through an oven to remove any presence of moisture (through heating). The presence of moisture is detrimental to the bonding between the components and the PCB surface.

SMT Process

The subsequent SMT process comprises five stages, namely solder paste printing, auto pick and place, reflow soldering, inspection and aqueous cleaning.

(i) Solder Paste Printing

Solder paste is the "glue" that attaches components to designated pads on the PCB. When subjected to an appropriate temperature cycle, the solder paste will transform into a conductive solder joint. Using an automated solder paste printing machine, together with a metal template, the solder paste is printed onto the connecting pads on the PCB.

(ii) Auto Pick and Place

In the next stage, using the Auto Pick & Place machine (which is another machine located downstream of the paste printing machine), the components are picked and placed onto the PCB at the designated connecting pads which have been coated with solder paste. The Auto Pick & Place machine is a high speed computer-controlled precision machine capable of picking up components as small as 0.5 mm by 0.25 mm, and placing them at precise locations on the PCB at speeds of up to 0.12 seconds per component.
(iii) Solder Reflow
This is a process to transform the solder paste (that is holding the components to the PCB) into a conductive medium. The PCBs will pass through reflow ovens for a series of heating and cooling at specified temperature cycles necessary for the transformation of the liquid solder paste into a solid solder joint. At the end of this process, the components will be set, and there will be electrical connection between the components and the PCB.

(iv) Inspection
A 100% visual inspection, under a magnifying glass, is then performed by the production operators to check on the integrity and quality of the connections between the components and the PCB.

(v) Aqueous Cleaning
Certain solder pastes contain corrosive organic acid which is left behind after the soldering process. Such residue, as well as any other form of chemical contaminants, is removed by washing the PCB with distilled water in the aqueous cleaning machines.

PTH Process
The PTH process caters to components (such as connectors and transformers) that cannot be mounted on the PCB using the SMT process. In the PTH process, the component leads are inserted into pre-drilled holes on the PCB. There are four stages involved, namely, Auto/Manual Insertion, Wave Soldering, Touch Up/Manual Soldering and Inspection and Aqueous Cleaning.

(i) Auto/Manual Insertion
Using the auto insertion machines, leaded components (i.e., components with protruded pins) are picked from feeders on the auto insertion machines and placed onto the PCB. Large leaded components that cannot be handled by the machines will be inserted manually by the production operators.

(ii) Wave Soldering
After the insertion process, the component pins will protrude from the underside of the PCB. The PCBs are then set on conveyors and rolled over a bed of molten solder. When the protruding component pins come into contact with the molten solder, the solder is sucked into the plated-through holes by capillary action and a solder joint is formed. The excess solder around the joint and the protruding pins are removed manually.

(iii) Touch Up/Manual Soldering and Inspection
The production operators will conduct a 100% visual inspection, under a magnifying glass, on the components mounted by manual insertion and check on the quality of the solder joints formed by wave soldering. Any soldering defects detected during the visual inspection will be corrected manually using soldering irons.

(iv) Aqueous Cleaning
This process is to wash away any excess solder flux that remains after the PTH process.
Testing & Quality Control

Towards the end of the assembly line, the assembled PCBs are put through:

(i) In-circuit Testing ("ICT")

ICT is targeted at process-related problems in the assembling of the PCB. It tests the value-setting and location of each individual component on the assembled PCBs. This is done automatically using an ICT program and a test fixture specially designed for that product. ICT allows the tester to locate the defects (such as defective components or defective solder joints) so that rectifications can be made.

(ii) Functional Testing ("FCT")

This is to test the functionality of the entire assembled PCB. The test equipment comprises a customised test panel with leads to connect and read signals from the test specimen, and is integrated with a personal computer. The test signals are generated by software provided by or specified by the customer to test the specific functions of the assembled PCB. The responses from the specimen are then compared against specified standards to determine acceptance.

More comprehensive information on our quality control can be found on page 82 of this Prospectus.

Switchgear Design & Assembly

Switchgear generally comprises a panel of electrical and electronic devices that control the distribution of electricity to the respective units/blocks in an enclosed structure (for example a sewerage plant or building). All switchgear designed and assembled by Switech is individually designed to meet the exact requirements specified by the customers. The standard switchgear framework consists mainly of steel assembly components (framework), copper bus-bars, electrical components and wiring. An example of switchgear is shown below:

Switech has been designing and assembling LV switchgear and related control systems since 1993.

In response to a tender or invitation, Switech will study the specification set out in the customer’s RFP and submit their preliminary design, together with the quotation, to the main contractor.
The process for designing and assembling switchgear is as follows:

1. **Contract Awarded**
2. **Submit detailed design of control & layout drawing**
3. **Receive approval by customer**

- **Purchase of components**
- **Fabrication of framework**
- **Assembly of bus-bar systems and steel frameworks**
- **Install components and electrical wirings**

- **Factory testing**
- **Customer inspection**
- **Delivery to site**
- **Testing & commissioning**

As soon as the contract has been awarded, Switech will submit the detailed design to the main contractor. Upon approval, Switech will purchase the required components, panels, framework and equipment (such as circuit breaker, switches, control relays, bus-bars, switchboard casings, cables and gauges) from various suppliers. Switech will thereafter perform the final assembly of the switchgear.

During the various stages of the assembly, visual inspection will be performed by the engineers and the supervisor to ensure conformance to the technical drawings. Subsequently, a high voltage test (of two kilovolts) is performed to test the insulation of the switchgear. This is followed by a test to ensure that there is no short-circuit in the system. The completed switchgear will then be delivered to the project site for installation. During the installation, the switchgear will be tested for over-current and earth-fault leakage (that is, to ensure that the system is functionally sound). Upon completion of the on-site tests, the switchgear will be commissioned and handed over to the customer. The switchgear will be under warranty for a year. Subsequent maintenance will either be on a retainer or on an ad-hoc basis.

The duration of the projects varies from four to five months for small-scale projects to up to two years for large-scale infrastructure projects.

**Quality Control**

The ability to maintain high quality standards in our products and services is pivotal in maintaining competitiveness and profitability in the EMS business. The electronic OEMs’ demands for quality are very stringent and failure to meet such standards would likely imply discontinuation of the account, or inability to secure new ones. It would also result in higher rejection rates that would erode profit margins. We have adopted a total quality management approach since 1994 to ensure quality in all stages of our work flow. We have set up a Quality Assurance (“QA”) Committee comprising representatives from four departments, namely material, production, engineering and QA. The QA Committee meets monthly to analyse the manufacturing process and lay down QA initiatives for each process discussed below. The QA Committee also monitors the implementation of the QA initiatives for each stage of the process, namely, vendor management, materials planning and management, production and final product delivery. This is a pre-emptive approach to address and prevent any defects that may occur at each stage of our workflow before the defects surface in the final inspection. Our receipt of the ISO 9002 certification since 1997 serves as a recognition of our achievement in establishing a quality management system for our PCBA operation.
Our QA initiatives cover each stage of the PCBA work flow:

**Vendor Management & In-coming Quality Control**

By purchasing all parts and components from the customers’ approved vendor list, we control the quality of raw materials through the quality standards of the customers. As part of our QA initiative to be proactive in this respect, we hold regular meetings with vendors to feed back any issues pertaining to parts quality. In-coming components and parts are subject to inspection to ensure that they comply with the relevant specifications. We continuously monitor and evaluate the vendors’ performance by maintaining a record of the inspections carried out on the parts received. We will stop purchasing from vendors with poor quality records even if they are our customers’ approved vendors.

**In-Process Quality Inspection**

We attempt to achieve zero-defects in the finished products by incorporating mid-stream quality assurance measures (also known as in-process measures) throughout the production processes. Through visual inspection under a magnifying glass at the end of each phase of the assembly, defects are identified and rectified at an early stage to minimise reworking and rejection rates.

**Final Quality Inspection**

Final quality inspection is performed visually on 100% of our assembled/completed products, so that only defect-free products are shipped to the customers. Any item which fails the outgoing quality inspection is reworked. The inspection procedures are conducted in accordance to IPC-A-610, an international manufacturing standard governing the PCBA process, inspection and quality criteria. Apart from regular audit and monitoring by our QA Committee, auditors from PSB also conduct quality surveillance audits every six months to ensure compliance with ISO 9002 standards. These include verification of adequate personnel training, proper maintenance and calibration of equipment used in the manufacturing processes, as well as the use of correct procedures for all operations. Our EMS business has been able to maintain an annual rejection rate of 0.1% to 0.5% for the past three years ended 31 December 2000.

**Year 2000 Compliance**

We have not encountered any Y2K-related problems with our systems as at the date of this Prospectus.

**Marketing and Advertising**

In Singapore, marketing is spearheaded by each of the three division heads, namely Saw Chee Keang, Yong Kuen Shoo and Choo Tian Wang. PVSM was set up as the external marketing arm to procure more overseas orders in the future.

Our pool of existing customers represents a source from which more business may be extracted. For instance, we started with Lem Heme UK in 1997, and subsequently managed to secure orders from its affiliated company Lem Heme SA (in Switzerland) and Lem Heme US. Although our customer base is relatively diverse (approximately 38 customers (inclusive of 16 EMS customers) with only five major customers (excluding ENV) accounting for more than 5% each of our Group’s sales in FY2000), we maintain close rapport with all of them and regularly seek their feedback to further improve our products and service quality. This strategy has allowed us to enjoy repeat business and 90% of our current customers are repeat customers. With these repeat customers, we seek to develop a higher value-add relationship, for instance, (i) in the EMS business, we will seek to do more Box-Build projects for our customers and (ii) in the photo-resist strippers business, we will assist our customers to develop customised solutions so as to improve their yield.
We have stepped up our marketing efforts by appointing marketing and procurement representatives to source for new orders for our EMS services in the US and UK. We also have access to other potential customers through referrals from existing customers and business associates. Other sources include respondents to our advertisements in trade journals, trade directories and contacts we make at trade shows, such as GlobalTRONICS and NEPCON.

Our marketing expenses comprise traveling and entertainment expenses. For FY1998, FY1999 and FY2000, our marketing expenses were approximately $395,000, $562,000 and $473,000, respectively, representing 2.0%, 2.1% and 1.1% of our revenue for each of the financial period and 14.6%, 15.0% and 11.2% respectively of general and administrative expenses. Reduction in future marketing expenses will be unlikely since we will intend to expand our market regionally. We will, however, be prudent in incurring such expenses.

**Production Facilities and Capacity**

We have two production facilities for our EMS activities. Our Singapore plant, used mainly for projects with quick turn-around time or initial run projects, is a 20,000 sq ft production floor located at 13 Woodlands Walk, Singapore 738318. The other production facility, used mainly for projects with longer lead-time or more labour-intensive projects, is a 11,000 sq ft production floor, located at Dong Wan Industrial Building, Shenzhen, PRC.

As at 31 December 2000, we have a total of seven SMT production lines (of which four are integrated with PTH production machines). Of these seven production lines, five are in Singapore and two are in Shenzhen, PRC. The current utilisation rate of these production facilities is approximately 75%\(^1\).

The production facilities for our LV switchgear design & assembly business are located at 13 Woodlands Walk, Singapore 738318, with a gross floor area of approximately 8,000 sq ft. We currently have approximately 23 staff engaged in our switchgear design & assembly business.

As each LV switchgear is individually designed and assembled according to the specifications of the M & E consultant, we are unable to quantify our production capacity and the utilisation rate of our capacity. Depending on the amount of switchgear contracts that we manage to secure, we will employ an appropriate number of engineering personnel to meet the manpower needs.

Our distribution business occupies a gross floor area of approximately 7,000 sq ft in our Woodlands premises.

**COMPETITION**

The EMS industry can be classified into two broad segments, namely the low mix/high volume segment which is dominated by the larger players with revenues in excess of S$100 million, and high mix/low-to-medium volume segment which is dominated by smaller players with revenues less than S$100 million. The low mix/high volume segment caters primarily to commodity type products such as personal computers. The high mix/low-to-medium volume segment caters mainly to more specialised products such as set-top boxes (for internet access using TV sets), and specialised computer peripherals such as stylus pads (pad for handwritten inputs).

We can be classified as a high mix/low-to-medium volume EMS company. Our regional competitors are small and medium-sized manufacturers such as CEI Contract Manufacturing Limited, Jurong Technologies Industrial Corpn. Ltd and Flairis Technology Corporation Ltd. However, competition is moderate in this segment of the market because the EMS companies tend to have a different range of products from each other. For instance, some may focus on computer peripherals, while others may focus on industrial products, telecommunications or automobiles.

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\(^{1}\) It is not possible to achieve 100% utilization rate in view of the downtime required for reconfigurations and maintenance.
Although it is difficult to ascertain market share precisely, on the assumption that the size of the Singapore EMS market is approximately US$3.6 billion for 1999 and taking into account the estimated growth of 28% in 2000 of the EMS market (source: press release by the Singapore Economic Development Board on 5 February 2001), we would estimate that our market share in this segment, based on our audited turnover for FY2000 of approximately $33.6 million, is approximately 0.4%.

The EMS industry is a large and fragmented industry. Some of our competitors have better manufacturing, financial, research and development, and marketing resources. We generally compete with each other on key attributes such as manufacturing competence, reliability and quality of products, service, pricing, time-to-market, available capacity and relationship with customers. We believe that we can compete effectively in all these factors with our key competitive strengths as set forth below:

**Broad base of customers**

We have close to 16 EMS customers as at 31 December 2000. Our Directors consider this to be a broad base of customers since none of our customers accounted for more than 27% of our turnover for the past three financial years ended 31 December 2000. These 16 customers provide us with a sizeable pool of existing customers which we can cultivate for more orders in the future. The ongoing relationship with them gives us an advantage over those of our competitors who do not already have such relationships. A large customer base provides greater opportunity for our Group to benefit from the growth of any of these customers. Our focus on ensuring that existing customers are satisfied in terms of quality, responsiveness, delivery schedule and price, etc., has resulted in repeat orders. As a result of this focus, approximately 90% of our orders are from repeat customers.

**Versatility and responsiveness of our operations**

In FY2000, our production lines accommodated five product types, eight turnkey projects, two consignment projects and four Box-Build projects. Based on our Directors’ experience and knowledge, the market that we target is a niche where competition is not very intense. The high mix/low-to-medium volume business may be uneconomical for larger manufacturers in view of the frequent reconfiguration of the production line required to support a wider product range. Smaller players tend to have a higher degree of operational versatility to support such frequent reconfigurations. Also, since smaller players tend to have lower fixed overheads, the cost of downtime resulting from the reconfigurations tends to be more acceptable.

We employ a modular manufacturing system which allows us to reconfigure our production lines at short notice. With experience, we have also become more efficient in reconfiguring our machines and we are able to get the production lines up in as little as two to four hours, depending on the complexity.

**Ability to provide integrated services**

In the market which we operate, the customers usually prefer to deal with a “one-stop shop” and award contracts on a turnkey basis or even on a Box-Build basis. To function efficiently on such bases, the manufacturer must be adept at component sourcing and in the final product assembly and testing. As we have been largely a turnkey operator for the last two years, we have developed an efficient system for component sourcing and inventory management. To augment the existing network of accredited suppliers, we have appointed a marketing and procurement representative in the US to source for components. In supporting the Box-Build operations, we have acquired experience in dealing with plastic injection moulders who supply the chassis for the completed products. This involves a skill set that is outside the electronics assembly discipline. To help our customers in determining delivery schedule and costing, we can advise them on component availability and prices based on our knowledge of the components market. A further value-add we provide is production engineering advice on the customers’ product designs. We can further support their prototype development by doing prototype production runs, if required. We can also assemble the entire finished product and perform the relevant product testing.
**Strong management team**

We have a strong and experienced management team that has been with our Company since inception. Mr Saw Chee Keang, our Chief Executive Officer and the founding member of our EMS business, has more than 17 years of experience in this business. He is assisted by Mr Lee Chew Seng, Mr Low Tiah Seng and Mr Ho Yew Cheong, each of whom have 8 years, 23 years and 12 years of experience in EMS operations respectively.

Mr Choo Tian Wang and Mr Leow Peng Liam are founding members of our distribution business. They each have 19 years and 11 years of experience respectively in their field of distribution and marketing of contact cleaning machines and associated consumables to PCB, LCD and etched lead-frame industries and the supply of photo-resist strippers used by the wafer fabrication industry.

Our switchgear design & assembly business is co-headed by Mr Yong Kuen Shoo and Mr Yap Soo Kiat, each of whom has more than 20 years of relevant experience.

Our three business segments are managed by experienced personnel. We expect that the impending public listing will further enhance the common corporate identity and motivate these key management staff to achieve continued growth and expansion for our Group. This motivation is further strengthened by the Startech ESOS as detailed in Appendix A of this Prospectus.

**Niche market player**

Our subsidiary, Switech, has taken part in numerous ENV projects as the subcontractor for the design and assembly of switchgear. We established ourselves as an accepted designer and assembler of switchgear in 1996 when we successfully completed a few projects for ENV through ENV’s main contractors. Switech’s track record in designing and fabricating control switchboards for 18 ENV projects over the last six years gives us a good understanding of ENV’s requirement which is advantageous in securing future contracts. Examples of the major ENV projects where we have participated as the designer, assembler, supplier and installer of switchgear are set out below:–

<table>
<thead>
<tr>
<th>Date of Completion</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1997</td>
<td>Tanjong Rhu Pumping Station</td>
</tr>
<tr>
<td>September 1997</td>
<td>Seletar Sewerage Treatment Works Phase II</td>
</tr>
<tr>
<td></td>
<td>— Covering of existing treatment units</td>
</tr>
<tr>
<td>September 1998</td>
<td>Kim Chuan Sewerage Treatment Works</td>
</tr>
<tr>
<td></td>
<td>— Electrical, Instrumentation and Mechanical Services</td>
</tr>
<tr>
<td>July 1998</td>
<td>Kranji Sewerage Treatment Works</td>
</tr>
<tr>
<td></td>
<td>— Additional works to existing treatment units</td>
</tr>
<tr>
<td>May 1999</td>
<td>Extension and Upgrading of Serangoon Garden Pumping Station</td>
</tr>
<tr>
<td>December 1999</td>
<td>Bedok Sewerage Treatment Works Phase IV</td>
</tr>
<tr>
<td>June 2000</td>
<td>Ulu Pandan Sewerage Treatment Works</td>
</tr>
<tr>
<td></td>
<td>— Compact and Covered Extension Works</td>
</tr>
<tr>
<td>September 2000</td>
<td>Seletar Sewerage Treatment Works Phase III</td>
</tr>
<tr>
<td></td>
<td>— Extension Compact and Covered Design</td>
</tr>
</tbody>
</table>

The relevant authorities such as URA, ENV and PUB, require that all LV switchgear be type-tested and certified by professional bodies such as ASTA, DNV, KEMA and UL. In this respect, we have been able to satisfy this requirement through our principal, CUBIC as explained on page 76 of this Prospectus.
Our subsidiary, Chemtec, is a niche market player supplying highly specialised chemicals such as photo-resist strippers, side-wall polymers residue removers and post-CMP cleaners. Chemtec’s principal, Ashland-ACT, is one of the market leaders in this field and its products are gaining wider acceptance amongst the wafer fabrication plants in Singapore.

The barrier to entry for competing products is high. Most specialty chemical products supplied to the wafer fabrication industry are application-specific and use patented technology. Typically, it would take the end-users of the product about 9 to 18 months to evaluate and qualify these chemical products, after subjecting them to rigorous field trials. Therefore, once Chemtec’s products have successfully penetrated into the customer’s fabrication process, it would be very difficult to replace them with other competing products. Conversely, costs of switching suppliers also make it difficult for us to convince existing wafer fabrication plants using other alternatives to switch to our specialty chemical products.

Our Directors believe that we have a competitive edge because the newer product range offered by Ashland-ACT through Chemtec, focuses on the newer 150-250 nm wafer fabrication technologies and is also compatible with other new technologies such as the low-K dielectric and copper metallisation process.

The strong working relationship and understanding established between Chemtec, Ashland-ACT and our customers is helpful in maintaining a high level of customer support.

In our other distribution business for contact cleaning machinery and accessories, competition is not intense because there are only three other distributors of such machines in Singapore. To the best of their knowledge, our Directors believe that Hi-Tech is one of the leading suppliers of such products in Singapore.
MAJOR SUPPLIERS

We have a diverse pool of over 100 suppliers and none of them account for more than 31% of our Group purchases over the last three years. For the EMS business, we select suppliers from our OEMs’ approved vendor lists to provide us with the required electronic components, bare PCBs and chassis. The suppliers for our distribution business are the principals such as Teknek, CEMCO and Ashland-ACT. For the switchgear design & assembly business, we purchase bus-bar systems and steel frameworks from CUBIC, but such purchases are insignificant. The suppliers accounting for 5% or more of our Group’s purchases during each of the past three financial years are set out below:

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Percentage of Total Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY1998</td>
</tr>
<tr>
<td>EMS</td>
<td></td>
</tr>
<tr>
<td>MSL Technology Services (M) Sdn Bhd</td>
<td>—</td>
</tr>
<tr>
<td>Advent Electronics Pte Ltd</td>
<td>—</td>
</tr>
<tr>
<td>Multiwave Singapore Pte Ltd</td>
<td>—</td>
</tr>
<tr>
<td>Philips Singapore Pte Ltd</td>
<td>10.4</td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
</tr>
<tr>
<td>Ashland-ACT</td>
<td>14.9</td>
</tr>
<tr>
<td>Teknek</td>
<td>6.4</td>
</tr>
</tbody>
</table>

MSL Technology Services (M) Sdn Bhd, Multiwave Singapore Pte Ltd (“Multiwave”), Philips Singapore Pte Ltd and Advent Electronics Pte Ltd are our EMS customers. Pursuant to our contracts with these customers, we purchased from them certain components which are required in the assembly of their products. Ashland-ACT is the principal supplier of Chemitec’s range of chemical products used in wafer fabrication industry. Similarly, Teknek is the principal supplier of Hi-Tech for the contact cleaning machines and related consumables.

Although the prices of our EMS raw materials are subject to fluctuation, we have, in almost all cases, been able to pass on such price fluctuations to our customers.

None of our Directors or substantial shareholders have any interest, direct or indirect, in the above suppliers.
MAJOR CUSTOMERS

In the last three years, we have not been reliant on any single customer for more than 27% of our Group sales. In FY2000, our highest concentration of turnover was with MSL Technology Services (M) Sdn Bhd which accounted for 24.6% of our Group’s revenue. The customers accounting for 5% or more of our Group’s turnover during each of the past three financial years are listed below. Customers who are related to one another have been grouped together and treated as a single customer.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Percentage of Total Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY1998</td>
</tr>
<tr>
<td>EMS</td>
<td></td>
</tr>
<tr>
<td>Multiwave Singapore Pte Ltd</td>
<td>1.0</td>
</tr>
<tr>
<td>MSL Technology Services (M) Sdn Bhd</td>
<td>—</td>
</tr>
<tr>
<td>Advent Electronics Pte Ltd</td>
<td>—</td>
</tr>
<tr>
<td>Giken Sakata Singapore Pte Ltd</td>
<td>—</td>
</tr>
<tr>
<td>Creative Technology Limited</td>
<td>7.6</td>
</tr>
<tr>
<td>Lem Heme Ltd</td>
<td>5.4</td>
</tr>
<tr>
<td>Philips Singapore Pte Ltd</td>
<td>26.5</td>
</tr>
<tr>
<td>Ultro Lighting Pte Ltd</td>
<td>6.5</td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
</tr>
<tr>
<td>Tech Semiconductor Pte Ltd</td>
<td>12.0</td>
</tr>
<tr>
<td>Switchgear Design &amp; Assembly</td>
<td></td>
</tr>
<tr>
<td>ENV*</td>
<td>10.7</td>
</tr>
</tbody>
</table>

* Indirect customer. We provide switchgear design & assembly services through the main M & E contractors for the ENV projects.

In FY2000, we provided turnkey manufacturing services to MSL Technology Services (M) Sdn Bhd. We also performed Box-Build assemblies for computer peripherals for Advent Electronics Pte Ltd. Multiwave emerged as one of our major customers in both FY1999 and FY2000 because of a significant contract secured from them for the assembly of set-top boxes. We also secured a major contract to assemble hardware for computer games for Giken Sakata Singapore Pte Ltd. and that made Giken Sakata a major customer in FY1999. The orders for assembly of sound cards for Creative Technology Limited were relatively stable, contributing 7.6% of our revenue in FY1998 and 8.7% in FY1999, although as a percentage, it decreased to 1.0% in FY2000 as we took on more orders from other customers, and engaged in more turnkey projects, which resulted in an increase in total turnover. Another major customer, Lem Heme Ltd (which has operations in the UK, Geneva-Switzerland and US) awarded us contracts to assemble industrial equipment (such as transducers) for Philips and due to a large contract from them in FY1998 Philips accounted for 26.5% of turnover in FY1998. Ultro Lighting Pte Ltd was a major customer in FY1998 for whom we assembled electronic ballasts used in fluorescent lighting. Tech Semiconductor Pte Ltd is a customer of Chemitec engaged in wafer fabrication. It was a major customer in FY1998 because of its purchase of photo-resist stripping products from Chemitec.

None of our customers individually accounted for more than 20% of our PBT for the past three years.

None of our Directors or substantial shareholders have any interest, direct or indirect, in the above customers.
RESEARCH AND DEVELOPMENT

We are principally an EMS company, so product design and development comes under the purview of our OEM customers. However, we sometimes play a minor role in product development, as our engineers from time to time are called upon to render production engineering advice, where they provide inputs on the manufacturability and testability of the product design. We focus our development effort on keeping our manufacturing capabilities abreast of the rapid changes in component technology and the needs of customers.

The design and development of our switchgear is performed by Mr Yap Soo Kiat and Mr Yong Kuen Shoo, who will, based on their past experience and expertise, constantly improve on the switchgear’s design. Cubic is our principal, who supplies us with type-tested bus-bar systems and steel frameworks. Although no single staff is dedicated to the design and development of the switchgear, all in the team are committed to developing new methods to minimise cost and time of production while improving the efficiency of the switchgear.

We are continuously evaluating our manufacturing processes to identify areas of improvement and development.

STAFF TRAINING

All staff, except for staff from our distribution business, are provided with on-the-job training (“OJT”) to ensure that they have the knowledge to perform the tasks efficiently. These staff are guided by the supervisory staff of the respective business division. Such OJT will provide new employees with application specific skills and concurrently develop problem-solving skills.

The expenditure incurred for such training is insignificant, we have spent less than 1% of our annual revenue on such training for the last three financial years.

LICENCES, PATENTS AND TRADEMARKS

We currently do not have any patent or trademark.

INSURANCE

PVS currently maintains special risks insurance (for machinery and equipment) and also material damage insurance for its property or stocks held in consignment (by PVS) or on commission for which it is responsible (consisting of its stock-in-trade). It also maintains motor vehicle insurance policies, workmen's compensation and hospital/surgical policies for its employees.

GOVERNMENT REGULATIONS

Apart from regulations which our PRC subsidiary may be subject to (as set out in pages 29, 30, 47 and 48 of this Prospectus) and other than laws of general application, we are currently unaware of any statutory or regulatory provisions that regulate our current core businesses of EMS, distribution and switchgear design & assembly.

Our operations are not subject to any environmental regulations.

A summary of the relevant PRC laws and regulations are set out in Appendix B of this Prospectus.
INVENTORY MANAGEMENT

We perform monthly stock counts on a sampling basis. In addition, we also perform stock counts for our EMS business at the end of each project. Full stock counts are carried out on a semi-annual basis. Our management will review the stock ledger on a monthly basis to identify any slow-moving or obsolete stock. We provide for stock obsolescence based on their review of the stock ledger and review the adequacy of such provision annually. Other than raw materials that are regularly used for our production or those with long lead-time, our policy is to procure raw materials only when there are matching sales orders received.

<table>
<thead>
<tr>
<th></th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock and work in progress ($'000)</td>
<td>3,377</td>
<td>4,188</td>
<td>6,077</td>
</tr>
<tr>
<td>Stock written off ($'000)</td>
<td>—</td>
<td>33</td>
<td>—</td>
</tr>
</tbody>
</table>

Please refer to our accounting policy for stocks and provision for stocks obsolescence on page 127 this Prospectus.
DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Our Board of Directors is entrusted with the responsibility of the overall management of our Company. Their particulars are listed below:–

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Address</th>
<th>Current Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saw Chee Keang</td>
<td>47</td>
<td>56 Verde Avenue Singapore 688324</td>
<td>Chairman and Chief Executive Officer (Group)</td>
</tr>
<tr>
<td>Choo Tian Wang</td>
<td>43</td>
<td>26 Woodlands Crescent #07-26 Northoaks Singapore 738084</td>
<td>Executive Director (Group)</td>
</tr>
<tr>
<td>Ng Chee Fatt</td>
<td>44</td>
<td>No. 11 Tanjong Rhu Road #17-04 Singapore 436896</td>
<td>Non-executive Director (Group)</td>
</tr>
<tr>
<td>Ong Kian Min</td>
<td>40</td>
<td>16-D Chatsworth Road Singapore 249778</td>
<td>Independent Director (Group)</td>
</tr>
<tr>
<td>Teo Boon Tieng</td>
<td>38</td>
<td>Blk 1 Tiong Bahru Road #03-56 Singapore 162001</td>
<td>Independent Director (Group)</td>
</tr>
<tr>
<td>Wong Kwan Seng Robert</td>
<td>43</td>
<td>3 Pandan Valley #13-310 Singapore 597827</td>
<td>Independent Director (Group)</td>
</tr>
</tbody>
</table>

Our Independent Directors are Messrs Ong Kian Min, Teo Boon Tieng and Wong Kwan Seng Robert. Our Audit Committee comprises Messrs Teo Boon Tieng, Wong Kwan Seng Robert and Ong Kian Min. The Chairman of our Audit Committee is Mr Wong Kwan Seng Robert.

Information on the business and working experience of our Directors is set out below:–

Saw Chee Keang

Mr Saw Chee Keang is our Group Chairman and Chief Executive Officer. He founded our core EMS business in 1989 and has more than 17 years of experience in the EMS industry. Mr Saw is involved in our day-to-day EMS operations and is conversant in every aspect of the operations. Mr Saw is particularly active in the marketing aspects of the business and is instrumental in securing most of the EMS customers for our Group. He has been and will continue to be responsible for charting the strategic growth of our EMS business.

Mr Saw’s prior work experience includes working as an electrical technician maintaining and servicing electrical facilities in the Republic of Singapore Navy (from 1973 to 1982), the facility supervisor maintaining and servicing electrical facilities in Seagate Technology (from 1983 to 1986), the process engineer in charge of the PCBA process in UIC Electronics Pte Ltd (from 1987 to 1988). In these previous engagements, Mr Saw had worked in various roles in the electronics field including process engineering, production supervision, sales and marketing. Mr Saw was trained in navigation and communications engineering in the Naval Technical Training School.
Choo Tian Wang

Mr Choo Tian Wang is an Executive Director of the Group and a director of Hi-Tech. He oversees the overall operations of Hi-Tech and Chemitec. Mr Choo was instrumental in founding Hi-Tech in 1987 and was responsible for setting up its business of distributing contact cleaning machines and related products. Mr Choo was with SGS-ATES (now SGS-Thomson) as plating supervisor in charge of IC plating production from 1981 to 1982. Thereafter, he joined Dynavest Pte Ltd as a technical sales and service engineer in 1983, selling machines and chemicals to the PCB industry. He later joined Dynachem Singapore Pte Ltd from 1985 to 1987 as a technical sales representative selling machines and dry-film photo-resist materials to the PCB industry. In all, Mr Choo has more than 19 years experience in the electronics business which he can draw on to spearhead the future development of our distribution business. Mr Choo graduated from the Singapore Polytechnic with a Diploma in Chemical Process Technology (Polymer) in 1978. He also holds a Diploma in Sales & Marketing from the Marketing Institute of Singapore.

Ng Chee Fatt

Mr Ng Chee Fatt joined our Board as a Non-executive Director on 2 October 2000. Mr Ng is the managing director of Datasource Electronics Pte Ltd. Mr Ng brings with him an extensive experience in the electronics industry that could benefit our Group in terms of setting strategic directions for our development. Mr Ng can also contribute to our Group’s business through his business contacts. His relevant work experience includes being the materials controller for International Controls Pte Ltd (a subsidiary of the Pilkington ACI group in New Zealand) from 1982 to 1983, local sales representative for Fujitsu Microelectronics Inc. (from 1984 to 1985), sales consultant with VLSI Technology Inc. (a US manufacturer of memory and digital and customised integrated circuits) from 1985 to 1987, and concurrently as sales consultant for Prestwick Circuits Ltd (a Scottish manufacturer of multilayer PCBs) in 1986. In 1987, he founded Datasource Electronics Pte Ltd which is a distributor of electronic components. Mr Ng graduated from the Singapore Polytechnic with a Diploma in Electronics and Communications Engineering. During his national service, he was trained in navigation and communications engineering in the Naval Technical Training School.

Ong Kian Min

Mr Ong Kian Min is an Independent Director of our Company. Mr Ong was awarded the President Scholarship and Police Force Scholarship in 1979. He graduated with a Bachelor of Science (Honours) degree from the Imperial College of Science and Technology, London, UK in 1982. Thereafter, he read law and obtained a Bachelor of Laws (Honours) degree from the University of London. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. Mr Ong practised law as a legal assistant with Rodyk & Davidson from June 1989 to February 1993, and thereafter with Shook Lin & Bok. Mr Ong was admitted as a partner with Shook Lin & Bok in 1994 and remained as a partner there (where his areas of practice included corporate and banking law) until 30 September 2000. On 1 October 2000, Mr Ong joined Drew & Napier LLC as a consultant. Mr Ong is also an Executive Director of ENSOP Pte Ltd, an energy solution provider dedicated to providing real time web-based energy information services to electricity consumers through its proprietary WebMeter System technology. Mr Ong is a Member of Parliament for the Pasir Ris Group Representation Constituency.

Teo Boon Tieng

Mr Teo Boon Tieng is an Independent Director of our Company. He is a Certified Public Accountant (“CPA”) with the Institute of Certified Public Accounts of Singapore (“ICPAS”) and a Fellow Member of the Association of Chartered and Certified Accountants (“ACCA”), UK. He practices under his firm, Messrs Teo Boon Tieng & Co. Mr Teo also holds a Bachelor of Science (Honours) Degree in Estate Management from the National University of Singapore. Mr Teo set up his own accounting practice in 1996. Prior to 1996, Mr Teo was an audit manager in Ernst & Young Certified Public Accountants. His experience with Ernst & Young from early 1990 to late 1995 included the audit of companies from various industries, multinational corporations and public-listed companies and the preparation of financial accounts in relation to initial public offering exercises and due diligence reviews. With his background in audit and compliance matters, he is able to contribute to the Group by helping to ensure adoption of, and adherence to, high standards of corporate governance within our Group.
Mr Wong Kwan Seng Robert is an Independent Director of our Company and chairman of our Audit Committee. He is a lawyer by profession and practices under his own firm, Messrs Robert Wong & Co. He graduated from the National University of Singapore in 1983 and joined Messrs Khattar Wong & Partners after his call to the bar in 1984. He was promoted to partner in 1991. In June 1992, he left Messrs Khattar Wong & Partners to join Haw Par Brothers International Limited as group general manager in charge of legal and administration matters. In January 1993, he left Haw Par Brothers International Limited and returned to Messrs Khattar Wong & Partner as a partner. In 1997, he joined Messrs David Lim & Partners as its senior partner in charge of the corporate department. In 1999, he left Messrs David Lim & Partners to set up his own practice. Mr Wong practices mainly corporate law with particular emphasis on corporate finance. He has acted as solicitor in numerous initial public offers, rights issues, issues of debentures, takeovers, mergers and acquisitions and joint ventures.

The list of present and past directorships of each Director (other than their directorships in our Group) for the last five years is set out below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Present Directorships</th>
<th>Past Directorships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saw Chee Keang</td>
<td>SawCK Pte Ltd (formerly known as Startech Electronics Pte Ltd — dormant since 1995)</td>
<td>PV Cleanroom Pte Ltd (formerly known as Akson Food Industries Pte Ltd)</td>
</tr>
<tr>
<td></td>
<td>Syn-Gy Pte Ltd (dormant since 1998)</td>
<td>Pacific Vinitex Laboratory Engineering Pte Ltd (formerly known as PV Industries Pte Ltd)</td>
</tr>
<tr>
<td>Choo Tian Wang</td>
<td>Nil</td>
<td>Jackson Automation (S) Pte Ltd</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TFT Technology Pte Ltd (formerly known as Thin Film Technology (ASIA) Pte Ltd)</td>
</tr>
<tr>
<td>Ng Chee Fatt</td>
<td>Datasource Electronics Pte Ltd</td>
<td>CH2M/PB JV Pte Ltd</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CH2M Hill Singapore Private Limited</td>
</tr>
<tr>
<td>Ong Kian Min</td>
<td>ACE Entrepreneurs &amp; Advisors Pte Ltd</td>
<td>Ensbury Kalteng Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>AdXplorer Pte Ltd</td>
<td>JIT Holdings Limited</td>
</tr>
<tr>
<td></td>
<td>ASA Group Holdings Ltd</td>
<td>MG Logic Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>BrokersCapital Pte Ltd</td>
<td>Placer Pacific Asia Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>ENSOP Pte Ltd</td>
<td>Placer Pacific (Asia) Limited</td>
</tr>
<tr>
<td></td>
<td>Food Empire Holdings Limited</td>
<td>SB Ginko Holdings Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>GMG Global Ltd</td>
<td>Southkal Resources Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>Hwa Ying (Pte.) Ltd (in members’ voluntary liquidation)</td>
<td>Zinglabs Pte Ltd</td>
</tr>
<tr>
<td>Name</td>
<td>Present Directorships</td>
<td>Past Directorships</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Teo Boon Tieng</td>
<td>Anfield Property Services Pte Ltd (Dormant since 2000)</td>
<td>Lubzone Holding Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>Autoflex Investment Pte Ltd</td>
<td>R.A. Realty Pte Ltd</td>
</tr>
<tr>
<td>Wong Kwan Seng Robert</td>
<td>Singapore</td>
<td>Akzo Nobel South East Asia Pte. Ltd</td>
</tr>
<tr>
<td></td>
<td>Andover E-Pulppaper Ltd</td>
<td>Charter Vacations International Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>Baker Technology Limited (formerly known as Wassall Asia Pacific Ltd)</td>
<td>First Bedok Land Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>Tan Khee Bak Foundation Ltd</td>
<td>Nonwest Chemicals Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>Willas-Array Electronics (Holdings) Limited</td>
<td>Nonwest Holdings Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>British Virgin Islands</td>
<td>Paragon School of Business Pte Ltd</td>
</tr>
<tr>
<td></td>
<td>Global Professionals Limited</td>
<td>(formerly known as Bukit Timah Landmark Pte Ltd)</td>
</tr>
<tr>
<td></td>
<td>Mandeville Offshore Ltd</td>
<td>Wong’s Circuits (Holdings) Ltd</td>
</tr>
<tr>
<td></td>
<td>Tyne Management Holdings Limited</td>
<td></td>
</tr>
</tbody>
</table>

**MANAGEMENT**

The day-to-day operations of our Group are entrusted to the Executive Directors and an experienced and qualified team of Executive Officers responsible for the different functions of our Group. The particulars of the Executive Officers are set out below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Address</th>
<th>Current Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chang Ah Fong</td>
<td>42</td>
<td>Blk 812, Yishun Ring Road #02-4151 Singapore 760812</td>
<td>Senior Materials Manager(PVS)</td>
</tr>
<tr>
<td>Ho Yew Cheong</td>
<td>39</td>
<td>32 Dover Rise #07-11 Singapore 138686</td>
<td>Senior Programme Manager(PVS)</td>
</tr>
<tr>
<td>Lee Chew Seng</td>
<td>37</td>
<td>Blk 862, Jurong West Street 81 #06-616 Singapore 640862</td>
<td>Executive Director(PVS)</td>
</tr>
<tr>
<td>Leow Peng Liam</td>
<td>40</td>
<td>36 Poh Huat Road Singapore 546763</td>
<td>Director(Hi-Tech/Chemitec)</td>
</tr>
<tr>
<td>Low Tiah Seng</td>
<td>44</td>
<td>Blk 797 Woodlands Drive 72 #09-49 Singapore 730797</td>
<td>Operation Manager(PVS)</td>
</tr>
<tr>
<td>Yap Soo Kiat</td>
<td>45</td>
<td>338 Ubi Avenue 1 #04-857 Singapore 400338</td>
<td>Director of Operations(Switech)</td>
</tr>
<tr>
<td>Yip Mun Keong Lawrence</td>
<td>37</td>
<td>Blk 357 Woodlands Avenue 5 #10-396 Singapore 730357</td>
<td>Financial Controller(Group)</td>
</tr>
<tr>
<td>Yong Kuen Shoo</td>
<td>44</td>
<td>525 Jelapang Road #17-115 Singapore 670525</td>
<td>Director of Sales &amp; Marketing(Switech)</td>
</tr>
</tbody>
</table>
Information on the business and working experience of the Executive Officers of our Group is given below:

**Chang Ah Fong**

Ms Chang Ah Fong joined our Group in 1994 as materials manager. She worked her way up to her current position as Senior Materials Manager. She is responsible for managing materials planning, purchasing and store. She also assists in overseeing the production planning for our Shenzhen operations. Prior to her appointment, she was with Thomson Consumer Product since 1979 as a store clerk and was subsequently promoted to Assistant Planner in 1984 and then to planner in 1987. Ms Chang left to join UIC Electronics Pte Ltd in 1988 as a Production Control Planner and worked her way up to the position of Assistant Materials Planner in 1994. Overall she has more than 16 years experience in Materials Planning in the EMS industry.

Ms Chang holds a LCCI Intermediate from the Adult Education Board in 1978.

**Ho Yew Cheong**

Mr Ho Yew Cheong joined our Group in 1996 as the quality control manager. He is the senior programme manager of PVS involved in the co-ordination and scheduling of our EMS orders, as well as providing customer services for all our EMS clients. Mr Ho was appointed as the manager representative for the ISO 9002 award in 1997. Prior to joining our Group, Mr Ho was an Assistant Manufacturing Manager in Vikay Industrial Ltd for seven years from 1989 to 1996. During his tenure, he was in charge of the initial set up of SMT lines for the Company. He was also in charge of the set up/transfer of the entire assembly operations to Malaysia. Other than this, he was also in charge of the audit team which conducted quarterly internal operation audits. He also assisted in the preparation of the public listing of Vikay Industrial Ltd.

Mr Ho holds a Diploma in Production Technology from the German Singapore Institute.

**Lee Chew Seng**

Mr Lee Chew Seng is one of the pioneers of our EMS business, having joined the EMS business in 1992. He is the executive director of PVS. He is a key management member assisting our CEO in ensuring the smooth day-to-day running of our EMS operations. His duties include key EMS functions such as marketing, production planning and purchasing. He is also responsible for monitoring trends in production technologies, and assessing the efficacy of adoption of such new technologies for our operations. Prior to joining our Group, Mr Lee worked as a laboratory technologist in the National University of Singapore (from 1990 to 1991) and as a sales executive with an Australian company, Novalarm-Novatronics Pty Ltd (from 1991 to 1992).

Mr Lee obtained his Diploma in Electrical Engineering and Electronics from the Singapore Polytechnic and a Diploma in Management from the Singapore Institute of Management.

**Leow Peng Liam**

Mr Leow Peng Liam is a director and general manager of Chemitec. He founded Chemitec in 1993, and is in charge of our business of distributing chemicals used by the wafer fabrication industry. He is instrumental in securing distribution rights from the principal Ashland-ACT which is one of our Group’s major suppliers. Mr Leow is also largely responsible for securing the current base of customers who have adopted Ashland-ACT’s products for their fabrication processes. He is also responsible for further development of the distribution for specialty chemicals. Mr Leow was an electro-mechanical technician in the Republic of Singapore Air Force (from 1982 to 1988), and sales manager in Microelectronics Division of Drex-Chem Technologies Pte Ltd from 1989 to 1993.

Mr Leow obtained his Diploma in Mechanical Engineering from Ngee Ann Polytechnic and a Graduate Diploma in Marketing Management from the Singapore Institute of Management.
Low Tiah Seng

Mr Low Tiah Seng joined our Group in April 2000 as Operations Manager and is responsible for the overall operations of our Singapore and Shenzhen plants. Mr Low has 23 years of experience in the manufacturing industry. From 1978 to 1983, Mr Low worked as a technician in Singapore Time Pte Ltd, a subsidiary of Seiko Japan. He then joined Seagate Technology in 1984 as a production supervisor and worked his way up to the position of Operation Manager, and was in charge of the production operation. He is also experienced in the setting up of manufacturing operations, having supervised the set-up activities of operation arms in Seagate Batam (April 1994) and Senai (March 1996).

He holds a Diploma in Mechanical Engineering and a Degree in Business Administration from the University of Western Sydney, Australia.

Yap Soo Kiat

Mr Yap Soo Kiat co-founded Switech Systems & Marketing Pte Ltd in 1993 and is the director of operations. He is in charge of the technical and business aspects of our switchgear design & assembly operations. He has more than 20 years’ relevant experience in the various aspects of switchgear business, including project management, engineering design, production, installation, and maintenance. Mr Yap was a switchgear design engineer with Terasaki Electric Co., Pte Ltd from 1979 to 1988, before joining Esco M & E Industries Pte Ltd (“Esco”) in 1989 as the design engineer and, subsequently, as operations manager. During his tenure with Esco, Mr Yap was in charge of the designing of electrical switchboards, bus-bars arrangements, control circuits and systems testing. He also planned and managed manufacturing operations.

Mr Yap holds both an Industrial Technician Certificate (“ITC”) from the Singapore Technical Institute and a Full Technological Certificate in Electrical Engineering from City & Guilds (London).

Yip Mun Keong Lawrence

Mr Yip Mun Keong Lawrence joined our Group in October 1999 as the Group’s Financial Controller. He is responsible for the Group’s financial, strategic business planning, risk management, accounting, management reporting and taxation functions. Prior to joining the Group, Mr Yip was the Finance Manager of SGX-listed Eng Kong Holdings Limited (“Eng Kong”) from 1995 to 1998 and the financial controller of Pac Am Restaurants Pte Ltd (an investment of Dinervest Investments Pte Ltd) from 1998 to 1999. During his tenure with Eng Kong, Mr Yip was instrumental in preparing Eng Kong for its public listing. He was responsible for the group restructuring, the implementation of the management information systems and corporate governance systems, the preparation of the required financial information, and other preparatory work which culminated in the successful listing of Eng Kong. At Eng Kong, Mr Yip was also involved in acquisitions, strategic business planning, accounting, and stock exchange reporting where in his capacity as the Finance Manager for Eng Kong, he provided support (in relation to financial information) for the Eng Kong’s management to make decisions on acquisitions of companies and in corporate planning. Mr Yip graduated from the Royal Melbourne Institute of Technology in 1989 with a Bachelor’s Degree in Business (Accountancy). Mr Yip’s other work experience includes being the audit senior in Wee Cheong Yew & Co. (CPA) from 1990 to 1992, the finance and administrative manager of JCS Wing Yuen Pte Ltd (car spoiler manufacturer) in 1992 and as 2nd year Audit Senior in Ernst & Young (CPA) from 1993 to 1995. In total, Mr Yip has more than 10 years accounting experience in public accountancy, finance, manufacturing, food and beverage and container depot operations.
Yong Kuen Shoo

Mr Yong Kuen Shoo co-founded Switech in 1993 and is the director of sales and marketing for Switech. He is responsible for the sales and marketing of our switchgear design & assembly services. Mr Yong is familiar with the requirements of Switech’s major customer, ENV, and is experienced in dealing with the various main contractors for government infrastructure projects. Mr Yong’s previous work experience includes: laboratory technician at the National University of Singapore (electrical & electronic engineering faculty) from 1979 to 1981; as a system integrator with Powermatic Data Systems Pte Ltd from 1981 to 1982; sales engineer with Excel Batteries Pte Ltd from 1982 to 1985; sales engineer with Chloride Batteries S.E.A. Pte Ltd (a manufacturer of D.C. power supply systems) from 1985 to 1988; and product manager with Esco M & E Industries (S) Pte Ltd (a manufacturer of electrical switchgear and control panels) from 1988 to 1993.

Mr Yong obtained his Diploma in Marketing from the Chartered Institute of Marketing (UK). He also holds both an ITC from the Singapore Technical Institute and a Full Technological Certificate in Electrical Engineering from City & Guilds (London).

The list of present and past directorships of each Executive Officer (other than their directorships in our Group) for the last five years is set out below:--

<table>
<thead>
<tr>
<th>Name</th>
<th>Present Directorships</th>
<th>Past Directorships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chang Ah Fong</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Ho Yew Cheong</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Lee Chew Seng</td>
<td>SawCK Pte Ltd (formerly known as Startech Electronics Pte Ltd — dormant since 1995)</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Syn-Gy Pte Ltd (dormant since 1998)</td>
<td></td>
</tr>
<tr>
<td>Leow Peng Liam</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Low Tiah Seng</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Yap Soo Kiat</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Yip Mun Keong Lawrence</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Yong Kuen Shoo</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>
Our management organisation chart is as follows:

```
Board of Directors

Chief Executive Officer
Saw Chee Keang

Finance and
Administration
Yip Mun Keong Lawrence

Marketing
Saw Chee Keang

EMS Business
Lee Chew Seng

Distribution of Machinery
& Related Materials
Choo Tian Wang
Leow Peng Liam

Switchgear Design &
Assembly
Yap Soo Kiat
Yong Kuen Shoo

Program Management
Ho Yew Cheong

Materials Planning
Chang Ah Fong

Procurement
Lee Chew Seng

Singapore and PRC
Operations
Low Tiah Seng
```

None of our Directors are related to each other or to our substantial Shareholders, and none of our Executive Officers are related to each other or to our substantial Shareholders or Directors.

We did not enter into any agreement or arrangement with our major shareholders, customers or suppliers, pursuant to which we will appoint any of them or any person nominated by any of them as a Director or Executive Officer.

**COMMITTEES OF THE BOARD OF DIRECTORS**

**Audit Committee**

Our Audit Committee comprises of Messrs Teo Boon Tieng, Wong Kwan Seng Robert and Ong Kian Min with Wong Kwan Seng Robert as the chairman. Our Audit Committee will meet at least twice a year to discuss and review the following:

(a) the audit plans of our Company and our subsidiaries’ external auditors;
(b) the external auditors’ reports;
(c) the co-operation given by our officers to the external auditors;
(d) the financial statements of our Company and our subsidiaries before their submission to our Board of Directors;
(e) nominating external auditors for re-appointment;
(f) any renewal of service agreements for directors who are also controlling shareholders and the terms of remuneration thereunder;
(g) the remuneration package of employees who are related to the directors and substantial shareholders of our Company; and
(h) interested persons transactions, if any.

Our Audit Committee shall commission and review the findings of internal investigations into matters concerning any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on our Group’s operating results and/or financial position.
Compensation Committee

We do not have a compensation committee.

Startech Electronics Ltd Share Option Scheme ("Startech ESOS") Committee

Our Startech ESOS Committee, which will implement and administer the Startech ESOS comprises Messrs Wong Kwan Seng Robert, Saw Chee Keang and Choo Tian Wang. The Chairman of the Startech ESOS Committee is Mr Wong Kwan Seng Robert.

Staff

As at 31 December 2000, our Group had 160 full-time employees, including factory workers with work permits. Of this 160 staff, 129 are in the EMS division (of which 35 are in our Shenzhen plant), eight in distribution and 23 in switchgear design & assembly. Our marketing division is managed by the respective directors and executive officers of the three business units. In Singapore, we have not experienced any significant change in the number and profile of our employees. However in the PRC, we would experience seasonal fluctuations in the employee head count in line with the increase in business activities in the second half of the financial year. Relationships between management and staff are good and there have not been any industrial disputes in our Company or our subsidiaries since we commenced operations. Our Group’s employees are not unionised.

PROPERTIES AND FIXED ASSETS

We do not own any property. We currently **rent/lease** the following properties:–

<table>
<thead>
<tr>
<th>Description/Location</th>
<th>Tenure</th>
<th>Gross Area</th>
<th>Annual Rental</th>
<th>Lessor</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Woodlands Walk,</td>
<td>2 years</td>
<td>35,000 sq ft</td>
<td>$457,560</td>
<td>PV</td>
</tr>
<tr>
<td>Singapore 738318</td>
<td>with effect from 1 December 2000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. 2002 Shen Yen Road,</td>
<td>1 year</td>
<td>11,000 sq ft</td>
<td>RMB 163,956</td>
<td>Shenzhen City, Dong Wan Industrial Co., Ltd</td>
</tr>
<tr>
<td>Blk 4 Dong Wan Industrial Building,</td>
<td>with effect from 1 January 2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4th floor, Yan Tian Zone,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shenzhen City, PRC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following table sets out the production capacity and utilisation rate of our EMS production lines:–

<table>
<thead>
<tr>
<th>Location</th>
<th>Net book value as at 31 December 2000 ($'000)</th>
<th>Estimated total capacity (days)</th>
<th>Estimated run time (days)</th>
<th>% of utilisation</th>
<th>Estimated total capacity (days)</th>
<th>Estimated run time (days)</th>
<th>% of utilisation</th>
<th>Estimated total capacity (days)</th>
<th>Estimated run time (days)</th>
<th>% of utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>5,407</td>
<td>315</td>
<td>261</td>
<td>82.9</td>
<td>310</td>
<td>240</td>
<td>68.6</td>
<td>310</td>
<td>235</td>
<td>75.8</td>
</tr>
<tr>
<td>Shenzhen (1)</td>
<td>884</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>75</td>
<td>56.5</td>
<td>75.3</td>
<td>300</td>
<td>200</td>
<td>66.6</td>
</tr>
<tr>
<td></td>
<td>6,291</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**

(1) Our Shenzhen plant only turned operational in August 1999.

Our other fixed assets consisting of motor vehicles, office fixtures, fittings and equipment, had a net book value of $0.9 million as at 31 December 2000.

Our fixed assets purchased under hire-purchase contracts has a net book value of $2,365,411 as at 31 December 2000. Please refer to pages 57 and 58 on the encumbrances over the assets of our subsidiaries.
There are no environmental regulations that would affect the utilisation of our fixed assets.

Our capital expenditure for the past three years is as follows:

<table>
<thead>
<tr>
<th>($'000)</th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicles</td>
<td>115</td>
<td>351</td>
<td>15</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>52</td>
<td>4,179</td>
<td>603</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>233</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>Others (including office and electrical equipments, renovations)</td>
<td>21</td>
<td>127</td>
<td>97</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>421</td>
<td>4,660</td>
<td>740</td>
</tr>
</tbody>
</table>

As at 31 December 2000, we do not have any material commitments for capital expenditures.

Of the net proceeds from the Invitation, $1.0 million will be used to acquire three additional SMT lines. The acquisition is expected to be completed by June 2002 and will expand our production capacity by approximately 40%.

**SERVICE AGREEMENTS**

On 2 July 2001, our Company entered into separate service agreements (each a “Service Agreement” and collectively the “Service Agreements”) with Messrs Saw Chee Keang and Choo Tian Wang, under which they were appointed by us as our Chairman and Chief Executive Officer and Executive Director respectively (each an “Appointee”).

Each of the Service Agreements took effect from 1 January 2001 and will continue for a period of three years, unless otherwise terminated by either party giving not less than six months’ notice in writing to the other or payment of an amount equal to six months’ salary in lieu of notice.

Each of the Service Agreements may be terminated by our Company by summary notice upon the occurrence of certain events, such as bankruptcy, or neglect or failure to perform duties with deliberate disregard to those duties or despite repeated warnings.

The Appointees may not be engaged or interested in any business which would compete with our Group during the period of their employment and 12 months after termination of employment. The Service Agreements do not provide for special benefits upon due termination thereof.

Under the Service Agreements, Mr Saw Chee Keang will receive a monthly salary of $18,000 while Mr Choo Tian Wang will receive a monthly salary of $12,000. Messrs Saw Chee Keang and Choo Tian Wang are also entitled to the use of a motor car, club membership, directors’ and officers’ indemnity insurance and other benefits generally available to the employees of our Company or as the Board of Directors shall from time to time determine. Each Appointee’s monthly salary will be reviewed annually by our Board. Further, each of them is entitled to other benefits including a yearly bonus to be determined based on the profitability of our Group and computed as follows:

<table>
<thead>
<tr>
<th>Profit</th>
<th>Incentive Bonus for</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.5 million &lt; Profit &lt; $2.8 million</td>
<td>1.75% of Profit</td>
</tr>
<tr>
<td>$2.8 million &lt; Profit &lt; $3.8 million</td>
<td>2.0% of Profit</td>
</tr>
<tr>
<td>$3.8 million &lt; Profit &lt; $4.8 million</td>
<td>2.5% of Profit</td>
</tr>
<tr>
<td>Profit &gt; $4.8 million</td>
<td>3.0% of Profit</td>
</tr>
</tbody>
</table>
For this purpose, “Profit” means the audited consolidated profit before taxation and before profit sharing (excluding gains on non-recurring exceptional items and extraordinary items) but after minority interests of our Group for the relevant year.

For FY2000, the aggregate executive directors’ remuneration (including directors’ fees, CPF contribution and profit sharing but excluding benefits-in-kind) amounted to 13.3% of our Group’s profit before taxation.

Had the Service Agreements been in place from the beginning of FY2000, the aggregate remuneration (including contributions to CPF and other benefits) paid or provided to our Directors would have been approximately $535,536 instead of $393,812, representing approximately 18.9% of our Group’s adjusted profit before taxation for FY2000.

Our Group has also entered into letters of employment with all of our Executive Officers. Such letters typically provide for the salary payable to our Executive Officers, their working hours, annual leave, medical benefits, grounds for termination and certain restrictive covenants.

Save as disclosed above, there are no other existing or proposed service agreements between our Company, our subsidiaries and any of our Directors or Executive Officers.

**Directors’ Remuneration**

The remuneration paid to our Directors on an aggregate basis and in remuneration bands for FY1999 and FY2000 are as follows:

(a) **Aggregate Directors’ Remuneration**(1)

<table>
<thead>
<tr>
<th></th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Executive Directors(2)</td>
<td>364,186</td>
<td>393,812</td>
</tr>
<tr>
<td>Non-executive Directors(3)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>364,186</td>
<td>393,812</td>
</tr>
</tbody>
</table>

(b) **Number of Directors in Each Remuneration Bands**

<table>
<thead>
<tr>
<th></th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Executive Directors(2)</td>
<td>Non-Executive Directors(3)</td>
</tr>
<tr>
<td>$500,000 and above</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>$250,000 to $499,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>$0 to $249,999</td>
<td>2</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

**Notes:**

(1) Remuneration includes salary, CPF, bonus and benefits in kind.
(2) Mr Choo Tian Wang was appointed as Executive Director on 12 October 1999.
(3) Mr Ng Chee Fatt was appointed as Non-executive Director on 2 October 2000. This excludes Mr Chua Boon Tat and Mr Wee Beng Sing Roland who resigned on 2 October 2000.
SUMMARY OF THE STARTECH SHARE OPTION SCHEME (THE “STARTECH ESOS”)

The Startech ESOS was approved by our shareholders (excluding those shareholders who are eligible to participate in the Startech ESOS) at an Extraordinary General Meeting (“EGM”) held on 17 July 2001. The terms of our Startech ESOS are set out in Appendix A of this Prospectus.

Purpose of the Startech Scheme

The purpose of the Startech ESOS is to provide an opportunity for executive Directors and employees of our Group to participate in the equity of our Company so as to motivate them to greater dedication, loyalty and higher standard of performance, and to give recognition to non-executive directors of our Group and directors (both executive and non-executive) and employees of any associated company of our Company over which our Company/Group has operational control (“Controlled Associated Company”) who have contributed to the success and development of our Company and/or our Group. We believe that with the Startech ESOS in place, it will not only be used to retain and motivate existing employees, it can also be used as an effective incentive tool to attract and recruit personnel with specialised skills and knowledge of our industry. The extension of the Startech ESOS to non-executive directors and directors and employees of our Controlled Associated Companies serves to acknowledge the contribution, which is essential to the well-being and prosperity of our Group, made by these categories of persons. The adoption of the Startech ESOS will help the Company to achieve the following objectives:–

(i) the motivation of participants to optimise performance standards and efficiency and to maintain a high level of contribution;

(ii) the retention of key employees whose contributions are important to the long-term growth and prosperity of our Group;

(iii) the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with our Group’s close business associates; and

(iv) the development of a participatory style of management which promotes greater commitment and dedication amongst the employees and instills loyalty and a stronger sense of identification with the long-term prosperity of our Group.

Summary of the Rules

The following is a summary of the rules of the Startech ESOS:–

Participants

Under the rules of the Startech ESOS, the persons eligible to participate in the Startech ESOS are (i) executive and non-executive directors and all employees of our Group and (ii) executive and non-executive directors and employees of any Controlled Associated Company. However, our controlling shareholders and/or their associates and members of our Audit Committee are not entitled to participate in the Startech ESOS. (Further details on the eligibility of participants are set out on page 106 under the heading “Eligibility”.)

Scheme administration

The Startech ESOS is administered by a committee (the “ESOS Committee”), which is authorised by our Directors to administer the Startech ESOS. The ESOS Committee could consist of Directors who may be participants of the Startech ESOS. A member of the ESOS Committee who is also a participant of the Startech ESOS will not be involved in its deliberations in respect of options granted or to be granted to him.
**Scheme Size**

The aggregate number of Shares over which the ESOS Committee may offer options on any date, when added to the number of Shares issued and issuable in respect of options already granted under the Startech ESOS shall not exceed 15% of the total issued share capital of our Company on the date preceding the date the option is offered. The 15% size limit takes into account the share capital base of our Company, the potential larger pool of employees as our Group’s business expands and the grant of the options over the duration of the scheme. Further approval from shareholders will be sought if the SGX listing manual permits and the Company intends to exceed the 15% size limit.

As of the date of this Prospectus, no options have been granted under the Startech ESOS.

**Maximum entitlements**

The number of Shares comprised in any options to be offered to a participant in the Scheme shall be determined at the absolute discretion of the ESOS Committee, who shall take into account criteria such as the rank, the past performance, years of service, potential for future development and/or his relevant contribution to the success of the Group.

**Options, exercise period and exercise price**

Options that are granted under the Startech ESOS may have exercise prices that are, at the ESOS Committee’s discretion, set at a discount to the market price of a Share. The maximum discount shall not exceed 20% of the market price of a Share, and such options may be exercised only on the 2nd anniversary from the date of offer of the option ("Incentive Option"). Alternatively, the option price may be fixed at a price equal to the average of the last dealt market prices for a Share for the three consecutive Market Days immediately preceding the offer of the relevant option ("Market Price Option"). Where the exercise price is not set at a discount to the market price, the relevant option may be exercised after the 1st anniversary of the date of offer of that option. Additionally, we will also have the discretion to impose conditions on exercise of the options (whether an Incentive Option or a Market Price Option) such as limiting the number of Shares in respect of which the option may be exercised during the exercise period applicable to that option.

**Grant of options**

Under the rules of the Startech ESOS, there are no fixed periods for the grant of options. As such, offers of the grant of options may be made at any time and from time to time at the discretion of the ESOS Committee. However, if an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made on or after the fourth Market Day from the date on which the aforesaid announcement is released.

**Termination of options**

Special provisions in the rules of the Startech ESOS deal with the lapse or earlier exercise of options in circumstances which include the termination of or the participant’s cessation of employment in our Group or Controlled Associated Company (as the case may be); the bankruptcy of the participant; the death of the participant; a take-over of our Company; and the winding-up of our Company.

**Acceptance of options**

Offers of options made to grantees, if not accepted by the grantees by the closing date stated in the offer letter, will lapse. Upon acceptance of the offer, the grantee must pay us a consideration of $1.00.

**Rights of Shares**

Shares arising from the exercise of options are subject to the provisions of the Memorandum and Articles of Association of our Company. The Shares so allotted will upon issue rank in full and be entitled to any dividends, or other distributions declared or recommended in respect of the then existing Shares, the record date ("Record Date") of which falls on or after the relevant exercise date of the option and shall in all respects rank pari passu with the existing Shares then in issue. “Record Date” means the date fixed by the Company for the purpose of determining entitlement to dividends, rights, allotments or other distributions to or rights of the holder of Shares.
**Duration of the Startech ESOS**

The Startech ESOS shall continue in operation for a maximum duration of 10 years commencing on the date on which the Startech ESOS is adopted by our Company in general meeting, provided always that the Startech ESOS may continue beyond the above stipulated period with the approval of our shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. Please refer to Appendix A for the relevant option periods for different eligible candidates.

**Alterations to the Scheme**

Any or all the provisions of the Scheme may be altered at any time and from time to time by resolution of the ESOS Committee, except that:

(a) no alteration shall alter adversely the rights attaching to any option granted prior to such alteration except with the consent in writing of such number of participants who, if they exercised their options in full, would thereby become entitled to not less than three-quarters in nominal amount of all the Shares which would fall to be allotted upon exercise in full of all outstanding options;

(b) certain definitions and Rules shall not be altered to the advantage of participants except with the prior approval of the Company’s shareholders in general meeting; and

(c) no alteration shall be made without the prior approval of the SGX-ST, or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.

The ESOS Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

**Variation of Capital**

If a variation in the issued ordinary share capital of the Company (whether by way of rights issue or capitalisation of profits or reserves, reduction of capital, or subdivision or consolidation or distribution of Shares otherwise) shall take place:

(a) the subscription price for the Shares, and/or

(b) the number of Shares which may be acquired on the exercise of an option granted under the Scheme,

shall be adjusted by the ESOS Committee in such manner as the ESOS Committee may determine to be appropriate provided that written confirmation is given by the auditors that such adjustment is fair and reasonable.

No adjustment of the subscription price shall be made which will result in the Shares unissued in the exercise of the option being issued at a discount of the nominal value of the Shares and if such adjustment provision has to result, the subscription price payable shall be the nominal amount of a Share.

Upon any such adjustment being made, the ESOS Committee shall notify the participant in writing informing him of the subscription price thereafter to be in effect and the number of Shares thereafter to be issued on the exercise of the option. Any adjustment shall take effect upon such written notification being given.
Grant of Options with a Discounted Exercise Price

The ability to offer options to participants of the Startech ESOS with exercise prices set at a discount to the prevailing market price of our Shares will operate as a means to recognise participants for their outstanding performance as well as to motivate them to continue to improve and excel.

The flexibility to grant Option Shares with discounted exercise prices is also intended to cater to the situations listed below. In such events, the ESOS Committee will have the absolute discretion to:–

(i) grant option shares with discounted exercise prices subject to the aforesaid limit; and

(ii) determine the participants to whom, and the options to which, such reduction in exercise prices will apply. In determining whether to give a discount and the quantum of such discount, the ESOS Committee shall be at liberty to take into consideration factors including the performance of our Company or our Group, the years of service and the performance of the participant concerned, the contribution of the participant to the success and development of our Group, and the prevailing market conditions. It is envisaged that our Company may consider granting option shares with exercise prices set at a discount to the market price of our Shares prevailing at the time of grant under circumstances including (but not limited to) the following:–

(a) where, due to speculative forces and having regard to the historical performance of the Share price, the market price of the Shares at the time of the grant of the options is not reflective of financial performance indicators such as return on equity and/or earnings growth of the Company; and/or

(b) where our Group needs to provide more compelling motivation for specific business units to improve our performance, grants of share options with discounted exercise prices will help to align the interests of employees to those of our shareholders as they would be perceived more positively by the employees who receive such options. The ESOS Committee will determine on a case-by-case basis whether a discount will be given, and if so, the quantum of the discount, taking into account the objective that is desired to be achieved by our Company and the prevailing market conditions. As the actual discount given will depend on the relevant circumstances, the extent of the discount may vary from one case to another, subject to a maximum discount of 20% to the market price of our Shares. The discretion to grant options to subscribe for Shares at an exercise price set at a discount to the market price will, however, be used judiciously. The amount of the discount may vary from one offer to another, and from time to time, subject to a limit of 20% on the quantum of discount in respect of options granted under the Startech ESOS.

In determining the quantum of such discount, the Committee will take into consideration such criteria as the ESOS Committee may, in its absolute discretion, deem appropriate including but not limited to:–

(i) the performance of our Company and our Group;

(ii) the individual performance of the participant; and

(iii) the contribution of the participant to the success and development of our Company and/or our Group.

Such flexibility in determining the quantum of discount would enable the ESOS Committee to tailor the incentives in the grant of options to commensurate with the performance and contribution of each individual participant. By individually recognising the degree of performance and contribution of each participant, the granting of options at a commensurate discount would enable the ESOS Committee to provide incentives for better performance, greater dedication and loyalty of the participants.

Our Company may also grant options without any discount to the market price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the options (whether such options are granted at the market price or at a discount to the market price), such as restricting the number of Shares for which the option may be exercised during the initial years following its vesting.
Should our Company decide to grant options to our non-executive directors at a discount, such decision would be based on factors such as the individual performance of the participant and the contribution of the participant to the success and development of our Company and/or our Group.

**Eligibility**

The following persons will, subject to the rules of the Startech ESOS, be eligible to participate in the Startech ESOS at the discretion of the Committee:

(a) Executive directors and full-time employees of our Group;
(b) Non-executive directors; and
(c) Directors and employees of our Controlled Associated Companies.

Provided always that the aforesaid persons selected by the ESOS Committee to participate in the Scheme must be at least twenty-one (21) years of age and must not be an undischarged bankrupt.

The abovementioned eligible participants include members of the ESOS Committee who are either executive directors, non-executive directors or executive officers. For the reasons set out on page 102 of the Prospectus, these committee members are also entitled to the benefits under Startech ESOS. Members of the ESOS Committee will abstain from deciding on matters pertaining to their own entitlements under the Startech ESOS.

Persons who are Controlling Shareholders and/or their associates and members of our Audit Committee are not entitled to participate in the Startech ESOS. As at the date of this Prospectus, none of the persons who are otherwise eligible to participate in the Startech ESOS are Controlling Shareholders of the Company, associates of Controlling Shareholders or members of our Audit Committee.

**Participants in the Startech ESOS**

(a) **Executive Directors and full-time employees**

The extension of the Startech ESOS to the executive Directors, namely, Messrs Saw Chee Keang and Choo Tian Wang, and full-time employees allows us to have a fair and equitable system for the executive employees who have made and who continue to make important contributions to the long-term growth of our Group. The Startech ESOS will also serve to attract, retain and provide incentives to its participants to achieve higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating them to contribute towards our long-term prosperity.

(b) **Non-executive Directors**

Non-executive Directors, who are not Audit Committee members, are entitled to participate in the Startech ESOS. Such persons, who may come from different disciplines with different working experience and expertise, are able to provide our Company with valuable support and business opportunities or alliances for the furtherance of our Company, as well as to contribute the wealth of their experience and expertise to the Board of Directors for the benefit of our Group.

As the services and contribution of these persons cannot be measured in the same way as those of employees of the Group, and while it is desired that participation in the Scheme be extended to them, any option that may be offered to them would be extended as a token of the Company’s appreciation.

It should be noted however that the non-executive Directors would in the main, continue to be remunerated for their services by way of Director’s fees. As such, it is envisaged that such offers and grants of options would comprise only a relatively small portion (in terms of frequency of grants and/or numbers of shares offered under the options) of the options that would be offered and granted.
It is therefore desirable that our non-executive directors, who are not Audit Committee members be allowed to participate in the Startech ESOS so that we may acknowledge their contribution and give recognition to their services. As at the date of this Prospectus, the only non-executive Director entitled to participate in the Startech ESOS is Mr Ng Chee Fatt.

(c) Directors and employees of our Controlled Associated Companies

We recognise that it is important to the well-being and stability of our Group that we acknowledge the services and contributions that may be made by directors (both executive and non-executive) and employees of our Controlled Associated Companies. By implementing the Startech ESOS, our Company will have the means of providing such directors or employees with an opportunity to share in the success and achievements of our Group as well as the performance of our Company through participation in the equity of our Company without any direct cost to our Company’s profitability. It is hoped that by doing so, we will also strengthen our working relationships with them and they will have a stronger and more lasting sense of identification with our Group.

Cost of the Startech ESOS to our Company

Any options granted under the Startech ESOS, whether such options are at Market Price Options or Incentive Options, would have a fair value. In the event that such options are granted at prices below the fair value of the options, there will be a cost to our Company. Such costs will be more significant in the case of Incentive Options, where such options are granted with exercise prices set at a discount to the prevailing market price of our Shares. The cost to our Company of granting options with a discounted exercise price under the Startech ESOS would be as follows:–

(i) the exercise of an option at a discounted exercise price would translate into a reduction of the proceeds from the exercise of such options, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of our Shares. Such reduction of the exercise proceeds would represent the monetary cost to our Company of granting options with a discounted exercise price;

(ii) as the monetary cost of granting options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from an exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our Company’s earnings per Share; and

(iii) the effect of the issue of new Shares upon the exercise of options on our Company’s NTA per Share is accretive if the exercise price is above the NTA per Share, but dilutive otherwise. The dilutive effect is greater if the exercise price is at a discount to the market price.

The costs discussed in (i), (ii) and (iii) above would materialise only upon the exercise of the relevant options.

In-principle approval has been obtained from the SGX-ST for the listing and quotation of the option Shares. However, in-principle approval of the SGX-ST is not to be taken as an indication of the merits of the scheme and the Shares. Details of the number of options granted, the number of options exercised and the subscription price (as well as any discount involved) will be disclosed in our annual report. The committee currently appointed to administer the Startech ESOS are Messrs Wong Kwan Seng Robert, Saw Chee Keang and Choo Tian Wang who are Directors of our Company.

No option to subscribe for Shares or debentures of our Company has been granted to or exercised by any Director or Executive Officer of our Company over the last three financial years.
INTERESTED PERSONS TRANSACTIONS

The material interested persons transactions undertaken by our Group within the last three financial years are described below.

(a) **We rent our Woodlands premises from our substantial shareholder, PV**

PV, Hi-Tech and Switech lease premises at 13 Woodlands Walk, Singapore 738318, from PV. Under the latest lease agreements, our total leased premises comprise an area of approximately 35,000 sq ft, commencing from 1 December 2000 and ending on 30 November 2002, with an option for a further two-year extension. Under the terms of the current lease agreements, a monthly rent of $38,130 is payable together with utility charges of $2,930 for security service and for maintenance of office and warehouse. This is not inclusive of other utility charges such as electricity, water and telephone charges.

The rental paid by us to PV over the last three financial years are set out as follows:

<table>
<thead>
<tr>
<th></th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental paid to PV ($'000)</td>
<td>155</td>
<td>306</td>
<td>431</td>
</tr>
<tr>
<td>% of Group’s turnover</td>
<td>0.79</td>
<td>1.15</td>
<td>0.98</td>
</tr>
<tr>
<td>% of Group’s NTA</td>
<td>5.26</td>
<td>7.18</td>
<td>6.23</td>
</tr>
</tbody>
</table>

We intend to renew the current leases upon expiry. If we do, we will do so on commercial terms or on terms that are no less favourable compared to what PV charges to any third party tenants in the same building. Such terms will also be subject to the review, or where applicable, the approval of our Audit Committee.

The current rental rate charged by PV is in line with that appraised by an independent property valuer:

<table>
<thead>
<tr>
<th>Rental rate per square feet</th>
<th>Rental rate paid by our Group to PV</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.09</td>
<td>28 December 2000</td>
</tr>
<tr>
<td>$1.00–$1.30</td>
<td></td>
</tr>
</tbody>
</table>

Besides the abovementioned rental charges, we have in the last three financial years incurred other administrative charges imposed by PV in connection with the sharing of administrative office and other resources with PV. These charges include fees for corporate secretarial services, accountancy services, management services, security services and office and warehouse maintenance. The total amount paid to PV in respect of such administrative charges were $135,232, $176,224 and $86,291 for FY1998, FY1999 and FY2000, respectively. We also reimbursed PV at cost for utility charges and telephone charges which amounted to $58,243, $264,956 and $340,611 for FY1998, FY1999 and FY2000 respectively. Apart from administrative charges relating to (i) security, (ii) utility, (iii) office and warehouse maintenance, and (iv) certain telecommunication charges, we have stopped using all other administrative services provided by PV. As indicated above, charges incurred in relation to security, maintenance of office and warehouse are included as part of our new tenancy agreements which will be subject to the Audit Committee’s review before renewal. Charges in relation to utility and telecommunication will be reimbursed to PV at cost.

(b) **Our subsidiary, Switech, carried out subcontracting work for PV**

Switech is in the switchgear design & assembly business (as described on page 76 of this Prospectus). Over the last three years, Switech and its subsidiary, PVP, have engaged in subcontracting work for our substantial shareholder, PV, in the following manner:

1. supply of labour for the completion of electrical and mechanical assembly work;
2. supply of labour, tools and materials for fabrication work; and
(3) supply of components such as control panels, pipes and fittings.

<table>
<thead>
<tr>
<th></th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcontract work provided by Switech ($’000)</td>
<td>150</td>
<td>201</td>
<td>316</td>
</tr>
<tr>
<td>% of Group’s turnover</td>
<td>0.76</td>
<td>0.76</td>
<td>0.72</td>
</tr>
<tr>
<td>% of Group’s NTA</td>
<td>5.09</td>
<td>4.69</td>
<td>4.58</td>
</tr>
</tbody>
</table>

We intend to continue our business relationship with PV for as long as it is beneficial to our Group. All subcontract rates will continue to be based on market rates and will be reviewed or where applicable, approved by our Audit Committee in accordance with the Group’s procedures and guidelines for interested persons transactions.

(c) **Loan from Ng Chee Fatt to our Group**

On 6 October 2000, Mr Ng Chee Fatt, our Non-executive Director, extended to our Group an unsecured interest-free loan of US$400,000 for working capital purposes. The outstanding amount owing to Mr Ng as at 31 May 2001 was US$200,000, which we intend to repay in 12 equal (interest-free) monthly instalments commencing from 1 August 2001. Our Directors do not expect our Group to borrow any money from our Directors in the future.

(d) **Loan from MEI Project Engineers Pte Ltd (“MEI”) to our Group**

In February 2000, MEI extended a loan of $420,000 to our Group. Wee Beng Sing Roland is a substantial shareholder and director of MEI and PV. We had obtained this loan from MEI because at that time we were still in the process of obtaining additional credit facilities from our bankers and needed extra working capital funds in the interim period. The outstanding amount owing to MEI as at 31 May 2001 was $370,000. We intend to repay MEI in 12 equal (interest-free) monthly instalments commencing from 1 August 2001. Our Directors do not expect our Group to borrow any money from MEI in the future.

(e) **Transactions with Jackson Automation (S) Pte Ltd (“Jackson”)**

From time to time, our Group purchased certain services and parts (for maintenance of machinery) from Jackson, a subsidiary of PV. Mr Choo Tian Wang, our Executive Director, until recently has been a director of Jackson. In view of Jackson’s technical expertise and knowledge of our requirements as well as our customers’ requirements, it is likely that we will continue to require such services and parts from Jackson in the future. These purchases will be reviewed by or, where applicable, subject to the approval of the Audit Committee. The value of such purchases for the financial periods mentioned below are as follows:

<table>
<thead>
<tr>
<th></th>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase from Jackson ($’000)</td>
<td>37.0</td>
<td>40.0</td>
<td>11.1</td>
</tr>
<tr>
<td>% of Group’s turnover</td>
<td>0.18</td>
<td>0.15</td>
<td>0.03</td>
</tr>
<tr>
<td>% of Group’s NTA</td>
<td>1.26</td>
<td>0.93</td>
<td>0.16</td>
</tr>
</tbody>
</table>

In May 2001, we received a payment of $1,740 from Jackson which was the reimbursement at cost for purchase of plane tickets by our subsidiary PVS on behalf of Jackson in December 1999. We do not expect to enter into any non-trade transactions with Jackson in the future.
Interested persons transactions involving our Independent Director, Mr Ong Kian Min

Mr Ong Kian Min, our Independent Director, is employed as a consultant to Drew & Napier LLC, which will be receiving a fee from our Company for legal services, including those rendered in connection with this Invitation. Mr Ong is not involved in any of the legal preparation work in relation to the Invitation other than to provide his comments and views on this Prospectus in his capacity as an Independent Director of our Company. He is not directly involved in the rendering of any legal services to our Company by Drew & Napier LLC. The aggregate amount of legal fees paid to or payable to Drew & Napier LLC for the past three financial years ended 31 December 2000 does not amount to more than $60,000 a year, or not more than 1.8% of the Group’s operating expenses for each of those periods.

Our Group may continue to engage the legal services of Drew & Napier LLC as and when the management deems necessary and appropriate.

Our Directors are of the view that our business relationship with Drew & Napier LLC will not interfere with the exercise of independent judgment by Mr Ong in his role as Independent Director on our Audit Committee. However, as part of good corporate governance practice, the relevant Director shall abstain from deciding on matters in which that Director is interested in or in which a conflict of interest may arise.

Transaction with J & J Vacuum-Tech (S.E.Asia) Pte Ltd (“J & J”)

In FY1997, our Group provided electrical services to J & J, amounting to S$2,575. J & J is a subsidiary of our substantial shareholder, PV. The rate charged by our Group to J & J was determined on an arm’s length basis. The amount owed by J & J in this respect was paid in FY1999. There was no other transaction with J & J in the three years prior to the date of this Prospectus. Our Directors do not expect any further transactions with J & J.

Transaction with Envirochem Technology Pte Ltd (“Envirochem”)

In FY1999, our Group sold certain parts (for maintenance of machinery) to Envirochem, a subsidiary of PV. It was a single transaction amounting to $2,000 and the price was determined on an arm’s length basis. This amount was paid in May 2001. Our Directors do not expect to enter into any further transactions with Envirochem in the future.

Loans from and to PV

In FY1998, PV extended a total of $1,131,125 in interest-free loans to our subsidiary, PVS. These loans were necessary for the purchase of EMS equipment. As at 31 May 2001, the outstanding amount owed to PV was $578,981. We will repay PV this amount in 12 equal (interest-free) monthly instalments commencing from 1 August 2001.

Prior to the Restructuring, in April 1999, Switech extended a loan of $100,000 to PV. The full amount has been repaid in May 2000, with an interest of $7,000. Since the repayment of this loan, our Group has not lent and will not lend any money to PV.

Purchases from Willas-Array Electronics (Holdings) Limited (“Willas-Array”) and the appointment of Mr Wong Kwan Seng Robert as independent director of Willas-Array

Mr Wong Kwan Seng Robert, our Independent Director, was appointed as an independent director of Willas-Array on 14 June 2001. Willas-Array is one of our many component suppliers and our purchases from Willas-Array over the last three years are as follows:–

<table>
<thead>
<tr>
<th>FY1998</th>
<th>FY1999</th>
<th>FY2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase from Willas-Array ($’000)</td>
<td>31.2</td>
<td>27.5</td>
</tr>
<tr>
<td>% of Group’s turnover</td>
<td>0.16</td>
<td>0.10</td>
</tr>
<tr>
<td>% of Group’s NTA</td>
<td>1.06</td>
<td>0.64</td>
</tr>
</tbody>
</table>

These transactions all occurred prior to Mr Wong’s appointment as independent director to Willas-Array, and prior to his appointment to our Board as Independent Director.
We may continue to encounter further transactions with Willas-Array in our normal course of business, and such transactions will be subject to the procedures set out on pages 111 and 112 for dealing with Interested Person Transactions.

To avoid a conflict of interest, Mr Wong will not participate in any decision-making involving transactions with Willas-Array. Since the transactions with Willas-Array are expected to be immaterial vis-à-vis our total purchases, Mr Wong’s ability to function effectively as an Audit Committee member will not be hampered by his abstaining from deciding on matters relating to Willas-Array.

Procedures for dealing with future Interested Persons Transactions

Our Directors envisage that our Group, in the ordinary course of business, may enter into the four Interested Persons Transactions listed below (“Possible Continuing IPTs”) with interested persons of our Company in the future.

The Possible Continuing IPTs which have been discussed on pages 108 to 110, are:–

(i) Tenancy agreements with PV;

(ii) Subcontracting work carried by Switech for PV relating to:– (a) supply of labour for electrical and mechanical assembly work, (b) supply of labour, tools and materials for fabrication work; and (c) supply of components such as control panels, pipes and fittings;

(iii) Purchase of services and parts (for maintenance of machinery) from Jackson; and

(iv) Purchase of components from Willas-Array.

We are not seeking a shareholders’ mandate in relation to the abovementioned Possible Continuing IPTs as we do not expect them to be material and we will attempt to avoid such transactions as far as possible. We will comply with the provisions of Chapter 9A of the SGX Listing Manual in respect of all future interested persons transactions, and we will seek our shareholders’ approval (where necessary) for such transactions. Our Directors believe that together with the provisions of Chapter 9A of the listing manual, and the procedures set out below, there are adequate measures in place to address all future interested person transactions.

Our Directors will ensure that all future business dealings between our Group and any interested persons will be conducted on an arm’s length basis by undertaking the following procedures:–

(a) when buying from an interested person, the prices and terms of at least two other competitive offers from third parties, contemporaneous in time, shall be obtained. Assuming all other terms pertaining to the reliability and quality of services are equal, the purchase price shall not be higher than the most competitive price of the two other competitive offers from third parties;

(b) when selling to an interested person, the prices and terms of at least two other successful sales to third parties, contemporaneous in time, shall be used for comparison. The sale price shall not be lower than the lowest sale price of the other two successful sales to third parties;

(c) in determining the most competitive purchase price, the nature of the project, the cost and the experience and expertise of the supplier will be taken into consideration; and

(d) should any future interested persons transactions be on less preferential terms than as determined in paragraphs (a) to (c) above, the prior approval of our Board of Directors must be obtained.

The considerations in paragraphs (a) and (b) above will allow for variation from the prices and terms of the comparative offers or, as the case may be, sales to the extent that the volume of trade, creditworthiness of the buyer, differences in service reliability or other relevant factors render justifiable, and whether or not a comparative offer or, as the case may be, sale, contemporaneous in time, shall be judged with reference to the volatility of the market for the goods and services in question.
If any of our Directors has an interest in any interested persons transaction, such Director will not be involved or participate in any resolution or decision making relating to such interested persons transaction.

In addition to the above, the Board of Directors will monitor the Interested Persons Transactions entered into by our Group by categorising the transactions as follows:–

(a) a Category 1 Interested Persons Transaction is one where the value thereof is below or equal to $20,000; and

(b) a Category 2 Interested Persons Transaction is one where the value thereof is in excess of $20,000.

A Category 1 Interested Persons Transaction need not be approved by our Audit Committee prior to being entered into but shall be reviewed periodically (at least twice in a year) by our Audit Committee. A Category 2 Interested Persons Transaction must be reviewed and approved by our Audit Committee prior to being entered into.

Such procedures will be reviewed by the Audit Committee from time to time and may be revised as necessary in the discretion of the Audit Committee.

Audit Committee’s Review

Each interested persons transaction will be properly documented and submitted to our Audit Committee which will periodically (at least twice in a year) review such transactions to ensure that they are carried out on normal arms’ length and commercial terms. In the event that a member of our Audit Committee is interested in any interested persons transaction, he will abstain from reviewing that particular transaction. Our Audit Committee will include the review of interested persons transactions as part of its standard procedures while examining the adequacy of internal controls of our Group. It will also ensure that all disclosure requirements on interested persons transactions, including those required by prevailing legislation, the SGX-ST listing rules and accounting standards are complied with.

POTENTIAL CONFLICTS OF INTEREST

Save as disclosed in this Prospectus:–

(i) No Director, Executive Officer or substantial shareholder of our Group has any material interest, direct or indirect, in any transactions subsisting at the date of this Prospectus to which our Group is a party which is significant in relation to the business of our Group taken as a whole;

(ii) No Director, Executive Officer or substantial shareholder of our Group has any material interest, direct or indirect, in any business carrying on the same trade as our Group;

(iii) No Director, Executive Officer or substantial shareholder of our Group has any material interest, direct or indirect, in any enterprise or company that is our Group’s major customer or supplier of goods or services; and

(iv) No Director, Executive Officer or substantial shareholder of our Group has any material interest, direct or indirect, in any material transactions undertaken by our Group within the last three years.

Save as disclosed in the sections headed “Interested Persons Transactions” and “Potential Conflicts of Interest” above:–

(a) no Director, substantial shareholder or Executive Officer of our Group has any interest, direct or indirect, in any transactions to which our Group was or is to be a party;

(b) no Director, substantial shareholder or Executive Officer of our Group has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as our Group; and

(c) no Director, substantial shareholder or Executive Officer of our Group has any interest, direct or indirect, in any enterprise or company that is our Group’s customer or supplier.
CORPORATE GOVERNANCE

The Board of Directors holds meetings periodically each financial year and is responsible for our Group's overall business direction, management and internal control. The Board of Directors will also review our Group's financial performance.

The management will liaise with the external auditors on the overall scope of the external audit. The management will meet with the external auditors to discuss the results of the examination and their evaluation of our Group's system of internal accounting controls.

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our shareholders. Our Audit Committee shall meet at least twice a year to perform the functions as set out on page 98 of this Prospectus.
DIRECTORS’ REPORT

17 July 2001

The Shareholders
Startech Electronics Ltd
13 Woodlands Walk
Singapore 738318

Dear Sirs

This report has been prepared for inclusion in the Prospectus of Startech Electronics Ltd (the “Company”) dated 17 July 2001 in connection with the Invitation in respect of 13,000,000 ordinary shares of $0.10 each in the capital of the Company (the “Shares”) comprising all new Shares.

On behalf of the Directors of the Company, I report that, having made due inquiry in relation to the interval between 31 December 2000, the date to which the last audited accounts of the Company and its subsidiaries were made up, and the date hereof:–

(a) the business of the Company and its subsidiaries has, in the opinion of the Directors, been satisfactorily maintained;

(b) no circumstances have, in the opinion of the Directors, arisen since the last Annual General Meeting of the Company which would adversely affect the trading or the value of the assets of the Company or its subsidiaries;

(c) the current assets of the Company and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed on pages 58 and 136 of this Prospectus, no contingent liabilities have arisen by reason of any guarantees given by the Company or its subsidiaries; and

(e) save as disclosed on pages 60 and 137 of this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profit of the Company and its subsidiaries since the last audited accounts.

Yours faithfully
for and on behalf of the
Board of Directors

Saw Chee Keang
Chairman
Startech Electronics Ltd
ACCOUNTANTS’ REPORT

17 July 2001

The Board of Directors
Startech Electronics Ltd
13 Woodlands Walk
Singapore 738318

Gentlemen

A. INTRODUCTION

This report has been prepared for inclusion in the Prospectus of Startech Electronics Ltd (the “Company”) dated 17 July 2001 in connection with the Invitation in respect of 13,000,000 ordinary shares of $0.10 each (the “New Shares”) comprising 1,300,000 Offer Shares at $0.32 for each Offer Share by way of public offer and 11,700,000 Placement Shares at $0.32 for each Placement Shares by way of placement payable in full on application.

B. THE COMPANY

The Company was incorporated in the Republic of Singapore on 12 October 1999 in the name of PV Startech Holdings Pte Ltd as a private limited company. The Company changed its name to Startech Electronics Pte Ltd on 5 February 2001. Subsequently on 2 July 2001, the Company was converted into a public limited company and its name was changed to Startech Electronics Ltd.

At the date of incorporation, the authorised share capital of the Company was $7,000,000 divided into 7,000,000 ordinary shares of $1.00 each. 4 shares of $1.00 each were issued to the subscribers at the time of incorporation.

At an Extraordinary General Meeting held on 2 July 2001, the shareholders of the Company approved the increase of the authorised share capital of the Company from $7,000,000 divided into 7,000,000 ordinary shares of $1.00 each to $20,000,000 divided into 20,000,000 ordinary shares of $1.00 each. On 3 July 2001, each ordinary share of par value of $1.00 was sub-divided into 10 ordinary shares of par value $0.10 each.

The movements in the issued and paid-up capital of the Company since incorporation to the date hereof are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Purpose</th>
<th>Number of Ordinary Shares</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/10/1999</td>
<td>Issued 4 ordinary shares of $1.00 each for cash incorporation purposes</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>12/1/2000</td>
<td>Issued 4,143,290 ordinary shares of $1.00 each as consideration for acquisition of the subsidiary companies as described in Section C</td>
<td>4,143,290</td>
<td>4,143,290</td>
</tr>
<tr>
<td>16/6/2000</td>
<td>Issued 290,065 ordinary shares of $1.00 each as consideration for acquisition of the subsidiary companies as described in Section C</td>
<td>290,065</td>
<td>290,065</td>
</tr>
<tr>
<td>3/7/2001</td>
<td>Issued 703,523 ordinary shares of $1.00 each as a result of the conversion of Redeemable Convertible Loan (“RCL”) 1</td>
<td>703,523</td>
<td>703,523</td>
</tr>
</tbody>
</table>
### B. THE COMPANY (cont’d)

<table>
<thead>
<tr>
<th>Date</th>
<th>Purpose</th>
<th>Number of Ordinary Shares</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/7/2001</td>
<td>Bonus issue of 1,296,477 ordinary shares of $1.00 each from the share premium account</td>
<td>1,296,477</td>
<td>1,296,477</td>
</tr>
<tr>
<td>3/7/2001</td>
<td>Issued 188,730 ordinary shares of $1.00 each as a result of the conversion of RCL 2</td>
<td>188,730</td>
<td>188,730</td>
</tr>
<tr>
<td>3/7/2001</td>
<td>Bonus issue of 311,270 ordinary shares of $1.00 each from the share premium account</td>
<td>311,270</td>
<td>311,270</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,933,359</td>
<td>6,933,359</td>
</tr>
<tr>
<td>3/7/2001</td>
<td>Sub-division of each ordinary share of $1.00 each in the capital of the Company into 10 ordinary shares of $0.10 each in the capital of the Company</td>
<td>69,333,590</td>
<td>6,933,359</td>
</tr>
<tr>
<td>17/7/2001</td>
<td>Issued 13,000,000 ordinary shares of $0.10 each which is the subject of this Invitation</td>
<td>13,000,000</td>
<td>1,300,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>82,333,590</td>
<td>8,233,359</td>
</tr>
</tbody>
</table>

At the date of this report, the authorised share capital of the Company is $20,000,000 divided into 200,000,000 ordinary shares of $0.10 each and the issued and fully paid-up share capital of the Company prior to the issue of the New Shares is $6,933,359 divided into 69,333,590 ordinary shares of $0.10 each.

Upon completion of the allotment of the New Shares, the resultant issued and fully-paid share capital of the Company will be $8,233,359 comprising 82,333,590 ordinary shares of $0.10 each.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are as follows:–

(a) Distributor of specialty chemical products and consumable materials for the electronics industry

(b) Distributor of equipment and consumable materials for the electronics industry

(c) Distributor of power transmission products

(d) Marketing and trading in electronics components

(e) Designer, assembler, supplier and installer of electrical switch boxes

(f) Contract manufacturers

At Extraordinary General Meetings held on the dates set out below, the following corporate actions were approved:–

2 July 2001

(a) the increase of the authorised share capital to $20,000,000;

(b) the conversion of the Company into a public limited company and the change of the name to Startech Electronics Ltd;

(c) the adoption of a new set of Articles of Association of the Company;
B. THE COMPANY (cont’d)
3 July 2001
(d) the issuance of 703,523 ordinary shares of $1.00 each to the RCL 1 Lenders pursuant to their conversion of the RCL to ordinary shares;
(e) the bonus issue of 1,296,477 ordinary shares of $1.00 each at one bonus share for every 3.96 shares owned (from the capitalisation of share premium arising from RCL 1 conversion);
(f) the issuance of 188,730 ordinary shares of $1.00 each to the RCL 2 Lenders pursuant to their conversion of the RCL to ordinary shares;
(g) the bonus issue of 311,270 ordinary shares of $1.00 each at one bonus share for every 21.27 shares owned (from the capitalisation of share premium arising from RCL 2 conversion);
(h) the sub-division of each ordinary share of $1.00 each in the capital of the Company into 10 ordinary shares of $0.10 each in the capital of the Company;

17 July 2001
(i) the issuance of 13,000,000 ordinary shares of $0.10 each (the “New Shares”) which is the subject of the Invitation. The New Shares, when fully paid, allotted and issued, will rank pari passu in all respects with the existing Shares of our Company;
(j) the adoption of the Startech ESOS; and
(k) the authorisation for the Directors, pursuant to Section 161 of the Act, to issue Shares (apart from the New Shares) from time to time, provided that the aggregate number of Shares issued pursuant to such authority shall not exceed 50% of the issued and paid-up share capital of the Company at any time, of which the aggregate number of such Shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20% of the existing issued share capital of the Company.

C. BASIS OF PRESENTATION OF FINANCIAL INFORMATION
Pursuant to a Restructuring Agreement dated 31 December 1999, the Company acquired all the issued shares (with all rights attached thereto as from 1 January 2000) in Hi-Tech Materials Pte Ltd (of which Chemitec Industrial Private Limited is a wholly-owned subsidiary), PV Startech Pte Ltd (of which Weinixing Electronics (Shenzhen) Co., Ltd is a wholly-owned subsidiary) and Switech Systems & Marketing Pte Ltd (of which PV Power Pte Ltd is an 80% owned subsidiary) at net tangible asset value based on the audited financial statements of these companies as at 31 December 1999.

As at 31 December 2000, the Group consists of the following companies:

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Date and place of incorporation and operations</th>
<th>Issued and paid-up capital</th>
<th>Percentage of equity held by the Group %</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemitec Industrial Private Ltd</td>
<td>7 April 1997 Singapore</td>
<td>$200,000</td>
<td>100</td>
<td>Distributor of specialty chemical products and consumable materials for the electronics industry</td>
</tr>
<tr>
<td>Hi-Tech Materials Pte Ltd</td>
<td>7 May 1987 Singapore</td>
<td>$431,000</td>
<td>100</td>
<td>Distributor of equipment and consumable materials for the electronics industry</td>
</tr>
<tr>
<td>PV Power Pte Ltd</td>
<td>18 August 1998 Singapore</td>
<td>$100,000</td>
<td>80</td>
<td>Distributor of power transmission products</td>
</tr>
<tr>
<td>PV Startech Marketing Ltd</td>
<td>6 January 2000 British Virgin Islands</td>
<td>US$1</td>
<td>100</td>
<td>Marketing and trading in electronics components</td>
</tr>
</tbody>
</table>
### C. BASIS OF PRESENTATION OF FINANCIAL INFORMATION (cont’d)

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Date and place of incorporation and operations</th>
<th>Issued and paid-up capital</th>
<th>Percentage of equity held by the Group %</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV Startech Pte Ltd(4)</td>
<td>23 April 1994 Singapore</td>
<td>$1,500,000</td>
<td>100</td>
<td>Contract manufacturing</td>
</tr>
<tr>
<td>Startech Electronics Ltd(2)</td>
<td>12 October 1999 Singapore</td>
<td>$4</td>
<td>NA</td>
<td>Investment holding</td>
</tr>
<tr>
<td>Switech Systems &amp; Marketing Pte Ltd(1)</td>
<td>26 August 1994 Singapore</td>
<td>$200,000</td>
<td>100</td>
<td>Designer, assembler, supplier and installer of electrical switch boxes</td>
</tr>
<tr>
<td>Weinixing Electronics (Shenzhen) Co. Ltd(5)</td>
<td>6 January 1999 People’s Republic of China</td>
<td>HK$6,450,000</td>
<td>100</td>
<td>Contract manufacturing</td>
</tr>
</tbody>
</table>

**Notes:**
- (1) Audited by Patrick Tay & Partners (formerly known as Patrick Tay Kim Chuan & Co.) (“the firm”), Certified Public Accountants, since incorporation and for the financial year ended 31 December 2000 onwards by BDO International (the firm’s international name).
- (2) Audited by BDO International, Certified Public Accountants, since incorporation.
- (3) No audit required under the laws of its country of incorporation.
- (5) Audited by Beicheng Certified Public Accountants Shenzhen since incorporation.

The financial information set out in this report is expressed in Singapore dollars (unless otherwise stated) and shows the Statement of Proforma Group Results, Proforma Group Balance Sheets and Proforma Group Cash Flow Statement for each of the three years ended 31 December 2000, and the Statement of Group Net Assets as at 31 December 2000. The Statement of Proforma Group Results, Proforma Group Balance Sheets and Proforma Group Cash Flow Statement have been prepared on the assumption that the current Group structure as outlined above had been in existence throughout the period under review or since the dates of incorporation of the companies in the Proforma Group. The group structure of the Proforma Group became actual on 1 January 2000 and financial information from that date and the Statement of Group Net Assets as at 31 December 2000 reflects the actual group position.

The financial information is based on the audited financial statements of each subsidiary and management financial statements of the subsidiary, PV Startech Marketing Limited (where no audit is required under the laws of its country of incorporation), after making such adjustments which we considered necessary. Such Proforma Group financial information is presented on the basis of the accounting policies set out in Section J of this report. There has been no change in the accounting policies throughout the period under review.

All material inter-group transactions and balances have been eliminated in the preparation of the Statement of Proforma Group Results, Proforma Group Balance Sheets, Proforma Group Cash Flow Statement and Statement of Group Net Assets.

For the statutory financial statements of the subsidiary companies not audited by us during the accounting periods covered by this report, we have performed a review on those financial statements, and are satisfied that these financial statements are appropriate and proper for inclusion in the Statement of Proforma Group Results, Proforma Group Balance Sheets, Proforma Group Cash Flow Statement and Statement of Group Net Assets.

The auditors’ reports on the audited financial statements of companies within the Proforma Group were not subject to any qualification for the past three financial years ended 31 December 2000.
### D. STATEMENT OF PROFORMA GROUP RESULTS

The Statement of Proforma Group Results for each of the three years ended 31 December 2000 prepared on the basis set out in Section C above, after making such adjustments as we considered appropriate, are as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>E1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(15,746)</td>
<td>(20,558)</td>
<td>(35,546)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>3,959</td>
<td>5,924</td>
<td>8,327</td>
</tr>
<tr>
<td>Other operating income</td>
<td>292</td>
<td>226</td>
<td>62</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(2,950)</td>
<td>(4,067)</td>
<td>(4,589)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(636)</td>
<td>(656)</td>
<td>(832)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>E2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>(109)</td>
<td>(215)</td>
<td>(449)</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>556</td>
<td>1,212</td>
<td>2,519</td>
</tr>
<tr>
<td>Minority interest</td>
<td>(41)</td>
<td>(5)</td>
<td>2</td>
</tr>
<tr>
<td>Profit attributable to shareholders</td>
<td>515</td>
<td>1,207</td>
<td>2,521</td>
</tr>
</tbody>
</table>

### E. NOTES TO STATEMENT OF PROFORMA GROUP RESULTS

#### 1. TURNOVER

The turnover of the Proforma Group represents invoiced value of goods sold and services rendered less goods returned and discounts allowed net of goods and services tax. All intra-group transactions are excluded from the turnover of the Proforma Group. Turnover is analysed as follows:

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from:</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Services rendered</td>
<td>4</td>
<td>139</td>
<td>31</td>
</tr>
<tr>
<td>Sale of goods</td>
<td>19,701</td>
<td>26,343</td>
<td>43,842</td>
</tr>
<tr>
<td></td>
<td>19,705</td>
<td>26,482</td>
<td>43,873</td>
</tr>
</tbody>
</table>
E. NOTES TO STATEMENT OF PROFORMA GROUP RESULTS (cont’d)

2. PROFIT BEFORE TAXATION

The above has been arrived at:

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

After charging:

- Amortisation of deferred expenditure — 90 94
- Amortisation of intangible asset 4 4 4
- Auditors’ remuneration 15 26 32
- Bad trade debts written off 3 5 17

Depreciation of fixed assets included in
- cost of goods sold 437 635 770
- general and administrative expenses 249 235 279
- Directors’ remuneration 548 674 716
- Foreign exchange loss 72 — 100
- Interest expenses
  - bank overdrafts 250 239 600
  - hire-purchase 30 34 49
  - others — 1 1
  - trust receipts 167 285 157
  - term loans 217 120 70
- Loss on disposal of fixed assets — — 2
- Marketing expenses paid to a former Director 10 29 36
- Provision for doubtful trade debts 23 48 17
- Provision for diminution in value of investment 15 24 —
- Staff costs 2,347 2,778 3,250
- Stocks written off — 33 —

and after crediting:

- Foreign exchange gain — 27 —
- Gain on disposal of fixed assets — 45 —
- Interest income
  - bank deposit 28 23 45
- Provision for doubtful trade debts written back 31 — 36
- Provision for stock obsolescence written back 14 — —
E. NOTES TO STATEMENT OF PROFORMA GROUP RESULTS (cont’d)

Significant Related Parties Transactions

In addition to the related parties information disclosed elsewhere, the Proforma Group had the following significant related parties transactions on terms and rates agreed between the respective parties:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>With corporate shareholder</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of goods</td>
<td>150</td>
<td>201</td>
<td>316</td>
</tr>
<tr>
<td>Reimbursement of utilities and other expenses paid on behalf</td>
<td>193</td>
<td>441</td>
<td>427</td>
</tr>
<tr>
<td>Rental charges</td>
<td>155</td>
<td>306</td>
<td>431</td>
</tr>
<tr>
<td>Interest income</td>
<td>—</td>
<td>—</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>With affiliated companies</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of goods</td>
<td>37</td>
<td>40</td>
<td>11</td>
</tr>
<tr>
<td>Sale of goods</td>
<td>—</td>
<td>2</td>
<td>—</td>
</tr>
</tbody>
</table>

3. TAXATION

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxation based on profit for the year</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>207</td>
<td>648</td>
<td>901</td>
</tr>
<tr>
<td>Recoupment of tax benefit arising from unabsorbed tax losses and unutilised capital allowances brought forward</td>
<td>(99)</td>
<td>(437)</td>
<td>(435)</td>
</tr>
<tr>
<td>Deferred</td>
<td>7</td>
<td>4</td>
<td>(13)</td>
</tr>
<tr>
<td></td>
<td>115</td>
<td>215</td>
<td>453</td>
</tr>
<tr>
<td>Prior year’s taxation over-provided</td>
<td>(6)</td>
<td>—</td>
<td>(4)</td>
</tr>
<tr>
<td></td>
<td>109</td>
<td>215</td>
<td>449</td>
</tr>
</tbody>
</table>

The tax charges in respect of the periods under review varied from the amounts arrived at by applying the applicable standard tax rate to the profit before taxation due to the following factors:

- certain expenses were not allowable as deductions for tax purposes; and
- unutilised capital allowances of certain subsidiaries are not available for offset against the profits of other companies in the Proforma Group.
**STATEMENT OF PROFORMA GROUP BALANCE SHEETS**

The Proforma Group Balance Sheets at the end of each of the three years ended 31 December 2000 prepared on the basis set out in Section C above, after making such adjustments as we considered appropriate, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>3,723</td>
<td>7,513</td>
<td>7,185</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>12</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Deferred expenditure</td>
<td>169</td>
<td>136</td>
<td>50</td>
</tr>
<tr>
<td>Investments</td>
<td>227</td>
<td>203</td>
<td>203</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,131</td>
<td>7,860</td>
<td>7,442</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks and work-in-progress</td>
<td>3,377</td>
<td>4,188</td>
<td>6,077</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>5,167</td>
<td>7,399</td>
<td>11,113</td>
</tr>
<tr>
<td>Other debtors, deposits and prepayments</td>
<td>112</td>
<td>92</td>
<td>145</td>
</tr>
<tr>
<td>Due by affiliated companies</td>
<td>3</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Fixed deposits with banks</td>
<td>197</td>
<td>450</td>
<td>2,407</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>296</td>
<td>820</td>
<td>1,562</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,152</td>
<td>12,951</td>
<td>21,308</td>
</tr>
<tr>
<td><strong>Less: Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>2,497</td>
<td>5,012</td>
<td>3,523</td>
</tr>
<tr>
<td>Other creditors and accruals</td>
<td>530</td>
<td>1,632</td>
<td>674</td>
</tr>
<tr>
<td>Hire-purchase creditors</td>
<td>211</td>
<td>199</td>
<td>436</td>
</tr>
<tr>
<td>Due to affiliated company</td>
<td>28</td>
<td>7</td>
<td>370</td>
</tr>
<tr>
<td>Due to a corporate shareholder</td>
<td>719</td>
<td>579</td>
<td>1,172</td>
</tr>
<tr>
<td>Due to Directors</td>
<td>2</td>
<td>1</td>
<td>434</td>
</tr>
<tr>
<td>Proposed dividends</td>
<td>50</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Bank borrowings — secured</td>
<td>4,503</td>
<td>7,826</td>
<td>7,099</td>
</tr>
<tr>
<td>Redeemable convertible loan — unsecured</td>
<td>—</td>
<td>—</td>
<td>2,500</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>154</td>
<td>245</td>
<td>533</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,694</td>
<td>15,501</td>
<td>16,741</td>
</tr>
<tr>
<td><strong>Net current assets/(liabilities)</strong></td>
<td>458</td>
<td>(2,550)</td>
<td>4,567</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire-purchase creditors</td>
<td>(211)</td>
<td>(233)</td>
<td>(1,194)</td>
</tr>
<tr>
<td>Bank borrowings — secured</td>
<td>(1,229)</td>
<td>(592)</td>
<td>(3,824)</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>(23)</td>
<td>(27)</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(1,463)</td>
<td>(852)</td>
<td>(5,032)</td>
</tr>
<tr>
<td><strong>Represented by:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>3,126</td>
<td>4,433</td>
<td>6,954</td>
</tr>
<tr>
<td>Minority interests</td>
<td>—</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,126</td>
<td>4,458</td>
<td>6,977</td>
</tr>
</tbody>
</table>
## F. STATEMENT OF PROFORMA GROUP BALANCE SHEETS

The movements of the proforma shareholders’ equity of the Proforma Group for each of the three years ended 31 December 2000 are as follows:

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Balance brought forward</td>
<td>2,661</td>
<td>3,126</td>
<td>4,433</td>
</tr>
<tr>
<td>Add/(less):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to shareholders of the Group</td>
<td>515</td>
<td>1,207</td>
<td>2,521</td>
</tr>
<tr>
<td>Capitalisation of retained profits for issue of bonus shares</td>
<td>—</td>
<td>(900)</td>
<td>—</td>
</tr>
<tr>
<td>Issue of shares</td>
<td>—</td>
<td>1,000</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid/proposed</td>
<td>(50)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance carried forward</td>
<td>3,126</td>
<td>4,433</td>
<td>6,954</td>
</tr>
</tbody>
</table>

## G. CASH FLOW STATEMENT OF PROFORMA GROUP

The Cash Flow Statement of the Proforma Group for each of the three years ended 31 December 2000, after making such adjustments as we considered appropriate, are as follows:

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>665</td>
<td>1,427</td>
<td>2,968</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation of deferred expenditure</td>
<td>—</td>
<td>90</td>
<td>94</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Depreciation of fixed assets</td>
<td>686</td>
<td>870</td>
<td>1,049</td>
</tr>
<tr>
<td>Interest expense</td>
<td>664</td>
<td>679</td>
<td>877</td>
</tr>
<tr>
<td>Interest income</td>
<td>(28)</td>
<td>(23)</td>
<td>(45)</td>
</tr>
<tr>
<td>Minority interest</td>
<td>(41)</td>
<td>(5)</td>
<td>2</td>
</tr>
<tr>
<td>(Gain)/Loss on disposal of fixed assets</td>
<td>—</td>
<td>(45)</td>
<td>2</td>
</tr>
<tr>
<td>Operating profit before working capital changes</td>
<td>1,950</td>
<td>2,997</td>
<td>4,951</td>
</tr>
<tr>
<td>Increase in stocks and work-in-progress</td>
<td>(1,049)</td>
<td>(811)</td>
<td>(1,889)</td>
</tr>
<tr>
<td>Increase in trade and other debtors</td>
<td>(1,566)</td>
<td>(2,212)</td>
<td>(3,767)</td>
</tr>
<tr>
<td>(Increase)/Decrease in amount due by affiliated companies</td>
<td>(5)</td>
<td>1</td>
<td>(2)</td>
</tr>
<tr>
<td>Increase/(Decrease) in trade and other creditors</td>
<td>95</td>
<td>3,617</td>
<td>(2,447)</td>
</tr>
<tr>
<td>Increase/(Decrease) in amount due to a corporate shareholder</td>
<td>792</td>
<td>(140)</td>
<td>593</td>
</tr>
<tr>
<td>Increase/(Decrease) in amount due to affiliated company</td>
<td>28</td>
<td>(21)</td>
<td>363</td>
</tr>
<tr>
<td>Increase/(Decrease) in amount due to Directors</td>
<td>2</td>
<td>(1)</td>
<td>433</td>
</tr>
<tr>
<td>Cash from/(used in) operations</td>
<td>247</td>
<td>3,430</td>
<td>(1,765)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(71)</td>
<td>(120)</td>
<td>(174)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(664)</td>
<td>(679)</td>
<td>(877)</td>
</tr>
<tr>
<td>Interest received</td>
<td>28</td>
<td>23</td>
<td>45</td>
</tr>
<tr>
<td>Net cash (used in)/from operating activities</td>
<td>(460)</td>
<td>2,654</td>
<td>(2,771)</td>
</tr>
</tbody>
</table>
### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of fixed assets</td>
<td>(421)</td>
<td>(4,660)</td>
<td>(740)</td>
</tr>
<tr>
<td>Proceeds from sale of fixed assets</td>
<td>—</td>
<td>45</td>
<td>17</td>
</tr>
<tr>
<td>Purchase of investment</td>
<td>(5)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from sale of investment</td>
<td>—</td>
<td>24</td>
<td>—</td>
</tr>
<tr>
<td>Deferred expenditure</td>
<td>(169)</td>
<td>(57)</td>
<td>(8)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(595)</td>
<td>(4,648)</td>
<td>(731)</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of dividends</td>
<td>(134)</td>
<td>(25)</td>
<td>—</td>
</tr>
<tr>
<td>Financing from hire-purchase</td>
<td>214</td>
<td>10</td>
<td>1,198</td>
</tr>
<tr>
<td>Proceeds from bank borrowings</td>
<td>356</td>
<td>(1,868)</td>
<td>8,976</td>
</tr>
<tr>
<td>Proceeds from convertible loan</td>
<td>—</td>
<td>—</td>
<td>2,500</td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td>—</td>
<td>100</td>
<td>—</td>
</tr>
<tr>
<td>Net cash from/(used in) financing activities</td>
<td>436</td>
<td>(1,783)</td>
<td>12,674</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Decrease)/Increase in cash and cash equivalents</td>
<td>(619)</td>
<td>(3,777)</td>
<td>9,172</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>(1,088)</td>
<td>(1,707)</td>
<td>(5,484)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>(1,707)</td>
<td>(5,484)</td>
<td>3,688</td>
</tr>
</tbody>
</table>

Represented by:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits with banks</td>
<td>197</td>
<td>450</td>
<td>2,407</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(2,200)</td>
<td>(6,754)</td>
<td>(281)</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>296</td>
<td>820</td>
<td>1,562</td>
</tr>
<tr>
<td>(1,707)</td>
<td>(5,484)</td>
<td>3,688</td>
<td></td>
</tr>
</tbody>
</table>

### STATEMENT OF ADJUSTMENTS

In arriving at the financial statements of the Proforma Group for each of the three years ended 31 December 2000, the following adjustments were made:

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per audited financial statements</td>
<td>19,705</td>
<td>27,883</td>
<td>43,873</td>
</tr>
<tr>
<td>Adjustments in respect of elimination of intercompany sales</td>
<td>—</td>
<td>(1,401)</td>
<td>—</td>
</tr>
<tr>
<td>Per Statement of Proforma Group Results</td>
<td>19,705</td>
<td>26,482</td>
<td>43,873</td>
</tr>
</tbody>
</table>
### I. STATEMENT OF GROUP NET ASSETS

The Statement of Net Assets of the Group and the Company as at 31 December 2000 are as follows:–

<table>
<thead>
<tr>
<th>Notes</th>
<th>Group $'000</th>
<th>Company $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>K1 7,185</td>
<td>9</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>K2 4</td>
<td>—</td>
</tr>
<tr>
<td>Deferred expenditure</td>
<td>K3 50</td>
<td>15</td>
</tr>
<tr>
<td>Investments</td>
<td>K4 203</td>
<td>—</td>
</tr>
<tr>
<td>Interest in subsidiary companies</td>
<td>K5 —</td>
<td>4,433</td>
</tr>
<tr>
<td><strong>Total Non-current assets</strong></td>
<td>7,442</td>
<td>4,457</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks and work-in-progress</td>
<td>K6 6,077</td>
<td>—</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>K7 11,113</td>
<td>—</td>
</tr>
<tr>
<td>Other debtors, deposits and prepayments</td>
<td>K8 145</td>
<td>99</td>
</tr>
<tr>
<td>Due by subsidiary companies</td>
<td>K9 —</td>
<td>2,376</td>
</tr>
<tr>
<td>Due by affiliated companies</td>
<td>K10 4</td>
<td>—</td>
</tr>
<tr>
<td>Fixed deposits with banks</td>
<td>K11 2,407</td>
<td>—</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>1,562</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total Current assets</strong></td>
<td>21,308</td>
<td>2,481</td>
</tr>
<tr>
<td><strong>Less: Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>3,523</td>
<td>—</td>
</tr>
<tr>
<td>Other creditors and accruals</td>
<td>K12 674</td>
<td>3</td>
</tr>
<tr>
<td>Hire-purchase creditors</td>
<td>K13 436</td>
<td>—</td>
</tr>
<tr>
<td>Due to affiliated company</td>
<td>K14 370</td>
<td>—</td>
</tr>
<tr>
<td>Due to a corporate shareholder</td>
<td>K15 1,172</td>
<td>2</td>
</tr>
<tr>
<td>Due to Directors</td>
<td>K16 434</td>
<td>—</td>
</tr>
<tr>
<td>Bank borrowings – secured</td>
<td>K17 7,099</td>
<td>—</td>
</tr>
<tr>
<td>Redeemable convertible loan – unsecured</td>
<td>K18 2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>533</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Less: Current liabilities</strong></td>
<td>16,741</td>
<td>2,505</td>
</tr>
<tr>
<td><strong>Net current assets/(liabilities)</strong></td>
<td>4,567</td>
<td>(24)</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hire-purchase creditors</td>
<td>K13 (1,194)</td>
<td>—</td>
</tr>
<tr>
<td>Bank borrowings – secured</td>
<td>K17 (3,824)</td>
<td>—</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>K19 (14)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Non-current liabilities</strong></td>
<td>(5,032)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Represented by:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>6,954</td>
<td>4,433</td>
</tr>
<tr>
<td>Minority interests</td>
<td>23</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,977</td>
<td>4,433</td>
</tr>
</tbody>
</table>
J. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which have been adopted by the Group and the Company in arriving at the financial information set out in this report, and which conform with accounting principles generally accepted in Singapore, are as follows:–

Basis of Accounting

The financial statements of the Group and the Company expressed in Singapore dollars are prepared in accordance with the historical cost convention and the Singapore Statements of Accounting Standard.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed during the financial year are consolidated from the effective dates of acquisition or up to the dates of disposal. All significant inter-company balances and transactions have been eliminated on consolidation.

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of a fixed asset comprise of its purchase price and any direct attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When fixed assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Depreciation is calculated on the straight line method so as to write-off the cost of the fixed assets over their estimated useful lives. The annual rates used for this purpose are as follows:–

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and machinery</td>
<td>10 – 20</td>
</tr>
<tr>
<td>Test equipment</td>
<td>20</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>10 – 20</td>
</tr>
<tr>
<td>Electrical fittings</td>
<td>10</td>
</tr>
<tr>
<td>Office equipment</td>
<td>10 – 20</td>
</tr>
<tr>
<td>Computers</td>
<td>33 1/3</td>
</tr>
<tr>
<td>Air-conditioners</td>
<td>10 – 33 1/3</td>
</tr>
<tr>
<td>Renovation</td>
<td>10</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>20</td>
</tr>
</tbody>
</table>

Fully depreciated fixed assets are retained in the financial statements until such time when they are no longer in use.

Subsidiary Companies

Investment in subsidiary companies are stated at cost in the Company’s balance sheet. Provision is only made for any diminution in value considered to be permanent by the Directors.

Long-Term Investments

Investments held on a long-term basis are stated at cost. Provision is only made for any diminution in value considered to be permanent by the Directors.
Deferred Expenditure

The above expenditure comprise pre-operating, preliminary and also expenditure incurred for the setting up of a manufacturing plant in Shenzhen, People's Republic of China. This amount is written off to the profit and loss account over a period of 2 years.

Intangible Asset

Intangible asset consists of the purchase price of a business name of an entity previously engaged in trading of chemicals. This amount is written off to the profit and loss account over a period of 5 years.

Stocks and Work-In-Progress

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a “first-in, first-out” basis and in the case of manufactured goods includes cost of material, direct labour and an appropriate portion of manufacturing overheads. Net realisable value is the price at which the stocks can be realised in the normal course of business after allowing for damaged, obsolete or slow-moving stocks.

Work-in-progress is stated at cost less progress billings received and receivable, including retentions. Cost includes direct materials and appropriate portion of overheads in relation to the manufacture of switchboard. Provision for losses are made when such losses can be reasonably assessed and determined by the Directors.

Bad and Doubtful Debts

Known bad debts are written off and specific provisions are made for those debts considered to be doubtful of collection.

Hire-Purchase Agreements

Assets acquired under hire-purchase agreements are capitalised at its purchase cost and depreciated on the same basis as owned assets. The total amount payable under the hire-purchase agreements are included under hire-purchase creditors.

The interest element is charged to the profit and loss account over the period of the agreement to give a constant periodic rate of charge on the remaining hire-purchase liabilities.

Foreign Currencies

Monetary assets and liabilities maintained in foreign currencies are translated into Singapore dollars at the approximate rates of exchange ruling at the balance sheet date. Transactions during the year have been converted at the rates prevailing on the transaction dates. All exchange differences are dealt with in the profit and loss account.

For the purpose of consolidation, all monetary items in the financial statements of the foreign subsidiary companies whose operations are integral to those of the Group are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date and all non-monetary items are recorded at the historical rates of exchange. The results of the foreign subsidiary companies are translated into Singapore dollars at the average exchange rate. Exchange differences due to such currency translations are taken to the consolidated profit and loss account.
J. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Taxation
Current taxation is provided based on the tax payable on the income for the year that is chargeable to tax.

Deferred taxation is provided using the liability method for all material timing differences in the recognition of certain income and expenses for accounting and taxation purposes. Deferred tax benefits are recognised only where such benefits are expected to be realisable in the near future.

Affiliated Company
An affiliated company is defined as a company, not being a subsidiary or an associated company, in which the shareholders or Directors of the Company have an equity interest or exercise control or significant influence.

Recognition of Income
Revenue from sale of products is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

Revenue from long term contracts is based on the percentage of completion method. The percentage of completion method is determined by reference to the percentage of actual costs incurred to date against budgeted costs.

Interest and maintenance contract income are recognised on an accrual basis.
K. NOTES TO STATEMENT OF GROUP NET ASSETS AS AT 31 DECEMBER 2000

1. FIXED ASSETS

<table>
<thead>
<tr>
<th>Group</th>
<th>Plant and machinery $'000</th>
<th>Test equipment $'000</th>
<th>Furniture and fittings $'000</th>
<th>Electrical fittings $'000</th>
<th>Office equipment $'000</th>
<th>Computers $'000</th>
<th>Air-conditioners $'000</th>
<th>Renovation $'000</th>
<th>Motor vehicles $'000</th>
<th>Total $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>8,388</td>
<td>39</td>
<td>337</td>
<td>218</td>
<td>54</td>
<td>75</td>
<td>299</td>
<td>276</td>
<td>640</td>
<td>10,326</td>
</tr>
<tr>
<td>Additions</td>
<td>603</td>
<td>—</td>
<td>25</td>
<td>—</td>
<td>1</td>
<td>86</td>
<td>—</td>
<td>10</td>
<td>15</td>
<td>740</td>
</tr>
<tr>
<td>Disposals</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(32)</td>
<td>(32)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>8,991</td>
<td>39</td>
<td>362</td>
<td>218</td>
<td>55</td>
<td>161</td>
<td>299</td>
<td>286</td>
<td>623</td>
<td>11,034</td>
</tr>
<tr>
<td><strong>Accumulated Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>2,130</td>
<td>33</td>
<td>113</td>
<td>57</td>
<td>32</td>
<td>60</td>
<td>100</td>
<td>48</td>
<td>240</td>
<td>2,813</td>
</tr>
<tr>
<td>Charged for the year</td>
<td>770</td>
<td>2</td>
<td>45</td>
<td>22</td>
<td>8</td>
<td>14</td>
<td>30</td>
<td>40</td>
<td>118</td>
<td>1,049</td>
</tr>
<tr>
<td>Disposals</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(13)</td>
<td>(13)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>2,900</td>
<td>35</td>
<td>158</td>
<td>79</td>
<td>40</td>
<td>74</td>
<td>130</td>
<td>88</td>
<td>345</td>
<td>3,849</td>
</tr>
<tr>
<td><strong>Net Book Value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 31.12.2000</td>
<td>6,091</td>
<td>4</td>
<td>204</td>
<td>139</td>
<td>15</td>
<td>87</td>
<td>169</td>
<td>198</td>
<td>278</td>
<td>7,185</td>
</tr>
</tbody>
</table>

As at the balance sheet date, the Group had fixed assets purchased under hire-purchase contracts with a net book value of $2,365,411.

Motor vehicles of the Group with a net book value at year end of $249,173 are registered in the names of the Group’s Directors who are holding the motor vehicles in trust for the Group.

The assets of one of the companies of the Group are secured by way of first open debenture for banking facilities granted to the Group as disclosed in Note 17.
K. NOTES TO STATEMENT OF GROUP NET ASSETS AS AT 31 DECEMBER 2000 (cont’d)

1. FIXED ASSETS (cont’d)

<table>
<thead>
<tr>
<th>Company</th>
<th>Renovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$'000</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>—</td>
</tr>
<tr>
<td>Additions</td>
<td>10</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>10</td>
</tr>
</tbody>
</table>

Accumulated Depreciation

| Balance at beginning of year | —          |
| Charged for the year | 1          |
| Balance at end of year | 1          |

Net Book Value

| As at 31.12.2000 | 9          |

2. INTANGIBLE ASSET

<table>
<thead>
<tr>
<th>Group</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased business name, at cost</td>
<td>20</td>
</tr>
<tr>
<td>Less: Accumulated amortisation</td>
<td>(16)</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

Movement in accumulated amortisation of intangible asset during the year was as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>12</td>
</tr>
<tr>
<td>Charged for the year</td>
<td>4</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>16</td>
</tr>
</tbody>
</table>

3. DEFERRED EXPENDITURE

<table>
<thead>
<tr>
<th>Group $'000</th>
<th>Company $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development expenditure, at cost</td>
<td>169</td>
</tr>
<tr>
<td>Pre-operating expenses, at cost</td>
<td>55</td>
</tr>
<tr>
<td>Preliminary expenses, at cost</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>233</td>
</tr>
<tr>
<td>Less: Accumulated amortisation</td>
<td>(183)</td>
</tr>
<tr>
<td></td>
<td>50</td>
</tr>
</tbody>
</table>
K. NOTES TO STATEMENT OF GROUP NET ASSETS AS AT 31 DECEMBER 2000 (cont’d)

3. DEFERRED EXPENDITURE (cont’d)

Movement in accumulated amortisation of deferred expenditure during the year was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group $’000</th>
<th>Company $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>89</td>
<td>—</td>
</tr>
<tr>
<td>Charged for the year</td>
<td>94</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>183</td>
<td>—</td>
</tr>
</tbody>
</table>

4. INVESTMENTS

Group $’000

Club memberships, at cost 242
Less: Provision for diminution in value of investments (39)

203

Movement in provision for diminution in value of investments during the year was as follows:

Group $’000

Balance at beginning and end of year 39

Investments of the Group with a net book value at balance sheet date of $175,642 are registered in the name of the Directors, a shareholder and the ultimate holding company and certain employees of one of the subsidiary companies who are holding the investments in trust for the Group.

5. SUBSIDIARY COMPANIES

Unquoted equity interest, at cost 4,433

Particulars of the subsidiaries are as follows:

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Principal activities</th>
<th>Country of incorporation/place of business</th>
<th>Percentage equity held by the Group %</th>
<th>Cost of investment $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemitec Industrial Private Limited</td>
<td>Distributor of specialty chemical products and consumable materials for the electronics industry</td>
<td>Singapore</td>
<td>100</td>
<td># (1)</td>
</tr>
<tr>
<td>Hi-Tech Materials Pte Ltd</td>
<td>Distributor of equipment and consumable materials for the electronics industry</td>
<td>Singapore</td>
<td>100</td>
<td>1,301</td>
</tr>
</tbody>
</table>
5. SUBSIDIARY COMPANIES (cont'd)

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Principal activities</th>
<th>Country of incorporation/ place of business</th>
<th>Percentage equity held by the Group</th>
<th>Cost of investment $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>PV Power Pte Ltd</td>
<td>Distributor of power transmission products</td>
<td>Singapore</td>
<td>80</td>
<td>(2)</td>
</tr>
<tr>
<td>PV Startech Marketing Limited</td>
<td>Marketing and trading in electronics components</td>
<td>British Virgin Islands</td>
<td>100</td>
<td>(3)</td>
</tr>
<tr>
<td>PV Startech Pte Ltd</td>
<td>Contract manufacturing</td>
<td>Singapore</td>
<td>100</td>
<td>2,565</td>
</tr>
<tr>
<td>Switech Systems &amp; Marketing Pte Ltd</td>
<td>Designer, assembler, supplier and installer of electrical switch boxes</td>
<td>Singapore</td>
<td>100</td>
<td>567</td>
</tr>
<tr>
<td>Weinixing Electronics (Shenzhen) Co., Ltd</td>
<td>Contract manufacturing</td>
<td>People’s Republic of China</td>
<td>100</td>
<td>(4)</td>
</tr>
</tbody>
</table>

#(1) Subsidiary company of Hi-Tech Materials Pte Ltd
#(2) Subsidiary company of Switech Systems & Marketing Pte Ltd
#(3) Denotes cost of investment of less than $1,000
#(4) Subsidiary company of PV Startech Pte Ltd

6. STOCKS

<table>
<thead>
<tr>
<th>Stock Description</th>
<th>Group $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks held for resale, at cost</td>
<td>5,957</td>
</tr>
<tr>
<td>Work-in-progress, at cost</td>
<td>122</td>
</tr>
<tr>
<td>Less: Provision for stock obsolescence</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>6,077</td>
</tr>
</tbody>
</table>

Representing:

<table>
<thead>
<tr>
<th>Stock Description</th>
<th>Group $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks held for resale, at net realisable value</td>
<td>5,955</td>
</tr>
<tr>
<td>Work-in-progress, at cost</td>
<td>122</td>
</tr>
<tr>
<td></td>
<td>6,077</td>
</tr>
</tbody>
</table>

Movement in provision for stock obsolescence during the year was as follows:

<table>
<thead>
<tr>
<th>Stock Description</th>
<th>Group $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning and end of year</td>
<td>2</td>
</tr>
</tbody>
</table>
K. NOTES TO STATEMENT OF GROUP NET ASSETS AS AT 31 DECEMBER 2000 (cont’d)

7. TRADE DEBTORS

<table>
<thead>
<tr>
<th>Group $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
</tr>
<tr>
<td>Less: Provision for doubtful trade debts</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Included in trade debtors is $9,849 in relation to a retention sum.

Movements in provision for doubtful trade debts during the year were as follows:

<table>
<thead>
<tr>
<th>Group $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
</tr>
<tr>
<td>Charged for the year</td>
</tr>
<tr>
<td>Provision no longer required, now written back</td>
</tr>
<tr>
<td>Amount utilised</td>
</tr>
<tr>
<td>Balance at end of year</td>
</tr>
</tbody>
</table>

8. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

<table>
<thead>
<tr>
<th>Group $'000</th>
<th>Company $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other debtors</td>
<td>25</td>
</tr>
<tr>
<td>Rental deposits</td>
<td>5</td>
</tr>
<tr>
<td>Prepaid operating expenses</td>
<td>115</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>145</strong></td>
</tr>
</tbody>
</table>

Other debtors comprise mainly of goods and services tax recoverable.

9. DUE BY SUBSIDIARY COMPANIES

The amount due, which is non-trade in nature, is unsecured, interest-free and with no fixed terms of repayment.

10. DUE BY AFFILIATED COMPANIES

<table>
<thead>
<tr>
<th>Group $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
</tr>
<tr>
<td>Non-trade</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

The amount due, which is trade in nature, is unsecured, interest-free and repayable within trade credit terms.

The amount due, which is non-trade in nature, is unsecured, interest-free and with no fixed terms of repayment.
K.  NOTES TO STATEMENT OF GROUP NET ASSETS AS AT 31 DECEMBER 2000 (cont’d)

11.  FIXED DEPOSITS WITH BANKS

The Group’s fixed deposits were pledged to its bankers as collateral to secure banking facilities as disclosed in Note 17.

12.  OTHER CREDITORS AND ACCRUALS

<table>
<thead>
<tr>
<th></th>
<th>Group $’000</th>
<th>Company $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other creditors</td>
<td>194</td>
<td>—</td>
</tr>
<tr>
<td>Accrued operating expenses</td>
<td>480</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>674</td>
<td>3</td>
</tr>
</tbody>
</table>

Other creditors of the Group comprise mainly of payables for purchase of fixed assets.

13.  HIRE-PURCHASE CREDITORS

Obligations under hire-purchase contracts are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum hire-purchase instalments payable</td>
<td></td>
</tr>
<tr>
<td>— within one year</td>
<td>508</td>
</tr>
<tr>
<td>— within two to five years</td>
<td>1,387</td>
</tr>
<tr>
<td></td>
<td>1,895</td>
</tr>
<tr>
<td>Finance charges allocated to future periods</td>
<td>(265)</td>
</tr>
<tr>
<td></td>
<td>1,630</td>
</tr>
</tbody>
</table>

Disclosed in the balance sheet as follows:

Payable within 12 months

<table>
<thead>
<tr>
<th></th>
<th>Group $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>436</td>
</tr>
</tbody>
</table>

Payable after 12 months

<table>
<thead>
<tr>
<th></th>
<th>Group $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,194</td>
</tr>
</tbody>
</table>

14.  DUE TO AFFILIATED COMPANY

The amount due is non-trade in nature, unsecured, interest-free and with no fixed terms of repayment.

15.  DUE TO A CORPORATE SHAREHOLDER

<table>
<thead>
<tr>
<th></th>
<th>Group $’000</th>
<th>Company $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>39</td>
<td>—</td>
</tr>
<tr>
<td>Non-trade</td>
<td>(1,211)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>(1,172)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

The amount due by, which is trade in nature, is unsecured, interest-free and repayable within trade credit terms.

The amount due to, which is non-trade in nature, is unsecured, interest-free and with no fixed terms of repayment.
16. DUE TO DIRECTORS

The amounts due are non-trade in nature, unsecured, interest-free and with no fixed terms of repayment.

17. BANK BORROWINGS — SECURED

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
</tr>
<tr>
<td>Payable within one year:</td>
<td></td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>281</td>
</tr>
<tr>
<td>Term loans</td>
<td>2,284</td>
</tr>
<tr>
<td>Trust receipts</td>
<td>4,534</td>
</tr>
<tr>
<td></td>
<td>7,099</td>
</tr>
<tr>
<td>Payable after one year:</td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td>3,824</td>
</tr>
<tr>
<td></td>
<td>10,923</td>
</tr>
</tbody>
</table>

The Group’s term loan, bank overdrafts and other facilities are secured by:–

(i) a fixed and floating charge over all the assets of one of the companies of the Group by way of a first open debenture;

(ii) pledge of the Group’s fixed deposits (Note 11);

(iii) corporate guarantee given by one of the companies of the Group, and a corporate shareholder; and

(iv) guarantees provided by the Directors and former Directors of the Company jointly and severally.

The bank term loans are repayable over 37 monthly instalments commencing November 2000. Interest charged on the bank loans during the year ended 31 December 2000 was approximately 8% per annum. The portion repayable 12 months after the balance sheet date is disclosed under non-current liabilities.

18. REDEEMABLE CONVERTIBLE LOAN — UNSECURED

The Group and The Company

The above loan is secured against a joint and several personal guarantee by a Director and certain shareholders of the Company. The loan carries an option for conversion to ordinary shares in the Company during an option period from drawdown to repayment, which is from June 2000 to June 2001. The conversion rate is based on a fixed pre-determined formula.

No interest is payable as the convertible loan has been converted subsequent to the balance sheet date.
K. NOTES TO STATEMENT OF GROUP NET ASSETS AS AT 31 DECEMBER 2000 (cont’d)

19. DEFERRED TAXATION

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>27</td>
</tr>
<tr>
<td>Transferred from profit and loss account</td>
<td>(13)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>14</td>
</tr>
</tbody>
</table>

The deferred tax comprises mainly the excess of net book value over tax written down value of the fixed assets calculated at statutory tax rate.

20. OPERATING LEASE COMMITMENTS

As at 31 December 2000, the commitments in respect of operating leases with a term of more than one year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
</tr>
<tr>
<td>Within one year</td>
<td>458</td>
</tr>
<tr>
<td>Within two to five years</td>
<td>419</td>
</tr>
</tbody>
</table>

21. CAPITAL COMMITMENTS

As at 31 December 2000, the Company had capital commitments in respect of capital contribution in a subsidiary company not provided for in the financial statements which amounted to $417,000.

22. SUBSEQUENT EVENTS

(i) On 5 February 2001, the Company changed its name from PV Startech Holdings Pte Ltd to Startech Electronics Pte Ltd.

(ii) Subsequent to 31 December 2000, the Company has issued corporate guarantees amounting to $6,700,000 to certain of its subsidiaries’ bankers for banking facilities extended to those subsidiaries,

(iii) At Extraordinary General Meetings held on the dates set out below, the following corporate actions were approved:

2 July 2001
(a) the increase of the authorised share capital to $20,000,000;
(b) the conversion of the Company into a public limited company and the change of the name to Startech Electronics Ltd;
(c) the adoption of a new set of Articles of Association of the Company;

3 July 2001
(d) the issuance of 703,523 ordinary shares of $1.00 each to the RCL 1 Lenders pursuant to their conversion of the RCL to ordinary shares;
(e) the bonus issue of 1,296,477 ordinary shares of $1.00 each at one bonus share for every 3.96 shares owned (from the capitalisation of share premium arising from RCL 1 conversion);
22. SUBSEQUENT EVENTS (cont’d)

(f) the issuance of 188,730 ordinary shares of $1.00 each to the RCL 2 Lenders pursuant to their conversion of the RCL to ordinary shares;

(g) the bonus issue of 311,270 ordinary shares of $1.00 each at one bonus share for every 21.27 shares owned (from the capitalisation of share premium arising from RCL 2 conversion);

(h) the sub-division of each ordinary share of $1.00 each in the capital of the Company into 10 ordinary shares of $0.10 each in the capital of the Company;

17 July 2001

(i) the issuance of 13,000,000 ordinary shares of $0.10 each (the “New Shares”) which are the subject of the Invitation. The New Shares, when fully paid, allotted and issued, will rank pari passu in all respects with the existing Shares of the Company;

(j) the adoption of the Startech ESOS; and

(k) the authorisation for the Directors, pursuant to Section 161 of the Act, to issue Shares (apart from the New Shares) from time to time, provided that the aggregate number of Shares issued pursuant to such authority shall not exceed 50% of the issued and paid-up share capital of the Company at any time, of which the aggregate number of such Shares to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20% of the existing issued share capital of the Company.

L. NET TANGIBLE ASSETS BACKING OF THE GROUP

The net tangible assets backing of the Group for each ordinary share of $0.10 is based on the financial statements of the Group as at 31 December 2000 and after taking into account the following:

NET TANGIBLE ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets less minority interest at 31 December 2000</td>
<td>6,954</td>
</tr>
<tr>
<td>Less: Intangible assets</td>
<td>(54)</td>
</tr>
<tr>
<td>Net tangible assets at 31 December 2000</td>
<td>6,900</td>
</tr>
<tr>
<td>Add: Issue of ordinary shares</td>
<td>2,500</td>
</tr>
<tr>
<td>Net tangible assets prior to Invitation</td>
<td>9,400</td>
</tr>
<tr>
<td>Proceeds from the issue of 13,000,000 ordinary shares of $0.10 each at a fixed price of $0.32 per share which is the subject of this Invitation</td>
<td>4,160</td>
</tr>
<tr>
<td></td>
<td>13,560</td>
</tr>
<tr>
<td>Less: Estimated issue expenses</td>
<td>(900)</td>
</tr>
<tr>
<td>Adjusted net tangible assets</td>
<td>12,660</td>
</tr>
</tbody>
</table>
**ISSUED SHARE CAPITAL**

Number of issued and fully paid ordinary shares of $0.10 each prior to the Invitation: 69,333,590

Issue of 13,000,000 ordinary shares of $0.10 each which is the subject of the Invitation: 13,000,000

Adjusted net tangible assets backing per issued and fully paid ordinary share of $0.10 each after the Invitation: 15.38 Cents

**M. DIVIDENDS**

The Company has not paid or proposed any dividends since incorporation. However, the dividends declared/paid by the following companies in the Proforma Group to their respective shareholders for the following financial years are set out below:

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Rate of dividend</th>
<th>Gross dividends $'000</th>
<th>Net dividends $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chemitec Industrial Private Limited</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>10</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>1999</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Hi-Tech Materials Pte Ltd</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>10</td>
<td>42</td>
<td>31</td>
</tr>
<tr>
<td>1999</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Switech Systems &amp; Marketing Pte Ltd</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>24.324</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>1999</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

**N. GENERAL**

No audited financial statements of the Company and its subsidiaries have been prepared subsequent to 31 December 2000.

Yours faithfully

**BDO INTERNATIONAL**
Certified Public Accountants
Singapore

Partner: Lee Joo Hai
GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The names, ages, addresses and current occupations of our Directors and Executive Officers are set out on pages 91 and 94 of this Prospectus respectively.

2. Information on the business and working experience of our Directors is set out on pages 91 to 93 of this Prospectus.

3. The list of present and past directorships of each of our Directors for the last five years is set out on pages 93 to 94 of this Prospectus.

4. Information on the business and working experience of our Executive Officers is set out on pages 95 to 97 of this Prospectus.

5. The list of present and past directorships of each of our Executive Officers for the last five years is set out on page 97 of this Prospectus.

6. None of our Directors or Executive Officers or controlling shareholders are or were involved in any of the following events:–
   (a) were, in the last 10 years, involved in a petition under any bankruptcy laws in any jurisdiction filed against them;
   (b) were, in the last 10 years, a director or an executive director of any corporation involved in a petition under any bankruptcy laws in any jurisdiction filed against it while they were such a director or executive officer;
   (c) were, in the last 10 years, a partner of any partnership involved in a petition under any bankruptcy laws in any jurisdiction filed against it while they were such a partner;
   (d) have any unsatisfied judgements outstanding against them;
   (e) have been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty punishable with imprisonment for 3 months or more, or charged with violation of any securities laws or is the subject of any such pending criminal proceeding;
   (f) have at any time been convicted of any offence, in Singapore or elsewhere, involving a breach of any securities, or financial market laws, rules or regulations;
   (g) have received judgements against them in any civil proceeding in Singapore or elsewhere in the last 10 years involving fraud, misrepresentation or dishonesty or is the subject of any such pending civil proceeding;
   (h) have been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
   (i) have ever been disqualified from acting as a director of any company, or from taking part in any way directly or indirectly in the management of any company;
   (j) have been the subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or governmental body permanently or temporarily enjoining them from engaging in any type of business practice or activity; and
   (k) have, to their knowledge, in Singapore or elsewhere, been concerned with the management or conduct of affairs of any company or partnership which has been investigated by an inspector appointed under the provisions of the Companies Act, or other securities enactments or by any other regulatory body in connection with any matter involving the company or partnership occurring or arising during the period when they were so concerned with the company or partnership.
7. The aggregate emoluments (including CPF contributions thereon) paid to the then existing Directors for services rendered in all capacities to our Company and our subsidiaries in FY2000 amounted to approximately $393,812. The estimated aggregate emoluments payable to the present Directors in FY2000 had the service agreements referred to on pages 100 and 101 of this Prospectus been in place from beginning of FY2000, is approximately $535,536.

8. Save as disclosed on pages 100 and 101 of this Prospectus, there are no existing or proposed service contracts between our Directors and our Company or our subsidiaries.

9. Our Directors and Executive Officers are unrelated by blood or marriage to one another nor are they so related to any substantial shareholder of our Company.

10. No option to subscribe for shares in, or debentures of, our Company or our subsidiaries has been granted to, or was exercised by, any Director or Executive Officer within the last financial year.

11. No person has been, or is entitled to be, given an option to subscribe for any shares in, or debentures, of our Company or our subsidiaries.

12. No Director or expert is interested, directly or indirectly, in the promotion of, or in any assets acquired or disposed of by, or leased to, our Company or our subsidiaries within three years preceding the date of this Prospectus, or in any proposal for such acquisition or disposal or lease as aforesaid.

13. Save as disclosed on pages 100 and 108 to 110 of this Prospectus, no Director has any interest in any existing contract or arrangement that is significant in relation to the business of our Group taken as a whole.

14. No Director, substantial shareholder or Executive Officer has any interest, direct or indirect, in any business carrying on a similar trade as our Company or our subsidiaries.

15. There is no shareholding qualification for Directors in the Articles of Association of our Company.

16. The interests of our Directors and substantial shareholders in the Shares at the date of this Prospectus before the Invitation and as recorded in the Register of Directors’ Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Companies Act (Chapter 50) are as follows:–

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares of $0.10 each registered in the names of our Directors and substantial shareholders %</th>
<th>Number of Shares of $0.10 each in which our Directors and substantial shareholders are deemed to have an interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ng Chee Fatt</td>
<td>9,821,740</td>
<td>14.17</td>
</tr>
<tr>
<td>Saw Chee Keang</td>
<td>5,094,350</td>
<td>7.35</td>
</tr>
<tr>
<td>Choo Tian Wang</td>
<td>1,088,250</td>
<td>1.57</td>
</tr>
<tr>
<td><strong>Shareholders of 5% or more</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pacific Vinitex Private Limited</td>
<td>30,949,760</td>
<td>44.64</td>
</tr>
</tbody>
</table>

Save as disclosed above and on page 61 of this Prospectus, no Director has any interest in the Shares, including the New Shares, which are the subject of this Invitation.
17. Save as disclosed below, no sum has been paid or has been agreed to be paid to any Director or to any firm in which a Director is a partner in cash or in shares or otherwise, by any person to induce him to become a Director in connection with the promotion or formation of our Company.

Directors are entitled to directors’ fees and executive directors are entitled to salary and other benefits under their service contracts. Certain directors purchased shares in our Company pursuant to the Restructuring Exercise referred to on pages 63 to 67 of this Prospectus.

SHARE CAPITAL

18. As at the date of this Prospectus, there is only one class of shares in the capital of our Company. The rights and privileges attached to the Shares are stated in the Articles of Association of our Company. There are no founder, management or deferred shares. The substantial shareholders of our Company are not entitled to any different voting rights from the other shareholders.

19. Save as disclosed herein and on pages 59 to 67 of this Prospectus, there were no changes in the issued and paid-up share capital of our Company or our subsidiaries within the last three years preceding the date of this Prospectus.

<table>
<thead>
<tr>
<th>Date of Issue</th>
<th>Number of Shares Issued</th>
<th>Issue Price</th>
<th>Purpose of Issue/Consideration</th>
<th>Resultant Issued Share Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our Company</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 October 1999</td>
<td>4</td>
<td>$1.00 each</td>
<td>Subscriber Share</td>
<td>$4</td>
</tr>
<tr>
<td>12 January 2000</td>
<td>4,143,290</td>
<td>$1.00 each</td>
<td>Restructuring — 1st Tranche/NTA</td>
<td>$4,143,294</td>
</tr>
<tr>
<td>16 June 2000</td>
<td>290,065</td>
<td>$1.00 each</td>
<td>Restructuring — 2nd Tranche/NTA</td>
<td>$4,433,359</td>
</tr>
<tr>
<td>3 July 2001</td>
<td>703,523</td>
<td>$1.00 each</td>
<td>Conversion of RCL 1/$2 million</td>
<td>$5,136,882</td>
</tr>
<tr>
<td>3 July 2001</td>
<td>1,296,477</td>
<td>$1.00 each</td>
<td>Bonus Issue — from RCL 1 Share Premium</td>
<td>$6,433,359</td>
</tr>
<tr>
<td>3 July 2001</td>
<td>188,730</td>
<td>$1.00 each</td>
<td>Conversion of RCL 2/$0.5 million</td>
<td>$6,622,089</td>
</tr>
<tr>
<td>3 July 2001</td>
<td>311,270</td>
<td>$1.00 each</td>
<td>Bonus Issue — from RCL 2 Share Premium</td>
<td>$6,933,359</td>
</tr>
<tr>
<td><strong>Chemitec</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 May 1997</td>
<td>100,000</td>
<td>$1.00 each</td>
<td>Subscriber share</td>
<td>$100,000</td>
</tr>
<tr>
<td>28 October 1999</td>
<td>100,000</td>
<td>$1.00 each</td>
<td>Capitalising sums of $100,000 from Hi-Tech Materials Pte Ltd</td>
<td>$200,000</td>
</tr>
<tr>
<td><strong>PVP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 August 1998</td>
<td>2</td>
<td>$1.00 each</td>
<td>Subscriber share</td>
<td>$2</td>
</tr>
<tr>
<td>27 May 1999</td>
<td>99,998</td>
<td>$1.00 each</td>
<td>Increase in paid up capital</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>PVSM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 January 2000</td>
<td>1</td>
<td>US$1.00 each</td>
<td>Subscriber share</td>
<td>US$1.00</td>
</tr>
<tr>
<td><strong>PVS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 March 1999</td>
<td>900,000</td>
<td>$1.00 each</td>
<td>Capitalising sums of $900,000 from retained earnings</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>24 March 1999</td>
<td>100,000</td>
<td>$1.00 each</td>
<td>Capitalising $100,000 due to Pacific Vinitex Private Limited</td>
<td>$1,500,000</td>
</tr>
<tr>
<td><strong>Switech</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 September 1999</td>
<td>100,000</td>
<td>$1.00 each</td>
<td>Capitalising sums of $100,000 from retained earnings</td>
<td>$200,000</td>
</tr>
</tbody>
</table>
20. Save as disclosed above, no shares or debentures were issued or were agreed to be issued by our Company or our subsidiaries, for cash or for a consideration other than cash, during the last three years preceding the date of this Prospectus.

MEMORANDUM AND ARTICLES OF ASSOCIATION

21. The description below provides, among other things, information on the principal objects of our Company as set out in our Memorandum of Association and a summarised version of the main provisions in our Articles of Association which relate to the Directors’ borrowing powers and remuneration, Directors’ retirement and restrictions on voting powers of Directors in interested transactions. It also describes Shareholders’ voting rights, restrictions on the transferability of shareholdings and Shareholders’ rights to share in any surplus in the event of liquidation. Also included is a description of how we conduct our general meetings. This description is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

Place of incorporation

We are registered in Singapore with the Registrar of Companies and Businesses. Our company registration number is 199906220H.

Our Objects

One of our principal objects as set out in our Memorandum of Association is to carry on the business of an investment holding company, and in particular to invest the moneys of the Company or otherwise to acquire and hold shares, stocks, debentures, debenture stock, scrip, loans, bonds, obligations, notes, securities and investments.

The objects of our Company are set out in full in clause 3 of the Memorandum of Association which is available for inspection at our registered office as stated in the section titled “Documents for Inspection”.

Provisions relating to Directors

(a) Power to vote on a proposal, arrangement or contract in which the director is materially interested

Article 96(2)

A Director may not vote in respect of any contract or arrangement or proposed contract or arrangement in which he has any personal material interest, directly or indirectly.

Article 96(3)

The provisions of this Article may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in General Meeting, and any particular contract, arrangement or transaction carried out in contravention of this Article may be ratified by Ordinary Resolution of the Company, subject to the Act and any applicable laws, provided that a Director whose action is being ratified by this Ordinary Resolution shall refrain from voting on this Ordinary Resolution as a shareholder at that General Meeting.
(b) **Directors’ power to vote for compensation to themselves or any members of their body in the absence of an independent quorum**

Article 97(2)

A Director may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner as he thinks fit in the interests of the Company, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company. Any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or is about to be appointed a director of such other company.

(c) **Borrowing powers exercisable by the Directors and how such borrowing powers can be varied**

Article 123

Subject to any applicable laws, the Directors may exercise all our powers to borrow money, to mortgage or charge our undertaking, property and uncalled capital and to issue debentures and other securities.

(d) **Retirement or non-retirement of directors under an age limit requirement**

Article 102/107

The office of a Director shall be vacated in the following events: namely, prohibition by reason of any order made under the Act, ceasing to be Director by virtue of any provision of the Act; resignation; bankruptcy; lunacy or unsoundness of mind; absence from meetings for more than six months without leave from the Directors and the Directors resolve that his office be vacated; resolution by Shareholders in general meeting that his office be vacated; or attainment of the age of 70 years.

Article 102(2)

A Director may be removed before the expiration of his period of office, and the Company may appoint another in his place, subject to retirement by rotation at the same time as the Director he replaced. In default of such appointment, the vacancy so arising may be filled by the Directors as a casual vacancy. Any Director so appointed shall hold office till the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such Meeting.

Article 103

At each annual general meeting, one-third of the Directors (other than the Managing Director) for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Our Company at the meeting at which a Director retires under any provision of our Articles of Association may by ordinary resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment.

Article 104

The Directors who are to retire from office by rotation include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not offer himself for re-election. Any further Directors to retire are those of the other Directors subject to retirement by rotation who have been the longest in office since their last re-election or appointment or have been in office for the last three years since their last election. However as between persons who became or were last re-elected Directors on the same day, those to retire will be determined by ballot. A retiring Director shall be eligible for re-election.
Article 105
Where a Director retires and if no person is elected to fill up the vacated office, the retiring Director is deemed to be re-elected unless it is expressly resolved at the meeting not to fill up such vacated office, or a resolution for the re-election of such Director is put to the Meeting and lost, or the Director is disqualified under the Act, or is unwilling to be re-elected, or has attained the age of retirement (being 70 years).

Article 94
The Directors, on behalf of the Company, may pay a gratuity or pension or allowance on retirement to any director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

(e) Number of Shares, if any, required for Director’s qualification

Article 91
A Director need not be a Shareholder and is not required to hold any share qualification in the Company.

Provisions relating to Shares

(a) Dividend rights
Articles 128–130 and 132
Subject to Article 137, the Directors may declare dividends which are approved by members at a general meeting and any dividends we pay must be paid out of our profits. Our Board of Directors may also declare an interim dividend or a fixed preferential dividend. All dividends shall be apportioned or paid pro-rata among the Shareholders in proportion to the amount paid upon each shareholder’s ordinary shares, unless the rights attaching to an issue of shares provides otherwise. Amounts paid on a share in advance of calls shall not be treated for the purposes of Article 129 to be paid on that share. No dividend or other moneys payable in respect of a share shall bear interest against the Company.

Article 133–134
The Directors may deduct from any dividend payable to any Shareholder on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct. The Directors may also retain any dividends on shares on which the Company has a lien, for application towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Article 136
All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration may be forfeited and reverted to the Company.

Article 137
The Company may pay a dividend in whole or in part by the distribution of specific assets and in particular of paid-up shares or debentures of any other company or in any one or more of such ways.
Article 138
The Directors may resolve that Shareholders entitled to a dividend declared be allowed to elect to receive an allotment of ordinary shares credited as fully paid-in-lieu of cash in respect of the whole or part of the dividend. In such case, the basis of such allotment and the procedure for allotment shall be determined by the Directors. Such allotted ordinary shares shall rank pari passu in all respects with the ordinary shares then in issue except for participation in the dividend being declared or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the dividend being declared, unless the Directors specify otherwise. The Directors may also fix such date after which the Shareholder may not exercise his right of election, or determine that no allotment of shares or right of election shall be made available to Shareholders whose registered addresses entered in the Register of Shareholders or the Depository Register (as the case may be) are outside Singapore or to such other Shareholders or class of Shareholders as the Directors in their sole discretion decide. The Directors may in their discretion decide that it is no longer expedient or appropriate to grant such an election and cancel the proposal at any time prior to the allotment of the ordinary shares.

Article 131
Where the Company issues shares at a premium, whether for cash or otherwise, the Directors shall transfer a sum equal to the aggregate amount or value of the premiums a "Share Premium Account" and any amount in such account may not be applied in the payment of any cash dividend.

Article 139
Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, our payment to the CDP of any dividend to a shareholder whose name is entered in the depository register shall, to the extent of payment made to the CDP, discharge us from any liability to that shareholder in respect of that payment.

(b) Voting rights

Articles 76, 79 and 83
A shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy need not be a Shareholder. A person who holds ordinary shares through the CDP book-entry clearance system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting.

Articles 65, 76 and 81
Except as otherwise provided in our Articles of Association, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of hands, every shareholder present in person and each proxy shall have one vote and, on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share held. Where a member is represented by two proxies, only one proxy can vote.

Article 77
Where there are joint holders of any share, any one of such persons may have a vote as if he were solely entitled. If more than one of such joint holders are present at any meeting then the person present whose name stands first in the Register of Shareholders or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any share stands shall be deemed as joint holders thereof.
Article 78
If a Shareholder is a lunatic, idiot or is of unsound mind, he may vote by his committee, court-appointed administrator of that Shareholder’s financial affairs or such other person as properly has the management of his estate, and any such person or committee may vote by proxy or attorney, provided that evidence of the authority of the person claiming to vote is given not less than forty-eight hours before the time appointed for the meeting.

Article 80
No objection shall be raised to the qualification of any voter except at the Meeting or adjourned meeting at which the vote is exercised and every vote not disallowed at such meeting is valid for all purposes.

(c) **Right to share in the Company’s profits**

**Article 142**
Our Board of Directors may, with the approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or moneys carried and standing to any reserve or to the share premium account) and distribute the same to the Shareholders holding Shares in the Company either by paying up the amounts (if any) for the time being unpaid on any Shares held by them, or by distributing to them unissued Shares or debentures as fully paid-up, in proportion to their shareholdings. Our Board of Directors may also make cash payments to any Shareholders based on the value so fixed in order to adjust rights, and vest any such shares or debentures in trustees upon such trusts for the persons entitled to shares in the appropriation and distribution as may seem just and expedient to the Directors. Where any difficulty arises in respect of any such distribution, the Directors may settle the same as they think expedient.

(d) **Right to share in any surplus in the event of liquidation**

**Article 164**
If the Company is liquidated or in the event of any other return of capital, holders of our ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares then existing.

**Article 165**
On a voluntary winding up of the Company, no commission or fee shall be paid to a liquidator without the prior approval of the Shareholders in general meeting.

(e) **Redemption provisions**

**Article 54(2)**
The Company may repurchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Act or other relevant rule, law or regulation enacted or promulgated by any relevant competent authority, on such terms and conditions as the Company in general meeting may prescribe.

**Article 55**
The Company may reduce its share capital, any capital redemption reserve fund or share premium account in any manner and subject to any incident authorisation and consent required by law.
(f) **Sinking fund provisions**

*Article 141*

The Directors may, at their discretion, set aside out of the Company’s profits and carry to reserve such sums as they think proper which shall be applicable for, *inter alia*, repairing or maintaining the works, plant and machinery of the Company.

(g) **Liability to further capital calls by the Company**

*Articles 32 and 34*

The Directors may make such calls as they think fit upon the Shareholders in respect of any money unpaid on their Shares (whether on account of the nominal value of the shares or by way of premium) where the terms of the issue do not specify fixed times for payment. Each Shareholder must pay to the Company at the time and place so specified the amount called on his shares, subject to receiving at least 14 days notice. A Shareholder may be liable for interest at a rate determined by the Directors (not exceeding 10% per annum) in respect of any late payments.

*Article 35*

Any sum which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date is deemed as a call duly made and payable on the date it is payable under the terms of the issue.

(h) **Discrimination against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares**

There is no provision relating to such discrimination in our Articles of Association.

(i) **Arrangements for transfer and any restrictions on the free transferability of the shares**

*Articles 21 and 23*

Any Shareholder may transfer all or any of his shares in writing and in the form for the time being approved by the Directors and the SGX-ST, provided that no share shall be transferred to any infant, bankrupt or person of unsound mind.

*Article 24*

Subject to these Articles, there shall be no restriction on the transfer of fully paid shares except where required by law or by Rules, Bye-laws or Listing Rules of the SGX-ST (including, without limitation, any moratorium requirements imposed in connection with any listing of the Company’s shares) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Act.

*Article 25*

The Directors may also decline to register any instrument of transfer unless the terms of registration of transfers are complied with, namely, a fee not exceeding S$2.00 is paid and the instrument of transfer is duly stamped and such instrument and accompanying certificates are deposited at such place as the Directors may appoint.

*Article 26*

The Register of Shareholders and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided the Company gives notice of such closure as may be required to the SGX-ST.
Article 27
The Directors may also recognise a renunciation of the allotment of any share by the allottee in favour of some other person.

Necessary actions to change the rights of holders of the stock
Articles 56 and 57
The Company may convert all its paid-up shares into stock and may reconvert any stock into paid-up shares of any denomination. The holders of stock may transfer the stock in the same manner as the shares from which the stock arose might previously have been transferred or as near thereto as circumstances admit but the stock is only transferable in such units as the Directors may determine, provided that such units shall not be greater than the nominal amount of the shares from which the stock arose.

Articles 58
The holders of stock will continue to have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, and no such conversion will affect or prejudice any preference or other special privileges attached to the shares so converted. Conversely, no additional privilege or advantage will be conferred which did not exist in the shares.

General Meetings
Articles 60 and 61
Our Company is required to hold an annual general meeting every year. Our Board of Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if Shareholders representing not less than 10% of the paid up capital of the Company request in writing that such a meeting be held.

Articles 65
No business shall be transacted at any general meeting unless a quorum is present. Two Shareholders present in person form a quorum.

Articles 62 and 158
Unless otherwise required by Singapore law or by our Articles of Association, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of Directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including our voluntary winding up, amendments to our Memorandum and Articles of Association, a change of our corporate name and a reduction in our share capital, share premium account or capital redemption reserve fund.

We must give at least 14 days notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days’ notice in writing. The notice must be given to every shareholder who has supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business. However, an accidental omission to give notice will not invalidate the proceedings at any general meeting. Notice will also be given by advertisement in the daily press and in writing to the SGX-ST.

Limitations on Rights to Hold or Vote Ordinary Shares
There are no limitations imposed by Singapore law or by our Articles of Association on the rights of non-resident Shareholders to hold or vote on our ordinary shares.
**Take-overs**

The Act and the Singapore Code on Take-overs and Mergers regulate the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of us. Any person acquiring an interest, either acting singly or together with other parties acting in concert with him, in 25% or more of our voting shares must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Take-overs and Mergers.

“Parties acting in concert” include a company and its related and associated companies, a company and its directors (including their relatives), a company and its pension funds, a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, and a financial Adviser and its client in respect of shares held by the financial Adviser and shares in the client held by funds managed by the financial Adviser on a discretionary basis.

An offer for consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the preceding 12 months.

A mandatory takeover offer is also required to be made if a person holding, either singly or together with parties acting in concert with him, between 25% and 50% of the voting shares acquires additional voting shares representing more than 3% of the voting shares in any 12-month period.

It should be noted that the above is based on the existing version of the Singapore Code on Take-overs and Mergers. A draft revised version released in May 2001 by the Securities Industry Council contains a number of significant changes. A revised version of the Singapore Code on Take-overs and Mergers is likely to be introduced soon. It may not exactly be the same as the draft issued in May 2001.

**BANK BORROWINGS AND WORKING CAPITAL**

22. Save as disclosed on pages 56 to 58 of this Prospectus and in the Accountants’ Report, our Company and our subsidiaries had as at 31 December 2000, no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

23. In the opinion of our Directors, there is no minimum amount which must be raised by the issue of the New Shares in order to provide for the following items:–

(a) The purchase price of any machinery purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;

(b) Estimated preliminary and issue expenses (including underwriting commission) for this Invitation payable by our Company;

(c) The repayment of any money borrowed by our Company in respect of any of the foregoing matters; and

(d) Working capital.

Our Directors, having considered the repayment schedule of its outstanding debts (inclusive of those owed to shareholders on an interest-free basis), its available unutilized banking facilities, and its working capital and capital requirements, believes that the Invitation proceeds to be raised are adequate.

Although no minimum amount must be raised by the Invitation in order to provide for the items set out above, the amount to be provided for those items is proposed to be provided out of
proceeds of the Invitation and/or out of other sources of funding including banking facilities and the issuance of securities.

24. Our Directors are of the opinion that, after taking into account the present banking facilities and the net proceeds from the Invitation, our Group has adequate working capital for its present requirements.

MATERIAL CONTRACTS

25. The following contracts not being contracts entered into in the ordinary course of business of our Company and our subsidiaries (as the case may be) have been entered into by our Company and our subsidiaries (as the case may be) within the two years preceding the date of this Prospectus and are or may be material:–

(a) RCL Agreements, comprising RCL 1 Agreement dated 12 June 2000 between our Company and the RCL 1 Lenders and RCL 2 Agreement dated 28 December 2000 between our Company and the RCL 2 Lenders, as referred to on page 6 of this Prospectus.

(b) Restructuring Agreement dated 31 December 1999 between our Company and the vendors named in the agreement as referred to on pages 7, 63 and 64 of this Prospectus.

(c) Transfer Deed dated 20 April 2001 between, *inter alia*, our Company and PV as referred to on page 65 of this Prospectus.

(d) Deed dated 20 April 2001 between our Company and the transferors named in the Deed (as referred to on page 65 of this Prospectus).

(e) Service Agreements dated 2 July 2001 between our Company and Mr Saw Chee Keang and between our Company and Mr Choo Tian Wang as referred to on pages 100 and 101 of this Prospectus.

(f) Tenancy Agreements as follows:–
   (1) between PV and PVS dated 1 December 2000 as referred to on pages 99 and 108 of this Prospectus.
   (2) between PV and Hi-Tech dated 1 December 2000 as referred to on pages 99 and 108 of this Prospectus.
   (3) between PV and Switech dated 1 December 2000 as referred to on pages 99 and 108 of this Prospectus.
   (4) between Shenzhen City Dong Wan Industrial Co., Ltd and WES entered into on or about 1 January 2001 as referred to on page 99 of this Prospectus.

(g) Depository agreement dated 9 July 2001 between Startech and CDP pursuant to which CDP agreed to act as central depository for Startech securities for trades in the securities of Startech through the SGX-ST.

(h) Management and Underwriting Agreement dated 17 July 2001 referred to in paragraph (a) on page 151 of this Prospectus.

(i) Placement Agreement dated 17 July 2001 referred to in paragraph (c) on page 151 of this Prospectus.

(j) Receiving Bank Agreement dated 17 July 2001 between our Company and Keppel TatLee Bank Limited (“KTB”) pursuant to which KTB will be appointed as the receiving bank in relation to the Invitation.

There are also the following material contracts entered into in the ordinary course of business:–

(a) Distributorship Agreement between Teknek Electronics Ltd and Hi-Tech dated 24 August 2000 referred to on pages 28 and 39 of this Prospectus;
(b) Distributorship Agreement between Circuit Engineering Marketing Co. Ltd and Hi-Tech entered into as of 18 August 2000 referred to on pages 28 and 39 of this Prospectus and a supplementary deed entered into on or about 27 October 2000; and

(c) Distributorship Agreement between Ashland Specialty Chemical Company, a Division of Ashland Inc. and Chemitec dated 1 August 2000 referred to on pages 28 and 39 of this Prospectus.

LITIGATION

26. Neither our Company nor any of our subsidiaries are engaged in any litigation or arbitration either as plaintiff or defendant in respect of any claims or amounts which may have or have had during the previous 12 months a significant effect on our Group’s financial position. Our Directors have no knowledge of any proceeding, litigation or claim of material importance which is pending or threatened against our Company or any of our subsidiaries or of any facts likely to give rise to any such litigation, arbitration or claim.

We are not aware of any litigation involving our Group’s customers or suppliers.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

27. (a) Pursuant to the management and underwriting agreement (“Management and Underwriting Agreement”) dated 17 July 2001, we appointed SBI E2-Capital Pte Ltd (“SBI E2-Capital”) to manage the Invitation, and (i) Keppel TatLee Bank Limited and (ii) RHB-Cathay Securities Pte Ltd as the Underwriters to underwrite the Offer Shares. SBI E2-Capital will receive a management fee from our Company for its services rendered in connection with the Invitation as Manager.

(b) Pursuant to the Management and Underwriting Agreement dated 17 July 2001, the Underwriters agreed to underwrite the Offer Shares for a commission of 1.5% of the Issue Price for each Share, payable by our Company for subscribing or for procuring subscribers for any Shares not subscribed for pursuant to the Invitation and will pay or procure payment to our Company for such Shares.

(c) Pursuant to the placement agreement (“Placement Agreement”) dated 17 July 2001, the Placement Agents agreed to subscribe or procure subscriptions for the Placement Shares for a placement commission of 1.5% of the Issue Price for each Placement Share, payable by our Company.

(d) Brokerage will be paid by our Company to members of the Exchange, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at the ATMs of the relevant Participating Banks, at the rate of 1.0% of the Issue Price for each Offer Share or Placement Share as the case may be.

(e) Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company.

(f) The Management and Underwriting Agreement may be terminated by the Manager at any time before the close of the Application List on the occurrence of certain events including, inter alia:–

(i) any change or any development involving a prospective change or any crisis in national or international monetary, financial, economic or political conditions (including but without limiting thereto conditions in the stock market, in the foreign exchange market and conditions with respect to interest rates, in Singapore and overseas); or
(ii) foreign exchange controls in Singapore and overseas or any occurrence of a combination of any such changes or developments or crises, or any deterioration of any such conditions;

which has resulted or is in the reasonable opinion of the Manager likely to result in the conditions in the stock market in Singapore and/or stock markets overseas being materially and adversely affected; or the success of the Invitation being materially prejudiced; or it becoming inadvisable, inexpedient or not commercially viable for the Invitation to commence, be proceeded with or completed; or it becoming for any reason not commercially viable or otherwise contrary to or outside the usual commercial customs or practices in Singapore for the Manager to observe or perform or be obliged to observed or perform the terms of this Agreement or the Invitation; or the business, trading position, operations or prospects of the Group being materially and adversely affected.

(g) The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement and may be terminated on the occurrence of certain events, including those specified in paragraph 27 (f) above.

MISCELLANEOUS

28. RHB Bank is one of our Group’s bankers. KTB is the receiving bank for the Invitation. KTB and RHB Bank are two of the creditor banks to which PV has agreed to pledge its Shares in our Company. Save as aforesaid and as disclosed in the Prospectus, our Company has no material relationship with the Manager, the Underwriters or the Placement Agents.

29. The nature of the business of our Company is stated on pages 72 to 76 of this Prospectus. At the date of this Prospectus, all the corporations listed below are, by virtue of Section 6 of the Companies Act (Chapter 50), deemed to be related to our Company:–

Holding Company of our Group
Startech Electronics Ltd

Subsidiaries of Startech Electronics Ltd
PV Startech Pte Ltd
Weinixing Electronics (Shenzhen) Co., Ltd
Hi-Tech Materials Pte Ltd
Chemitec Industrial Private Limited
Switech Systems & Marketing Pte Ltd
PV Power Pte Ltd
PV Startech Marketing Limited

30. The time of opening of the Application List is set out on page 17 of this Prospectus.

31. The amount payable on application is $0.32 for each New Share. There has been no previous issue or offer for sale of our Shares to the public within the two years preceding the date of this Prospectus.

32. No property has been purchased or acquired or proposed to be purchased or acquired by our Company or our subsidiaries which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus other than property the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of our Company or our subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
33. The estimated amount of the expenses of this Invitation is approximately $0.9 million, including the underwriting commission, placement commission, brokerage, management, audit, legal and consultancy fees, advertising and printing expenses, as well as fees payable to the SGX-ST and the Registry of Companies and Businesses, which will be borne by our Company. The breakdown of these estimated expenses is as follows:

<table>
<thead>
<tr>
<th></th>
<th>S$</th>
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</thead>
<tbody>
<tr>
<td>Listing fee</td>
<td>4,000</td>
</tr>
<tr>
<td>Professional fees</td>
<td>496,000</td>
</tr>
<tr>
<td>Placement commission and brokerage</td>
<td>104,000</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>296,000</td>
</tr>
<tr>
<td>Total estimated expenses of the Invitation</td>
<td>900,000</td>
</tr>
</tbody>
</table>

34. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.

35. Save as disclosed in this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks not mentioned elsewhere in the Prospectus which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.

36. Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:

(a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;

(b) material commitments for capital expenditures;

(c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and

(d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on revenues or operating income.

37. Our Directors currently have no intention of changing our Group’s present Auditors or appointing joint auditors after the listing of our Company.

38. This Prospectus is dated 17 July 2001. No Shares will be allotted or allocated on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.

CONSENTS

39. The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of the Accountants’ Report, in the form and context in which they appear in this Prospectus and references to their name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

40. The Manager, the Underwriters, the Placement Agents, the Solicitors to the Invitation, the Principal Bankers, the Share Registrars, Chio Lim & Associates and Knight Frank Pte Ltd have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion herein of their names in the form and context in which they appear in this Prospectus and to act in those capacities in relation to this Prospectus.
DOCUMENTS AVAILABLE FOR INSPECTION

41. Copies of the following documents may be inspected at our Company Secretary’s office at 20 Raffles Place, #17-00 Ocean Towers, Singapore 048620, during normal business hours for a period of six months from the date of this Prospectus:–

(a) the Memorandum and Articles of Association of our Company;
(b) the Accountants’ Report;
(c) the Directors’ Report;
(d) the material contracts referred to on pages 150 and 151 of this Prospectus;
(e) the letters of consent referred to on page 153 of this Prospectus;
(f) the audited accounts of our Company and our subsidiaries for the last three financial years ended 31 December 1998, 31 December 1999 and 31 December 2000;
(g) the copy of valuation of our rented premises at 13 Woodlands Walk by Knight Frank Pte Ltd as referred to on page 108 of this Prospectus;
(h) the copy of opinion by Chio Lim & Associates referred to on page 33 of this Prospectus; and
(i) the copy of advice by Drew & Napier LLC referred to on page 33 of this Prospectus.

STATEMENT BY DIRECTORS OF OUR COMPANY

42. This Prospectus has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed are fair and accurate in all material respects as at the date of this Prospectus and there are no other facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Company and our subsidiaries.

STATEMENT BY ISSUE MANAGER

43. SBI E2-Capital acknowledges that, having made due and careful enquiry and to the best of its knowledge and belief, based on information furnished to it by the Group, this Prospectus constitutes a full and true disclosure of all the material facts about the Invitation and the Company and its subsidiaries and it is not aware of any other facts the omission of which would make any statements herein misleading.
RULES OF THE STARTECH
SHARE OPTION SCHEME

1. NAME OF SCHEME
This share option scheme will be called the “Startech Share Option Scheme”.

2. PURPOSE OF THE SCHEME
The purpose of the Scheme is to provide an opportunity for Executive Directors and employees of the Group to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and a higher standard of performance, and to give recognition to Non-executive Directors of the Group and Non Group Directors and employees of any Controlled Associated Company who have contributed to the success and development of the Company and/or the Group. Non-executive Directors, who are independent directors are not eligible for the Scheme.

3. DEFINITIONS
Except where the context otherwise requires, the following expressions in the Scheme shall have the following meanings:–

“Act” or “Companies Act” The Companies Act, Chapter 50, as amended or modified from time to time;

“Adoption Date” The date on which the Scheme is adopted by the Company in general meeting;

“Associate” (a) Person in relation to any director, chief executive officer or substantial shareholder (being an individual):–

   (i) his immediate family;
   (ii) the trustees, acting in their capacity as such trustees, of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
   (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 25% or more;

(b) in relation to a substantial shareholder (being a company) means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 25% of more;

“Auditor” The auditor of the Company;

“Board” The Board of Directors of the Company;

“CDP” The Central Depository (Pte) Limited and, where the context requires, shall include any person specified by it, in a notice given to the Company, as its nominee;

“Committee” The Committee appointed pursuant to Clause 14 to administer the Scheme;
“Company” or “Startech” Startech Electronics Ltd;

“Controlled Associated Company” An associated company of the Company over which the Company has control within the meaning given in Clause 101 of the SGX Listing Manual;

“Controlling Shareholder” has the meaning given to it in Clause 101 of the SGX Listing Manual;

“Discounted Price” In relation to a Share, shall mean the exercise price as determined in accordance with Clause 8.2;

“Executive Director” A director of the Company who is a full-time employee and performs an executive function;

“financial year” Each period of twelve (12) months at the end of which period the balance of the accounts of the Company is struck and audited for the purpose of laying the same before an annual general meeting of the Company;

“Grantee” The person to whom an offer of an Option is made;

“Group” The Company and its subsidiaries;

“Market Day” A day on which the SGX is open for trading of securities;

“Market Price” In relation to a Share, shall mean the price as determined in accordance with Clause 8.1;

“Month” Calendar month;

“Non-executive Director” A director of the Company who is neither an Executive Director nor an independent director;

“Non Group Director” A director (whether an executive director or non-executive director) of a Controlled Associated Company;

“Offering Date” The date on which an Option is offered pursuant to the Scheme;

“Option” The right to subscribe for Shares granted or to be granted pursuant to the Scheme and for the time being subsisting;

“Option Period” The period determined by the Committee in respect of each Option subject as provided in Clause 10 and any other conditions as may be introduced by the Committee from time to time, but in any event:

(a) in the case of an Option whose Subscription Price is determined in accordance with Clause 8.1:-

   (i) subject to paragraph (a)(ii) below, a period commencing at least twelve (12) months from the Offering Date and expiring not later than one hundred and twenty (120) months from the Offering Date; and

   (ii) for Options granted to Non-executive Directors and Non Group Directors and employees of Controlled Associated Companies, a period commencing at least twelve (12) months from the Offering Date and expiring not later than sixty (60) months from the Offering Date,
(b) in the case of an Option whose Subscription Price is determined in accordance with Clause 8.2,

(i) subject to paragraph (b)(ii) below, a period commencing at least twenty-four (24) months from the Offering Date and expiring not later than one hundred and twenty (120) months from the Offering Date; and

(ii) for Options granted to Non-executive Directors and Non Group Directors and employees of Controlled Associated Companies, a period commencing at least twenty-four (24) months from the Offering Date and expiring not later than sixty (60) months from the Offering Date.

“Participant” The holder of an Option

“Scheme” The Startech Share Option Scheme as amended from time to time;

“SGX” or “SGX-ST” The Singapore Exchange Securities Trading Limited;

“SGX Rules” The SGX rules for share option schemes as set out in the SGX Listing Manual;

“Shares” Ordinary shares of $0.10 each in the capital of the Company;

“Subscription Price” The price at which (subject to any adjustment pursuant to Clause 11.3 a Participant shall subscribe for each Share upon the exercise of an Option as determined in accordance with Clause 8.1 in relation to an Option exercisable at a Market Price and Clause 8.2 in relation to an Option exercisable at a Discounted Price;

“subsidiary” A subsidiary of the Company within the meaning of section 5 of the Act; and

“$” and “cents” Singapore dollars and cents respectively.

The expression “Depository Agent” shall have the meaning ascribed to it in the Companies Act. Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and the neuter gender. Words importing persons include corporations.

Any reference to “a time of day” in these Rules shall be a reference to Singapore time.

Any reference in these Rules to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the Scheme shall have the meaning assigned to it under the Act.

4. SIZE OF THE Scheme

Subject to adjustment pursuant to Clause 11.3, the total number of Shares in respect of which Options may be offered on any Offering Date, when added to the number of Shares issued and issuable in respect of options already granted under the Scheme, shall not exceed fifteen per cent (15%) of the Company’s total issued share capital on the day preceding that Offering Date (or such new limit as may be specified by the SGX Listing Manual from time to time). Further approval for shareholders will be sought if the Company plans to exceed the existing fifteen per cent. (15%) limit. If however, due to a reduction of the Company’s capital or a buy-back of its shares, the Shares issued and issuable under Options which have already been granted exceed 15% of the Company’s total issued share capital, this will not invalidate any such Options.
5. OFFERING OF OPTIONS

5.1 The Committee may at any time make offers of Options to Grantees whom the Committee may in its absolute discretion select in accordance with the terms of the Scheme. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers of Options may only be made on or after the fourth Market Day from the date in which the aforesaid announcement is released.

5.2 The number of Shares to be offered to any Grantee in accordance with the Scheme shall be determined at the absolute discretion of the Committee, which shall take into account any relevant criteria such as the rank, past performance, years of service and potential for future development of that employee and/or his contribution to the success and development of the Group.

5.3 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A, subject to modification by the Committee from time to time.

5.4 Each Option shall be personal to the Grantee named in the offer and shall not be transferable, transmissible or assignable, other than with the prior approval of the Committee.

6. DETERMINATION OF ELIGIBILITY

6.1 The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:

   (i) Executive Directors and full time employees of the Group;

   (ii) Non-executive Directors;

   (iii) Non Group Directors and employees of a Controlled Associated Company, provided that the Company has control over the Controlled Associated Company (and for the purposes of this Rule “control” shall mean the capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the company), provided always that any of the aforesaid persons selected by the Committee to participate in the Scheme:

   (a) must be at least of twenty-one (21) years of age; and

   (b) must not be an undischarged bankrupt.

   The abovementioned eligible participants include members of the Committee who are either Executive Directors, Non-executive Directors and executive officers of the Group. Members of the Committee will abstain from deciding on matters pertaining to their own entitlements under the Scheme.

6.2 Persons who are Controlling Shareholders or their Associates or members of the Company’s audit committee shall (notwithstanding that they may meet the eligibility criteria in Clause 6.1(i), (ii) or (iii)) not participate in the Scheme.

6.3 Should a Participant subsequently becomes a Controlling Shareholder or an Associate of a Controlling Shareholder or a member of the Company’s audit committee, this will not invalidate any Options previously granted to him but he shall no longer be eligible for any further grant of Options.

6.4 Notwithstanding a Grantee’s participation in this Scheme, he may also participate in the share option scheme implemented by any other company in the Group if under the rules of that scheme, he is eligible to participate in it.
7. **METHOD OF DETERMINING NUMBER OF SHARES OFFERED**

7.1 Subject to the other Clauses, the number of Shares to be offered to a Grantee in accordance with the Scheme shall be determined at the absolute discretion of the Committee.

7.2 Options which have lapsed or have been surrendered or have otherwise been cancelled so that no Shares are issuable pursuant to them shall not be counted for the purpose of determining whether any limits stated in this Clause 7 or in Clause 4 have been reached.

8. **DETERMINATION OF SUBSCRIPTION PRICE**

8.1 The Subscription Price for each Share in respect of which an Option is exercisable at a Market Price shall be the average of the last dealt market price of the Company’s Shares as published by the SGX for the three (3) Market Days immediately preceding the Offering Date to be rounded to the nearest whole cent.

8.2 The Subscription Price for each Share in respect of which an Option is exercisable at a Discounted Price shall be determined by the Committee at its absolute discretion, and fixed by the Committee at a price, rounded to the nearest whole cent, which is set at a discount to the Market Price (as determined in accordance with Clause 8.1), provided that the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX).

8.3 Where the Subscription Price, as determined under the foregoing provisions of this Clause 8, is less than the par value of a Share, the Subscription Price shall be the par value.

8.4 The Subscription Price shall be subject to adjustment pursuant to Clause 11.3.

9. **ACCEPTANCE OF THE OFFER**

9.1 An Option offered to a Grantee pursuant to Clause 5 (in the form set out in Schedule A subject to such modification as the Committee may from time to time determine) may only be accepted by the Grantee:

(i) by completing, signing and returning to the Committee the Acceptance Form (in the form set out in Schedule B subject to such modification as the Committee may from time to time determine) within thirty (30) days from the Offering Date or such other period as the Committee may determine, accompanied by payment of $1.00 or such other amount as may be prescribed by the Committee as consideration and such other documentation as the Committee may require; and

(ii) if, at the date on which the Company receives from the Grantee the Acceptance Form in respect of the Option as aforesaid, he remains eligible to participate in the Scheme in accordance with these Rules.

9.2 If the offer of an Option is not accepted strictly in accordance with Clause 9.1 within the stipulated period for acceptance, the offer shall automatically lapse and shall forthwith be deemed to be null and void and of no effect.

9.3 The Committee shall be entitled to reject any purported acceptance of an Option made pursuant to Clause 9.1 or a notice of exercise of an Option given pursuant to Clause 9.1 which does not strictly comply with the terms of this Scheme.

9.4 An Option shall be deemed to have been granted on the date on which the offer in respect thereof is accepted in accordance with these Rules.
10. EXERCISE OF OPTION

10.1 Subject to Clauses 16 and 18 a Participant who has accepted an offer made to him pursuant to Clause 5 may exercise the Option, in whole or in part (provided that an Option may be exercised in part in respect of 1,000 shares or any multiple thereof), to subscribe for the Shares at any time during the Option Period, by notice in writing (in the form set out in Schedule C subject to such modification as the Committee may from time to time determine) to the Committee. The said notice shall be accompanied by a remittance for the full amount of the aggregate Subscription Price and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice duly completed and the aggregate Subscription Price. All payments made pursuant to this Clause 10.1 shall be made by cheque, cashier’s order, bank draft or postal order made out in favour of the Company.

10.2 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the Scheme and the Memorandum and Articles of Association of the Company, the Company shall, within ten (10) Market Days after the exercise of an Option, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit. The Company shall, as soon as practicable after such allotment, apply to the SGX (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such Shares.

10.3 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account maintained by that Participant with a Depository Agent, or if such securities account is not available, issued in the Participant’s name.

10.4 The Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses or damages whatsoever and howsoever arising in connection with any delay in issuing and allotting the Shares or in the quotation and listing of such Shares on the SGX or any other stock exchange on which the Shares are quoted and listed.

10.5 No Option shall be exercised if such exercise or the issue of Shares pursuant to such exercise would be contrary to any law for the time being in force in Singapore, or to any rules or requirements of the SGX.

11. RIGHTS OF PARTICIPANT UPON EXERCISE OF OPTION

11.1 The Shares allotted and issued on the exercise of an Option shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank in full and be entitled to any dividends, rights, allotments or other distributions declared or recommended in respect of the then existing Shares, the Record Date of which falls on or after the relevant date of exercise of such Option and shall in all respects rank pari passu with other existing Shares then in issue. “Record Date” means the date fixed by the Company for the purpose of determining entitlements to any dividends, rights, allotments or other distributions to or rights of a holder of Shares.

11.2 The Company shall ensure and keep available sufficient authorised and unissued Shares in the capital of the Company to satisfy the exercise of any Option.
11.3 (i) The number of Shares which may be acquired on the exercise of an Option or the Subscription Price in respect of such Shares, or both such number and Subscription Price, shall be adjusted in such manner as the Committee, on the written confirmation of the auditors of the Company for the time being (acting as experts and not as arbitrators) that such adjustment is fair and reasonable, shall determine to be appropriate following upon any variation in the issued share capital of the Company (whether arising by way of rights issue or capitalisation of profits or reserves, reduction of capital, or subdivision or consolidation or distribution of shares or otherwise) while an Option remains unexercised, provided always that:--

(a) no adjustment to the Subscription Price shall be made which will result in the Shares issued on the exercise of the Option being issued at a discount to the nominal value of the Shares and if such an adjustment would but for this proviso have so resulted the Subscription Price payable shall be the nominal value of a Share; and

(b) upon any adjustment being made pursuant to this Clause the Committee shall notify the Participant (or his legal personal representative(s) where applicable) in writing informing him of the Subscription Price thereafter to be in effect and the number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

(ii) If and whenever the Company, after having granted to the Participant an Option, subdivides or consolidates or converts its Shares into stock or reconverts such stock into Shares, the Shares referred to in Clause 4 and the Shares, if any, issued to the Participant in accordance with paragraph (i)(b) of this Clause 11.3, shall as soon as practicable after allotment be subdivided or consolidated or converted into stock or such stock reconverted into shares as the case may be and rank pari passu with the other Shares or stock, as the case may be, in the issued capital of the Company.

11.4 The following (whether singly or in combination) shall not be regarded as events requiring adjustment:--

(i) any issue of securities as consideration for an acquisition of any assets by the Company or in connection with a private placement of Shares;

(ii) any increase in the number of Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling holders thereof to acquire new Shares in the capital of the Company (including the exercise of any Options granted pursuant to the Scheme); and

(iii) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) of such Shares effected on the SGX during the period while a share purchase mandate granted by shareholders of the Company (or any renewal thereof) is in force.

11.5 Neither the Scheme nor the grant of any Option shall afford a Participant any additional right to compensation or damages in consequence of the termination of his employment/appointment for any reason whatsoever.
12. DURATION OF THE SCHEME

12.1 The Scheme shall continue in operation for a maximum period of ten (10) years commencing on the Adoption Date provided always that the Scheme may be continued for any further period or periods thereafter with the approval of the Company’s shareholders at a general meeting and of any relevant authorities which may then be required.

12.2 If for any reason whatsoever the Scheme shall terminate or be discontinued, such termination shall be without prejudice to the rights of Participants to whom offers of Options have been made and accepted in accordance with the Scheme, whether such Options have been exercised (whether fully or partially) or not.

13. ALTERATION OF THE SCHEME

13.1 The Scheme may be altered in any respect by resolutions of the Committee except that:

(i) no alteration shall be made which would adversely affect the rights of any Participant attaching to any Option granted prior to such alteration except with the prior consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in nominal amount of all the Shares which would otherwise be allotted upon exercise in full of all outstanding Options;

(ii) the definitions of “Committee”, “Participant”, “Grantee” and “Subscription Price” and the provisions of Clauses 4, 6, 7, 8, 9.1(i), 10.1, 11.1, 14.1 and this Clause 13 shall not be altered to the advantage of Participants except with the prior approval of the shareholders of the Company in general meeting; and

(iii) no alteration shall be made without the prior approval of the SGX or any other stock exchange on which the Shares are quoted and listed, and such other regulatory authorities as may be necessary.

13.2 Written notice of any alteration made in accordance with this Clause shall be given to all Grantees but accidental omission to give notice to any Grantee shall not invalidate any such alterations.

13.3 Notwithstanding anything to the contrary contained in this Clause 13, the Committee may at any time by resolution (and without other formality save for the approval of the SGX) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the requirements of any regulations or of any relevant authority or body (including the SGX).

14. ADMINISTRATION OF THE SCHEME

14.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as may be conferred on it by the Directors of the Company. A Participant in the Scheme who is a member of the Committee must abstain from involvement in decisions concerning Options granted or to be granted to him.

14.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as it may think fit.

14.3 Any decision of the Committee, made pursuant to any provision of the Scheme (other than a matter to be certified or confirmed by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to interpretation of the Scheme or any Regulation, rule or procedure thereunder or as to any rights under the Scheme).
15. NOTICES AND COMMUNICATION

15.1 Any notice required to be given by a Participant to the Company or any other communication to be made between the Participant and the Company shall be given or made to the registered office of the Company or such other address as may be notified by the Company to him in writing.

15.2 Any notice required to be given by the Company to the Participant or any other communication to be made between the Company and the Participant shall be given or made by the Committee (or such person or persons as it may from time to time direct) on behalf of the Company to the last known address of the Participant in the Company’s record.

15.3 Any notice sent by post, whether by airmail or not, shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is posted, and in proving such service by post it shall be sufficient to prove that the letter or wrapper containing the same was properly addressed and put into the post office as a prepaid letter or wrapper.

16. TERMINATION OF THE OPTION

16.1 In the event of the death, cessation or termination of employment/appointment of a Participant with the Company or a subsidiary of the Company or a Controlled Associated Company, or in the event of a Participant being adjudged bankrupt or entering into any composition with his creditors, as the case may be, prior to the exercise of an Option in accordance with Clause 10, such Option shall, to the extent unexercised, forthwith cease and the Participant shall have no claim against the Company provided always that subject to the written approval of the Committee in its absolute discretion:

(i) where the Participant dies while in the employment of the Company or a subsidiary of the Company or a Controlled Associated Company, as the case may be, and before the expiry of any Option Period and at the date of his death held an Option unexercised, such Option may be exercised by the personal representative(s) of the Participant within the relevant Option Period; or

(ii) where the Participant ceases his employment/appointment with the Company or a subsidiary of the Company or a Controlled Associated Company (as the case may be) by reason of his:

(a) retirement at or after attaining legal retirement age;
(b) retirement before that age with the consent of the Committee;
(c) ill-health or accident; or
(d) redundancy;

he may exercise his unexercised Option within the relevant Option Period.

For the purpose of this Clause, the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

16.2 Any Option to the extent it remains unexercised at the end of the relevant Option Period shall lapse.

17. COSTS AND EXPENSES

Save for any sums payable by the Participant to CDP by way of deposition fees or other charges pursuant to Clause 10.3 and the taxes referred to in Clause 20, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the costs and expenses relating to the allotment and issue of the Shares upon the exercise of any Option shall be borne by the Company.
18. **TAKEOVER AND LIQUIDATION OF THE COMPANY**

18.1 Notwithstanding the provisions of Clause 10 but subject to Clauses 18.5 and 18.6, if a takeover offer is made for the Company and such offer is or becomes or is declared unconditional, Participants shall be entitled within six (6) months of the date on which such offer is made, if it is unconditional when made, or otherwise within six (6) months of the date on which it becomes or is declared unconditional (but not after the expiration of the Option Period and subject to the provisions of Clause 13 above) to exercise in full any unexercised Option. Subject to Clauses 18.5 and 18.6, any such Option not exercised in that six (6) month period shall lapse. Provided that if during such period of six (6) months a company becomes entitled or bound to exercise rights of compulsory acquisition of Shares under Section 215 of the Act and gives notice to the Participant that it intends to exercise such rights on a specified date, the Option shall remain exercisable until that specified date (but not after the expiration of the Option Period and subject to the provisions of Clause 13 above). Any Option not so exercised by the said specified date shall lapse provided that the rights of acquisition stated in the notice have been exercised.

18.2 If an order is passed for the liquidation of the Company on the basis of its insolvency, all Options, to the extent unexercised, at the date of such order or restriction shall forthwith lapse.

18.3 In the event of a voluntary liquidation, Participants shall be entitled within one (1) month of the commencement of the voluntary liquidation or prior to the expiry of the Option Period, whichever is earlier, to exercise in full any unexercised Options after which all unexercised Options shall lapse.

18.4 If a scheme of arrangement between the Company and its members is sanctioned by the court under the Act, then subject to Clauses 13, 18.5 and 18.6, Participants will be entitled to exercise any Options then held in the period beginning on the date on which the scheme is sanctioned by the Court and ending sixty (60) days thereafter or on the expiry of the Option Period, whichever is earlier. All Options remaining unexercised at the end of that period shall lapse.

18.5 If in connection with any event of the kind mentioned in Clauses 18.1, 18.3 or 18.4, arrangements are made (which the Auditors, acting as experts and not as arbitrators, certify to be fair and reasonable) for the benefit of Participants, whether by way of continuation of their Options, the payment of cash, the grant of other options, or otherwise, the Participants will not be permitted to exercise their Options in accordance with Clauses 18.1, 18.3 or 18.4, as the case may be, unless the Committee in its discretion determines otherwise.

18.6 The Committee shall have the right to determine that all or part of this Clause 18 shall not apply as a result of an event of the kind mentioned in Clauses 18.1, 18.3 or 18.4 and/or to restore the original Option Period if it considers that to be in the interest of the Company and not materially prejudicial to the affected Participants.

18.7 An Option may be exercised pursuant to Clause 18 prior to the commencement of the Option Period of that Option so long as the exercise is within the relevant periods specified in Clause 18.

19. **DISPUTES**

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

20. **TAXES**

All taxes (including income tax) arising from exercising any Option under the Scheme shall be borne by the Participant.
21. DISCLOSURE IN ANNUAL REPORTS
The Company shall make the following disclosures in its annual report:

(i) the names of the members of the Committee administering the Scheme; and

(ii) the information in the table below for the following Participants:

(a) Directors of the Company;

(b) Participants, other than those in (a) above, who receive 5% or more of the total number of options available under the Scheme; and

(c) (1) The number and proportion of Options granted at a discount of 10% or less to the Market Price during the financial year under review.

(2) The number and proportion of Options granted at a discount of more than 10% to the Market Price during the financial year under review.

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<tr>
<th>Name of participant</th>
<th>Options granted during financial year under review (including terms)</th>
<th>Aggregate options granted since commencement of scheme to end of financial year under review</th>
<th>Aggregate options exercised since commencement of scheme to end of financial year under review</th>
<th>Aggregate options outstanding as at end of financial year under review</th>
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22. GOVERNING LAW
The Scheme shall be governed by the laws of the Republic of Singapore, and the Company and the Participants (by accepting Options in accordance with the Scheme) irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.
To: Name
Designation
Address

Dear Sir/Madam,

We have pleasure in informing you that you have been nominated by a Committee of the Board of Directors of Startech Electronics Ltd (the “Company”) to participate in the Startech Share Option Scheme (the “Scheme”).

Accordingly, an offer is hereby made to grant you an option (the “Option”), in consideration of the payment of a sum of $1.00, to subscribe for and be allotted ________ ordinary shares of $0.10 each in the Company at a Market Price/Discounted Price* of $____________ per share. The Option is subject to the Rules of the Scheme (as the same may be amended from time to time pursuant to the terms of the Scheme), a copy of which is enclosed. Unless the context indicates otherwise, capitalised terms in this Letter shall be as defined in the Rules of the Scheme.

The Option is personal to you and is not transferable, transmissible or assignable to any other person save as provided in the Scheme.

If you accept the offer, the Option Period of the Shares shall be from ________________ to ________________.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of $1.00 not later than 5:00 pm on the _____ day of ________________ 20___, failing which this offer will lapse.

Yours faithfully,

*Delete as applicable.
SCHEDULE B

STARTECH
SHARE OPTION SCHEME

ACCEPTANCE FORM

Option No:
Serial No:

To: The Committee
Startech Share Option Scheme
[Address]

Closing Date For Acceptance of Offer: Subscription Price Per Share: $__________

No. of Shares Offered: Total Amount Payable: $__________
(exclusive of the relevant CDP charges)

I have read your Letter of Offer dated ______________ (the “Offering Date”) and agree to be bound by the terms of the Letter of Offer and the Rules (the “Rules”) of the Startech Share Option Scheme enclosed therewith. I hereby accept the option (the “Option”) to subscribe for _______ ordinary shares of $0.10 each in the capital of Startech Electronics Ltd at $__________ per ordinary share and enclose a cheque/cash* for $1.00 in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of the Central Depository (Pte) Limited (“CDP”) relating to or in connection with the issue and allotment of any Shares in CDP’s name, the deposit of share certificates with CDP, my securities account with CDP or my securities sub-account with a CDP Depository Agent (as the case may be) (collectively the “CDP Charges”).

I confirm as at the date hereof, I am not less than 21 years old nor am I an undischarged bankrupt.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer, the Rules and this Acceptance Form constitute the entire agreement between us relating to the offer.
PLEASE PRINT IN BLOCK LETTERS

Name in Full : ____________________________________________
Designation : ____________________________________________
Address : ________________________________________________
Nationality : _____________________________________________
*NRIC/Passport No. : _______________________________________
Signature : ______________________________________________
Date : __________________________________________________

*Delete accordingly.

Notes:–
1. Option must be accepted in full or multiples of 1,000 Shares.
2. The Acceptance Form must be forwarded to the Company Secretary in an envelope marked “Private and Confidential”.
3. The Grantee shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an Option.
STARTECH
SHARE OPTION SCHEME

EXERCISE NOTICE

Total number of Shares over which an Option was granted at $____________ per ordinary share under the Scheme on ________________ (Offering Date) [a]

Number of Shares previously allotted thereunder [b] :

Outstanding balance of Shares which may be allotted thereunder [a]–[b] :

Number of Shares now to be subscribed (in multiples of 1,000) :

Subscription Price per Share :

To: The Committee
Startech Share Option Scheme
[address]

1. Pursuant to your Letter of Offer of the above Offering Date and my acceptance thereof, I hereby exercise the Option to subscribe for ________ ordinary shares of $0.10 each in the capital of Startech Electronics Ltd (the “Company”) at $____________ per Share.

2. I hereby request the Company to allot the number of Shares specified in 1 above to, and issue the share certificate(s) relating thereto in the name of, The Central Depository (Pte) Limited (“CDP”). I also request the Company to despatch the share certificate(s) to CDP by ordinary post and at my own risk for credit of such number of Shares to my direct securities account with CDP as specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP and any stamp duty payable in respect thereof:

(i) Direct Securities Account No. : __________________________
    OR

(ii) Sub-Account No. and Name of Depository Agent
    Sub-Account No. : __________________________
    Name of Depository Agent : __________________________
    OR

(iii) CPF Investment Account No. and Name of Agent Bank
    CPF Investment Account No. : __________________________
    Name of Agent Bank : __________________________

3. I enclose a *cheque/cashier’s order/bank draft/postal order no. ________________________ for $____________ in payment for the following:

   (i) subscription of $____________ for the total number of the said Shares; and

   (ii) CDP charges of $____________.
4. I agree to subscribe for the said Shares subject to the terms of the letter of Offer, the Rules of the Startech Share Option Scheme (as the same may from time to time be amended pursuant to the terms thereof) and the Memorandum and Articles of Association of the Company.

5. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.

PLEASE PRINT IN BLOCK LETTERS

Name in Full : ____________________________________________

Designation : ____________________________________________

Address : ____________________________________________

Nationality : ____________________________________________

*NRIC/Passport No. : ____________________________________________

Signature : ____________________________________________

Date : ____________________________________________

*Delete accordingly.

Notes:–
1. An Option must be exercised in whole or in part provided that an Option may be exercised in part only in respect of multiples of 1,000.
2. The Exercise Notice must be forwarded to the Company Secretary in an envelope marked “Private and Confidential”. 
1. **PRC LEGAL SYSTEM**

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people’s congresses of provinces and certain municipalities and their standing committees may enact local rules and regulations. Further, the people's government of (a) provinces and autonomous regions; (b) municipalities and cities where the people’s government of provinces and autonomous regions are located; and (c) certain cities approved by the State Council, may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations must not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on 10 June 1981, the Supreme People’s Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.
2. JUDICIAL SYSTEM

The People’s Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People’s Courts of the People’s Republic of China, the People’s Courts comprise the Supreme People’s Courts, the local people’s courts, military courts and other special people’s courts. The local people’s courts are mainly divided into three levels, namely, the basic people’s courts, intermediate people’s courts and higher people’s courts. The basic people’s courts are divided into civil, criminal and economic divisions. The intermediate people’s courts have divisions similar to those of the basic people’s courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of people’s courts at lower levels are subject to the supervision of people’s courts at higher levels. The people’s procuratorates also have the right to exercise legal supervision over the civil proceedings of people’s courts of the same and lower levels. The Supreme People’s Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people’s courts of all levels.

The people’s courts adopt a two-tier final appeal system. A party may, within the time limit for appeal, against the judgment or order of the first instance of a local people’s court to the people’s court at the next higher level. Judgments or orders of the second instance at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People’s Court are also final and binding. If, however, the Supreme People’s Court or a people’s court at a higher level finds an error in a final and binding judgment which has taken effect in any people’s court at a lower level, or the presiding judge of a people’s court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law of the People’s Republic of China (the “Civil Procedure Law”) adopted on 9 April 1991. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people’s courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant’s place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people’s court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people’s court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people’s court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months.

A party seeking to enforce a judgment or order of a people’s court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people’s courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people’s court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.
3. **ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS**

The Arbitration Law of the PRC (the “Arbitration Law”) was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law.

Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people’s court. Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

On 28 April 1997, Singapore and the PRC concluded a bilateral agreement dealing with the provision of judicial assistance to each other on civil and commercial matters.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award (“New York Convention”) adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention (of which Singapore is also a party to) subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

4. **FOREIGN EXCHANGE CONTROL**

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993.

The People’s Bank of China (“PBOC”), with the authorisation of the State Council, issued on 28 December 1993 the Notice on the Further Reform of the Foreign Exchange Control System and on 26 March 1994 the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange which came into effect on 1 January 1994 and 1 April 1994 respectively. On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations which took effect on 1 April 1996 and was revised on 14 January 1997. On 20 June 1996, the PBOC issued the Administration Regulations on the Settlement Sale and Payment of Foreign Exchange, which took effect on 1 July 1996. On 25 October 1998, the PBOC and the State Administration of Foreign Exchange (“SAFE”) issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, all foreign exchange transactions for foreign-invested enterprises may only be conducted through designated foreign exchange banks.
These regulations contain detailed provisions regulating the holding, sale and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC.

Under the new regulations, the previous dual exchange rate system for Renminbi was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The People’s Bank of China, having regard to the trading prices between Renminbi and major foreign currencies on the inter-bank foreign exchange market, publishes on each bank business day the Renminbi exchange rates against major foreign currencies.

In general, all organisations and individuals within the PRC, including foreign investment enterprises, are required to remit their foreign exchange earnings to the PRC. In relation to PRC enterprises, their recurrent foreign exchange earnings are generally required to be sold to designated foreign exchange banks unless specifically approved otherwise. Foreign investment enterprises (including sino-foreign equity joint ventures and sino-foreign co-operative enterprises as well as wholly foreign owned enterprises or WFOE), on the other hand, are permitted to retain a certain percentage of their recurrent foreign exchange earnings (which is determined by SAFE or its local branch on a case-to-case basis) and the sums retained may be deposited into foreign exchange bank accounts maintained with designated foreign exchange banks. Capital foreign exchange earnings must be deposited into foreign exchange bank accounts maintained with designated foreign exchange banks and can generally be retained in such accounts.

At present, control on the purchase of foreign exchange for trade-related payments is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated foreign exchange banks, subject to the production of relevant supporting documents without the need for any prior approvals of the SAFE, although large foreign transactions may be subject to the SAFE verifications.

In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a foreign investment enterprise to its foreign investment party, then, subject to the due payment of tax on such dividends, the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated foreign exchange banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated foreign exchange banks upon the presentation of the resolutions of the directors on the profit distribution plan of that enterprise.

Despite the relaxation of foreign exchange control over current account transaction, the approval of the SAFE is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange, except as otherwise provided by the PRC regulations. In addition, under certain notices promulgated by the PBOC in 1998, all PRC borrowers of foreign exchange loans are not permitted to purchase foreign currencies with RMB to prepay such borrowings.

When conducting actual foreign exchange transactions, the designated foreign exchange banks may, based on the exchange rate published by the People’s Bank of China and subject to certain limits, determine the applicable exchange rate.
The China Foreign Exchange Trading Centre ("CFETC") was formally established and came into operation on 1 January 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1 December 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through Swap Centre (a statutory foreign exchange transaction institution engaging in foreign exchange business under the direction and administration of the State Administration of Foreign Exchange) or through designated PRC banks. From 1 December 1998 onwards, exchange transactions will have to be conducted through designated foreign exchange banks. CFETC is restricted to conducting foreign exchange transactions between banks and Renminbi inter-bank lending between financial institutions.

5. TAXATION

(a) Income tax on Foreign Investment Enterprises

Under the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (the "Foreign Enterprises Tax Law") adopted by the NPC on 9 April 1991 and the Implementing Rules of the Foreign Enterprises Tax Law promulgated by the State Council, which came into effect on 1 July 1991, foreign investment enterprises (including sino-foreign equity joint ventures, sino-foreign co-operative joint ventures and wholly foreign owned enterprises established in the territory of the PRC) are required to pay a national income tax at a rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income.

A foreign investment enterprise engaged in production having a period of operation of not less than ten years shall be exempted from income tax for the first two profit-making years and a 50% reduction in the income tax payable for the next three years. The income tax concession for foreign investment enterprises engaged in the exploitation of resources such as petroleum, natural gas, rare metals and precious metals are regulated separately by the State Council.

Foreign investment enterprises established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and foreign investment enterprises engaged in production in economic and technological development zones may pay income tax at a reduced rate of 15%. Foreign investment enterprises engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay income taxes at a reduced rate of 24%. A reduced income tax rate of 15% may apply to an enterprise located in such regions which is engaged in energy, communication, harbour, wharf or other projects encouraged by the State. These preferential tax treatments are provided for under the Income Tax Law on Foreign Investment Enterprises and Foreign Enterprises which was promulgated by the NPC on 9 April 1991.

Losses incurred in a tax year may be carried forward for not more than five years. The people’s governments of provinces, autonomous regions and centrally supervised municipalities may grant exemptions from or reduced local income tax for a foreign investment enterprise engaged in an industry or a project encouraged by the State.

(b) Value added tax

The Provisional Regulations of the People’s Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on 1 January 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the People’s Republic of China Concerning Value Added Tax, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC. Under the regulations, equipment and machinery imported into PRC for the purposes of contract processing, contract assembly and compensation trade could be exempt from value added tax.
Value added tax payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

(c) **Business tax**

The Provisional Regulations of the PRC on Business Tax was promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC on Business Tax, businesses that provide services (including entertainment businesses), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 20% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

(d) **Tax on dividends from PRC enterprise with foreign investment**

Under the Foreign Enterprises Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 20% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Foreign Enterprises Tax Law. The State Council of the PRC promulgated a Notice Regarding Reducing the Income Tax on the Income such as Interest of Foreign Enterprises from the PRC on 18 January 2000, whereby the withholding tax on the income (such as interest, rent, royalty and other income) derived from PRC by foreign enterprises which do not have establishments in the PRC or which have establishments but do not receive income actually connected to the establishments, shall be reduced from 20% to 10% from 1 January 2001.

The profit derived by a foreign investor from a PRC enterprise with foreign investment is exempted from PRC tax under the Foreign Enterprises Tax Law.

6. **WHOLLY FOREIGN-OWNED ENTERPRISE**

Wholly foreign-owned enterprises are governed by the Law of the People’s Republic of China Concerning Enterprises with Sole Foreign Investments, which was promulgated on 12 April 1986 and was revised on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 (together the “Foreign Enterprises Law”).

(a) **Procedures for establishment of a wholly foreign-owned enterprise**

The establishment of a wholly foreign-owned enterprise will have to be approved by the Ministry of Foreign Trade and Economic Co-operation (“MOFTEC”) (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a wholly foreign-owned enterprise, a copy of the contract between the parties must also be submitted to MOFTEC (or its delegated authorities) for its record. A wholly foreign-owned enterprise must also obtain a business licence from the State Administration for Industry and Commerce before it can commence business.
(b) **Nature**

A wholly foreign-owned enterprise is a limited liability company under the Foreign Enterprise Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital subscribed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOFTEC (or its delegated authorities) in accordance with relevant regulations.

(c) **Profit distribution**

The Foreign Enterprise Law provides that after payment of taxes, a wholly foreign-owned enterprise must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10% of the after-tax profits must be allocated to the reserve fund. If the cumulative total of allocated funds reaches 50% of an enterprise’s registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.
DESCRIPTION OF SINGAPORE LAW RELATING TO TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of our ordinary shares. Prospective purchasers of our ordinary shares should consult their own tax advisors concerning the tax consequences of their particular situations. This description is based on laws, regulations and interpretations now in effect and available as of the date of this Prospectus. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

The following discussion describes the material Singapore income tax, stamp duty and estate duty consequences of the purchase, ownership and disposal of our shares.

Income Tax

General

Singapore resident taxpayers, which include individuals who are residing in Singapore and companies which are controlled or managed in Singapore, are subject to Singapore income tax on:–

(i) income that is accrued in or derived from Singapore; and
(ii) foreign income received or deemed to be received in Singapore.

A company will be resident in Singapore if the control and management of its business is exercised in Singapore. A company will usually be regarded as being resident in Singapore if the company’s board of directors meets in Singapore to discuss overall management policy and high-level business matters in relation to the business of the company. An individual will be resident in Singapore if he resides in Singapore (except for temporary absences from Singapore) or if he is physically present or exercises an employment (other than as a director of a company) in Singapore for 183 days or more during the calendar year preceding the year of assessment.

Non-resident corporate taxpayers, subject to certain exceptions, are also subject to Singapore income tax on:–

(i) income that is accrued in or derived from Singapore; and
(ii) foreign income received or deemed to be received in Singapore.

The corporate tax rate in Singapore is currently 25.5% but will be reduced to 24.5% for year of assessment 2002.

Non-resident individuals, subject to certain exceptions, are subject to Singapore income tax only on income accruing in or derived from Singapore.

Subject to any applicable tax treaty, non-resident taxpayers are subject to a withholding tax of 25.5% (which will be reduced to 24.5% in year of assessment 2002) in respect of income derived from technical or management services provided in Singapore, or generally 15% in the case of interest, royalty and rental of movable property if such interest, royalty or rental is not derived by the non-resident from any trade or business carried on in Singapore and is not effectively connected with any permanent establishment in Singapore of the non-resident person.
Gains on disposal of the Shares

Singapore currently does not have a capital gains tax regime. However, capital gains may be deemed to be income and subject to Singapore income tax if they are short-term (that is, the asset was held for less than three years) investment gains from the sale of real property and shares in unlisted companies with substantial real property or real property related assets in Singapore.

Any profits from the disposal of our shares are not taxable in Singapore unless the seller is regarded as carrying on a trade of dealing in our shares in Singapore, in which case, the disposal profits would be taxable as trading income.

Dividend Distributions

Dividends, either in cash or in any other form, received in respect of our shares by either a resident or non-resident of Singapore are not subject to Singapore withholding tax.

Shareholders are taxed in Singapore on the gross amount of dividends (that is, the cash amount of the dividend plus the amount of corporate tax paid by our company on the profits out of which those dividends are paid). Under Singapore’s dividend imputation system, the tax paid by our company at the prevailing corporate rate of 25.5% is deemed to be paid by its shareholders and thus, its shareholders receive dividends net of the tax paid by the company. The corporate tax paid or deemed to be paid by our company will be available to holders of our shares as a tax credit to offset the income tax liability on their overall income subject to Singapore income tax (including the gross amount of dividends).

When dividends are paid to the shareholders, pursuant to Singapore’s dividend imputation system, the shareholder will receive, in addition to the net dividend, a tax credit based on the dividend amount received. The tax credit will reflect the amount of tax paid or deemed to be paid by the company on the profits from which the dividend income is declared by the company and received by the shareholder. The tax credit can be used to offset the shareholder’s tax liability. If the amount of Singapore tax payable by the shareholder is less than the tax credit, the shareholder will be entitled to a refund on the difference from the Inland Revenue Authority of Singapore.

A shareholder who is not a tax resident of Singapore will be taxed at the same rate on which the credit is computed. Consequently, non-resident shareholders will not need to pay any further Singapore tax on dividends received.

Dividends declared out of tax-exempt profit by the company will be exempted from tax in the hands of shareholders who are Singapore tax residents. This would also, in general, be applicable to foreign shareholders.

However, foreign shareholders are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

Where our company receives foreign dividends for which a tax credit has been allowed, the dividend payments from these foreign dividends to the holders of our shares will be exempt from tax. The tax credit could be obtained pursuant to a double taxation treaty with one of Singapore’s treaty partners or it could be unilaterally granted under the Singapore Income Tax Act. Where the credit is available under any of the options above, a special account is to be created for the purposes of ensuring that the payment of exempt dividends is restricted to the amount of the dividends for which foreign tax credit has been allowed.
**Stamp duty**

No stamp duty is payable on the allotment or holding of our shares.

Stamp duty is payable on an instrument of transfer of our shares at the rate of $0.20 for every $100 or any part thereof of the consideration for our shares. The purchaser is liable for stamp duty, unless otherwise agreed. However, no stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

Also, no stamp duty is payable on contract notes sent by brokers or agents to their principal.

**Estate duty**

Singapore estate duty is imposed on the value of certain movable and immovable property situated in Singapore and owned by individuals who are not domiciled in Singapore. Singapore estate duty is imposed on the value of immovable property situated in Singapore (subject to exemption limits) and on certain movable property, wherever it may be, owned by individuals who are domiciled in Singapore. Our shares are considered to be movable property situated in Singapore as our company is a company incorporated in Singapore and the register of shares is kept in Singapore.

Accordingly, shares held by an individual are subject to Singapore estate duty upon such individual’s death, whether or not such individual is domiciled in Singapore. Singapore estate duty is payable to the extent that the value of the shares aggregated with other dutiable assets in Singapore exceeds $600,000. Any excess beyond $600,000 will be taxed at 5% on the first $12,000,000 of the individual’s Singapore dutiable assets and thereafter at 10%. It should be noted that certain assets, although dutiable, are not included in this aggregation. For example dwelling houses are assessed separately and subject to a different exemption limit.

Individuals, whether or not domiciled in Singapore, should consult their own tax advisors regarding the Singapore tax and estate duty consequences of their ownership of our Shares.
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TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS

You are invited to apply for the New Shares at the Issue Price subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN Lots OF 1,000 SHARES AND HIGHER INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**

2. Your application for the Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks (“ATM Electronic Applications”) or through Internet Banking (“IB”) websites of the relevant Participating Banks (“Internet Electronic Applications” which together with ATM Electronic Applications, shall be referred to as “Electronic Applications”). Your application for the Placement Shares may only be made by way of Placement Shares Application Forms. Your application for the Reserved Shares may only be made by way of Reserved Shares Application Forms. **YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE NEW SHARES.**

3. You are allowed to submit only one application in your own name for the Offer Shares or the Placement Shares (other than the Reserved Shares). If you submit an application for the Offer Shares by way of an Application Form, you **MAY NOT** submit another application for the Offer Shares by way of an Electronic Application and vice versa. A person submitting an application for the Offer Shares by way of ATM Electronic Application may not submit another application for the Offer Shares by way of an Internet Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected.

   If you, other than an approved nominee company, have submitted an application in your own name, you should not submit any other application, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and shall be rejected.

   If you have made an application for the Placement Shares (other than the Reserved Shares), you should not make any application for the Offer Shares either by way of an Application Form or by way of an Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected.

   Conversely, if you have made an application for the Offer Shares either by way of an Electronic Application or by way of an Application Form, you may not make or procure to be made any application for the Placement Shares (other than the Reserved Shares). Such separate applications shall be deemed to be multiple applications and shall be rejected.

   If you have made an application for the Reserved Shares, you may submit one separate application for the Offer Shares in your own name by way of an Application Form/ Electronic Application, or submit one separate application for the Placement Shares (other than the Reserved Shares) by way of an Application Form, provided that you adhere to the terms and conditions of this Prospectus. Such separate applications shall **NOT** be treated as multiple applications.
Joint or multiple applications shall be rejected. If you submit or procure submissions of multiple share applications (whether for the Offer Shares, the Placement Shares or a combination), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities Industry Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be rejected.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers.

5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.

6. WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY. Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies shall be rejected.

7. IF YOU ARE NOT A NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION. If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (in the case of an application by way of an Application Form), or you will not be able to complete your Electronic Application (in the case of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected.

Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.

8. If your address as stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.

9. Our Company reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance.

Our Company further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all
remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

10. Our Company reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of acceptance, due consideration will be given to the desirability of allotting the New Shares to a reasonable number of Applicants with a view to establishing an adequate market for the Shares.

11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of New Shares allotted to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the New Shares allotted to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

12. In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares as at the close of the Application List.

Any of the Reserved Shares not taken up will be made available first to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares and then to satisfy applications for Offer Shares to the extent that there is an over-subscription for the Offer Shares.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and the Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Company and approved by the SGX-ST.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of New Shares allotted to you pursuant to your application, to authorised operators.

14. Any reference to “you” or the “Applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application and a person applying for the Placement Shares through the Placement Agents.

15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:–

(a) irrevocably offer to subscribe for the number of New Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such New Shares as may be allotted to you subject to the conditions set out in this Prospectus and the Memorandum and Articles of Association of our Company; and
(b) warrant the truth and accuracy of the information provided in your application.

16. Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:

(a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the New Shares on a “when issued” basis on the Official List of SGX-ST; and

(b) the Management and Underwriting Agreement and the Placement Agreement referred to on pages 151 and 152 of this Prospectus have become unconditional and have not been terminated.

17. We will not hold any application in reserve.

18. We will not allot shares on the basis of this Prospectus later than six months after the date of issue of this Prospectus.

19. Additional terms and conditions for applications by way of printed Application Forms are set out on pages D-4 to D-7 of this Prospectus.

20. Additional terms and conditions for applications by way of Electronic Applications are set out on pages D-7 to D-11 of this Prospectus.

**ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING PRINTED APPLICATION FORMS**

You shall make an application by way of printed Application Forms made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on “TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS” on pages D-1 to D-4 of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the WHITE Application Forms for the Offer Shares, the BLUE Application Forms for the Placement Shares (other than the Reserved Shares) accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. Our Company reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances.

2. Your Application Forms must be completed in English. Please type or write clearly in ink using BLOCK LETTERS.

3. All spaces in the Application Forms except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.

4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names appearing in your identity cards (if applicants have such identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. An Applicant, other than an individual, completing the Application Form under the hand of an official must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum of Association or equivalent constitutive documents must be lodged with our Company’s Share Registrar and Share Transfer Office. Our Company reserves the right to require you to produce documentary proof of identification for verification purposes.
5. (a) You must complete Sections A and B and sign page 1 of the Application Form.
(b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
(c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

6. You, whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted, will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the New Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of New Shares applied for, in the form of a BANKER’S DRAFT or CASHIER’S ORDER drawn on a bank in Singapore, made out in favour of “STARTECH SHARE ISSUE ACCOUNT” crossed “A/C PAYEE ONLY”, with your name and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. We will reject remittances bearing “NOT TRANSFERABLE” or “NON TRANSFERABLE” crossings. No acknowledgement or receipt will be issued by our Company or the Manager for applications and application monies received.

8. Unsuccessful applications and those not successfully balloted or accepted are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within three Market Days after the close of the Application List at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List.

9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.

10. By completing and delivering the Application Form, you agree that:–
(a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 26 July 2001 or such other time or date as our Company may, in consultation with the Manager, decide and by completing and delivering the Application Form, you agree that:–
(i) your application is irrevocable; and
(ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
(b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
(c) in respect of the New Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;  

(d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and  

(e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Manager, the Underwriters and the Placement Agents nor any other involved in the Invitation shall have any liability for any information not so contained.

Applications for the Offer Shares  
1. Your application for the Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes “A” and “B”.  

2. You must:–  
   (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with your remittance in the **WHITE** envelope “A” provided;  
   (b) in the appropriate spaces on **WHITE** envelope “A”:-  
      (i) write your name and address;  
      (ii) state the number of Offer Shares applied for; and  
      (iii) affix adequate Singapore postage;  
   (c) **SEAL** **WHITE** ENVELOPE “A”;  
   (d) write, in the special box provided on the larger **WHITE** envelope “B” addressed to **LIM ASSOCIATES (PTE) LTD, 10 COLLYER QUAY #19-08 OCEAN BUILDING, SINGAPORE 049315**, the number of Offer Shares for which the application is made; and  
   (e) insert **WHITE** envelope “A” into **WHITE** envelope “B”, seal **WHITE** envelope “B” and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at your own risk to **LIM ASSOCIATES (PTE) LTD, 10 COLLYER QUAY #19-08 OCEAN BUILDING, SINGAPORE 049315**, to arrive by 12.00 noon on 26 July 2001 or such other time as our Company may, in consultation with the Manager, decide, subject to any limitation under all applicable laws. Local Urgent Mail or Registered Post must **NOT** be used. No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

4. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.
Applications for the Placement Shares (other than the Reserved Shares)

1. Your application for the Placement Shares (other than the Reserved Shares) **MUST** be made using the **BLUE** Placement Shares Application Forms.

2. The completed **BLUE** Placement Shares Application Form and your remittance with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **LIM ASSOCIATES (PTE) LTD, 10 COLLYER QUAY #19-08 OCEAN BUILDING, SINGAPORE 049315**, to arrive by **12:00 noon on 26 July 2001** or such other time as our Company may, in consultation with the Manager, decide, subject to any limitation under all applicable laws. Local Urgent Mail or Registered Post must **NOT** be used. No acknowledgement of receipt will be issued for any application or remittance received. Local Urgent Mail or Registered Post must **NOT** be used.

3. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Applications for the Reserved Shares

1. Applications for the Reserved Shares **MUST** be made using the **PINK** Reserved Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. The completed **PINK** Reserved Shares Application form and your remittance with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided to you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at the applicant's own risk, to **LIM ASSOCIATES (PTE) LTD, 10 COLLYER QUAY #19-08 OCEAN BUILDING, SINGAPORE 049315** to arrive by **12:00 noon on 26 July 2001** or such other time as the Company may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must **NOT** be used.

3. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

**ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS**

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, OUB, DBS and UOB are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs of KTB and the IB website of DBS are set out respectively in the “Steps for Electronic Applications through ATMs of KTB and the IB website of DBS" (the “Steps”) appearing on pages D-12 to D-14 of this Prospectus. The Steps set out the actions that you must take at an ATM of KTB or the IB website of DBS to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for the Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs of that Participating Bank. An ATM card issued by one Participating Bank cannot be used to apply for the Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification (“User ID”) and a Personal Identification Number/Password (“PIN”) given by a relevant Participating Bank. The Steps set out the actions that you must take at ATMs of KTB or the IB website of DBS to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“Transaction
Record”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application, there will be an on-screen confirmation (“Confirmation Screen”) of the application which can be printed out for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected.

You shall make an Electronic Application on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on “TERMS, CONDITIONS AND PROCEDURES FOR APPLICATIONS” on pages D-1 to D-4 of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for the Offer Shares, you are required to confirm statements to the following effect in the course of activating the ATM for your Electronic Application:

   (a) that you have received a copy of this Prospectus (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for the Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;

   (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CPF Investment Account number, CDP Securities Account number, and application details (the “Relevant Particulars”) by the relevant Participating Bank to the Share Registrar, CDP, SCCS, our Company and the Manager (the “Relevant Parties”); and

   (c) that this is your only application for the Offer Shares and it is made in your own name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless you press the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key in the ATM or click “Confirm” or “OK” or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(4) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR THE OFFER SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS BENEFICIAL OWNER.**

YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR THE OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR THE NEW SHARES (OTHER THAN RESERVED SHARES), WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR THE OFFER SHARES OR THE PLACEMENT SHARES ON AN
APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR THE OFFER SHARES AND VICE VERSA.

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB website through which your Electronic Application is being made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of a relevant Participating Bank for the Offer Shares using cash only by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and to accept the number of the Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of the Offer Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decides to allot any lesser number of the Offer Shares or not to allot any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” or any other relevant key on the ATM or clicking “Confirm” or “OK” or any other relevant button on the IB website screen) of the number of the Offer Shares applied for shall signify and shall be treated as your acceptance of the number of the Offer Shares that may be allotted to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within three Market Days after the close of the Application List. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List.

Responsibility for timely refund of application monies from Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you before trading the Offer Shares on the SGX-ST. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company or the Manager assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your ATM Electronic Application is made through the ATMs of DBS (including those of its POSBank Services division), KTB, OCBC Group, OUB or UOB Group and is unsuccessful, no notification will be sent by such Participating Bank.

If your Internet Electronic Application made through the IB website of DBS, OUB or UOB Group is unsuccessful, no notification will be sent by such Participating Bank.
If you make ATM Electronic Applications through the ATMs of the following banks, you may check the results of your Electronic Applications as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Telephone</th>
<th>Available at ATM/Internet</th>
<th>Operating Hours</th>
<th>Service expected from</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBS</td>
<td>1 800 222 2222 327 4767</td>
<td>Internet Banking, Internet Kiosk, <a href="http://www.dbs.com(1)">www.dbs.com(1)</a></td>
<td>24 hours a day</td>
<td>7 p.m. on the balloting day</td>
</tr>
<tr>
<td>KTB</td>
<td>222 8228</td>
<td>ATM</td>
<td>ATM — 24 hours a day, Phone Banking: — Mon-Fri 0800-2200, Sat 0800-1500</td>
<td>ATM — Evening of the balloting day, Phone Banking: — 8:00 a.m. on the day after the balloting day</td>
</tr>
<tr>
<td>OCBC Group</td>
<td>1 800 363 3333</td>
<td>ATM</td>
<td>ATM — 24 hours a day, Phone Banking: — 24 hours a day</td>
<td>Evening of the balloting day</td>
</tr>
<tr>
<td>OUB</td>
<td>1 800 224 2000</td>
<td>OUB Personal Banking, <a href="http://www.oub2000.com.sg(1)">www.oub2000.com.sg(1)</a></td>
<td>Phone Banking 24 hours a day, Internet Banking 24 hours a day, OUB Mobile Buzz 24 hours a day</td>
<td>Evening of the balloting day</td>
</tr>
<tr>
<td>UOB Group</td>
<td>1800 533 5333 1800 222 2121</td>
<td>ATM (Other Transactions — &quot;IPO Enquiry&quot;)</td>
<td>ATM — 24 hours a day, Phone Banking 24 hours a day, Internet Banking 24 hours a day</td>
<td>6:00 p.m. on the balloting day</td>
</tr>
</tbody>
</table>

(1) If you make your Internet Electronic Application through the IB website of DBS, OUB or UOB Group, you may check the result through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of DBS, OUB or UOB Group.

(2) If you make your Electronic Applications through the ATMs or IB website of OUB and have activated your OUB Mobile Buzz service, you will be notified of the results of your Electronic Application via your mobile phone.

(3) If you make your Electronic Applications through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal UniBanking, UOB ATMs or UOB PhoneBanking Services.

7. Electronic Applications shall close at 12.00 noon on 26 July 2001 or such other time as our Company may, in consultation with the Manager, decide, subject to any limitation under all applicable laws. Subject to paragraph 9 below, your Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation of the application.

8. You are deemed to have irrevocably requested and authorised our Company to:

(a) register the Offer Shares allotted to you in the name of CDP for deposit into your Securities Account;

(b) send the relevant Share certificate(s) to CDP;

(c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within three Market Days after the close of the Application List; and

(d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks and if, in any such event, our Company, the Manager and/or the relevant Participating Bank does not record or receive your Electronic Application, or data relating to your Electronic Application or the tape containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Manager and/or the relevant Participating Bank for the Offer Shares applied for or for any compensation, loss or damage.

10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company will reject any application by any person acting as nominee.

11. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your Participating Bank.

12. You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.

13. By making and completing an Electronic Application, you are deemed to have agreed that:

   (a) in consideration of our Company arranging for the Electronic Application facility, through the ATMs or IB websites of the Participating Banks and agreeing to close the Application List at 12.00 noon on 26 July 2001 or such later time or date as our Company may, in consultation with the Manager, decide, subject to any limitation under all applicable laws, that:

      (i) your Electronic Application is irrevocable; and

      (ii) your Electronic Application, the acceptance by our Company and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

   (b) none of our Company, the Manager or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond our respective controls;

   (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company; and

   (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application.
ILLUSTRATIVE INSTRUCTIONS FOR ELECTRONIC APPLICATIONS THROUGH ATMS OF KTB AND IB WEBSITE OF DBS

Instructions for an Applicant using Electronic Application will appear on the ATM screens and the IB website screens of the relevant Participating Banks. For illustrative purposes, the extracts of the steps for an Electronic Application through KTB’s ATMs and through the IB website of DBS are shown below.

Steps for ATM Electronic Applications through ATMs of KTB

Instructions for Electronic Applications on the ATM screens and the IB websites screens (if any) of the Participating Banks, other than KTB, may differ from those represented below.

Owing to space constraints on KTB’s ATM screen, the following terms will appear in abbreviated form:–

“&” : and
“A/C” : Account
“CDP” : The Central Depository (Pte) Limited
“CDP A/C” : CDP Account
“CPF” : The Central Provident Fund Board
“CPF Inv A/C” : CPF Investment Account
“Mgr” : Manager
“NETS” : Network for Electronic Transfer
“No.” : Number
“NRIC/PP No.” : National Registration Identity Card/Passport Number
“PR” : Permanent Resident
“S$” : Singapore Dollars
“SCCS” : Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST” : Singapore Exchange Securities Trading Limited

Steps For An ATM Electronic Application For Offer Shares

Step 1 : Insert your personal ATM Card
Step 2 : Enter your Personal Secret Code
Step 3 : Select “OTHER SERVICES”
Step 4 : Select “IPO/ESA”
Step 5 : Select “SHARES APPLICATION”
Step 6 : Press the “CONFIRM” key to confirm the following messages:–

(1) PLEASE ENSURE THAT YOU ARE USING YOUR OWN ATM CARD.

(2) PLEASE DO NOT APPLY FOR YOUR JOINT ACCOUNT-HOLDER OR OTHER THIRD PARTIES.

(3) YOU ARE OVER 21 YEARS OF AGE.
WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE REGISTRAR OF COMPANIES & BUSINESSES IN SINGAPORE WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS. PROSPECTUS/DOCUMENT AVAILABLE AT PARTICIPATING BANKS.

YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION/SUBSCRIPTION AND PROSPECTUS/DOCUMENT.

THE OFFER OF THE SHARES OR UNITS OF SHARES, WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT, AND ANYONE WISHING TO ACQUIRE THE SHARES OR UNITS OF SHARES WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT.

YOU CONSENT TO DISCLOSE YOUR NAME, I/C NUMBER, ADDRESS, NATIONALITY, CDP SECURITIES A/C NUMBER, CPF INVESTMENT A/C NUMBER AND APPLICATION DETAILS FROM YOUR KEPPEL ACCOUNT(S) TO SGX-ST, SCCS, CDP, ISSUER, THE MANAGER AND THE REGISTRARS.

FOR FIXED/MAXIMUM PRICE SHARE APPLN, THIS IS YOUR ONLY APPLN AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

FOR TENDER PRICE SHARE APPLN, THIS IS YOUR ONLY APPLN AT THE SELECTED TENDER PRICE AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

Step 7 : Select “STARTECH”
Step 8 : Select the Account type (Current Account, Savings Account) to debit your application moneys
Step 9 : Enter your CDP Account Number
Step 10 : Select “FIXED OR TENDER PRICE”
Step 11 : Enter the Qty of Security to apply using cash
Step 12 : Check details of application on the screen and press the “CONFIRM” key to confirm the application
Step 13 : Remove the Transaction Record for your reference and retention only
Steps for an Internet Electronic Application through the IB web-site of DBS

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS IB website is shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “&”, “i/C” and “No.” refer to “Account”, “NRIC” and “Number” respectively).

Step 1 : Click on to DBS web-site (www.dbs.com)
Step 2 : Login to Internet Banking
Step 3 : Enter your User ID and PIN
Step 4 : Select “Electronic Security Application”
Step 5 : Click “Yes” to proceed and to warrant that you are currently in Singapore, have observed and complied with all applicable laws and regulations, and your mailing address for DBS Internet Banking is in Singapore
Step 6 : Click on “STARTECH”
Step 7 : Click “Confirm” to confirm
   (a) You have read, understood & agreed to all terms and application and Prospectus
   (b) You consent to disclose your name, IC/passport No., address, nationality, CDP Securities A/C No., CPF Investment A/C No. & share application amount from your DBS/POSBank Accounts(s) to share registrars, SCCS, CDP and issuer(s)
   (c) This application is made in your name and at your own risk
   (d) For FIXED price share application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price
   (e) You are not a US person as referred to in the Prospectus/Document, where applicable
Step 8 : Fill in details for share application and click “Submit”
Step 9 : Check details of your application, your IC/passport No. and no. of shares on the screen and click “OK” to confirm your application
Step 10 : Print Confirmation Screen (optional) for your reference & retention only