

## STARTECH ELECTRONICS LTD

### Half Year Financial Statement And Dividend Announcement for the Period Ended 30/06/2004

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),

##### HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the

corresponding period of the immediately preceding financial year.

		Group		
	Note	Latest period 30 June 04 S\$'000	Previous period 30 June 03 S\$'000	% Increase / (Decrease)
Turnover		2,526	8,406	(70.0)
Cost of sales		(1,853)	(7,788)	(76.2)
<b>Gross profit</b>		<b>673</b>	<b>618</b>	<b>8.7</b>
Other operating income		66	55	20.0
Distribution cost		(2)	(156)	(98.7)
Other operation expenses	1	(1,666)	(4,853)	(65.7)
<b>Operation loss</b>		<b>(929)</b>	<b>(4,336)</b>	<b>(78.6)</b>
Finance cost		(357)	(309)	15.5
Exceptional items		(1,149)	(12,700)	(91.0)
<b>Loss before taxation</b>		<b>(2,435)</b>	<b>(17,345)</b>	<b>(86.0)</b>
Taxation		19	200	(90.5)
Minority interests		0	0	NM
<b>(Loss) attributable to shareholders</b>		<b>(2,416)</b>	<b>(17,145)</b>	<b>(85.9)</b>

(1) Operating profit/(loss)before taxation is stated after charging/(credit):-

Depreciation and amortisation	31	566	(94.5)
Foreign exchange difference	(7)	(112)	(93.8)

NM: Not Meaningful  
NA: Not Applicable

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement**

**as at the end of the immediately preceding financial year.**

	Group		Company	
	30 June 04	31 Dec 03	30 June 04	31 Dec 03
	\$'000	\$'000	\$'000	\$'000
<b>Non- current assets</b>				
Property, Plant and Equipment	111	1,295	18	6
Other non-current assets	1,046	46	1,000	0
Subsidiaries	0	0	1,301	4,433
Deferred tax assets	2	2	0	0
	<b>1,159</b>	<b>1,343</b>	<b>2,319</b>	<b>4,439</b>
<b>Current Assets</b>				
Inventories & work-in-progress	858	950	0	0
Trade receivables	1,824	2,458	0	17
Other receivables, deposits and prepayments	59	17	5	0
Due by subsidiaries	0	0	35	9,144
Fixed deposits	267	267	0	0
Cash and bank balances	4,752	326	4,409	6
	<b>7,760</b>	<b>4,018</b>	<b>4,449</b>	<b>9,167</b>
<b>Current Liabilities</b>				
Trade payables	(2,672)	(3,235)	0	0
Accrued operating expenses	(1,990)	(1,645)	(1,180)	(1,020)
Finance lease creditors	(424)	(377)	0	0
Due to corporate shareholder	(277)	(277)	0	0
Due to Directors of the company	(180)	(192)	(180)	(192)
Bank borrowings - secured	(1,491)	(3,387)	(307)	0
Provision for	(125)	(125)	0	0

taxation				
	(7,159)	(9,238)	(1,667)	(1,212)
<b>NET WORKING CAPITAL</b>	<b>601</b>	<b>(5,220)</b>	<b>2,782</b>	<b>7,955</b>
<b>Non- current liabilities</b>				
Finance lease creditors	(59)	(289)	0	0
Bank borrowings - secured	(7,542)	(8,000)	(542)	0
	(7,601)	(8,289)	(542)	0
<b>Net Assets</b>	<b>(5,841)</b>	<b>(12,166)</b>	<b>4,559</b>	<b>12,394</b>
<b>Capital and reserves</b>				
Share capital	19,329	9,878	19,329	9,878
Share premium	2,620	3,330	2,620	3,330
Accumulated losses	(27,790)	(25,374)	(17,390)	(814)
	(5,841)	(12,166)	4,559	12,394

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.  
Amount repayable in one year or less, or on demand**

As at 30/06/2004		As at 30/06/2003	
Secured	Unsecured	Secured	Unsecured
1,915	0	14,450	0

**Amount repayable after one year**

As at 30/06/2004		As at 30/06/2003	
Secured	Unsecured	Secured	Unsecured
7,601	0	107	0

**Details of any collateral**

The bank overdraft, term loan facilities are secured by fixed and floating charges over all

the assets of its subsidiaries and a pledge of fixed deposit of a certain subsidiary company.

**1(c) A cash flow statement (for the group), together with a comparative statement for**

**the corresponding period of the immediately preceding financial year.**

<b>Cash Flow Statement for the period ended 30 June 2004</b>	<b>Latest half year</b>	<b>Previous half year</b>
	<b>2004</b>	<b>2003</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities:</b>		
Loss from operations before taxation	(2,435)	(17,345)
Adjustments for:		
Depreciation of property, plant and equipment	31	566
Interest expenses	357	309
Interest Income	0	(32)
Provision for impairment in property, plant and equipment	1,169	353
<b>Operating loss before working capital changes</b>	<b>(878)</b>	<b>(16,149)</b>
Decrease in trade receivables and other receivables	593	9,837
Decrease in inventories and work-in-progress	91	3,889
(Decrease)/Increase in trade payables and other payables	(218)	1,119
(Decrease)/Increase in corporate shareholders	0	34
Increase in amount due to related parties	0	185
Decrease in amount due to Director	(12)	(22)
<b>Cash used in operations</b>	<b>(424)</b>	<b>(1,107)</b>
Interest paid	(357)	(309)
Income tax refund/(paid)	19	(74)
<b>Net cash used in operating activities</b>	<b>(762)</b>	<b>(1,490)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(15)	(92)
Proceeds from disposal of property,	0	3

plant and equipment		
Advance for unquoted investment	(1,000)	0
Net Proceeds from rights issue	8,740	0
<b>Net cash from/ (used in) investing activities</b>	<b>7,725</b>	<b>(89)</b>
<b>Cash flows from financing activities:</b>		
Repayment to finance lease creditors	(183)	(695)
(Repayment)/Proceeds from bank borrowings	(1,838)	1,147
Interest received	0	32
<b>Net cash (used in) / from financing activities</b>	<b>(2,021)</b>	<b>484</b>
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	<b>4,942</b>	<b>(1,095)</b>
Cash & cash equivalent at beginning of the period	(107)	3,546
Cash & cash equivalent at end of the period	<b>4,835</b>	<b>2,451</b>

#### Cash and Cash equivalents

Cash and cash equivalents include in the Group's cash flow statement comprise the following Group's balance sheet amounts:-

	June 2004	June 2003
	S\$'000	S\$'000
Cash and bank balances	4,752	660
Fixed deposits with banks	267	2,530
Bank overdrafts	(184)	(739)
	<b>4,835</b>	<b>2,451</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or**

**(ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The Group	Note	Share Capital	Share Premium Account	Retained Profit	Total
		\$	\$	\$	\$

Balance at 1 January 2003					
- as previously reported		9,878,359	3,330,413	1,757,044	14,965,816
- Prior year adjustment		0	0	(3,213,153)	(3,213,153)
<b>- as restated</b>		<b>9,878,359</b>	<b>3,330,413</b>	<b>(1,456,109)</b>	<b>11,752,663</b>
Net loss for the financial year		0	0	(23,918,052)	(23,918,052)
<b>Balance at 31 December 2003</b>		<b>9,878,359</b>	<b>3,330,413</b>	<b>(25,374,162)</b>	<b>(12,165,390)</b>
Balance at 1 January 2004					
- as previously reported		9,878,359	3,330,413	(25,374,162)	(12,165,390)
<b>Issue of 94,502,371 rights shares at \$0.10 each</b>		<b>9,450,237</b>	<b>0</b>	<b>0</b>	<b>9,450,237</b>
Rights issue expenses			(710,546)	0	(710,546)
Net loss for the financial year		0	0	(2,415,569)	(2,415,569)
<b>Balance at 30 June 2004</b>		<b>19,328,596</b>	<b>2,619,867</b>	<b>(27,789,731)</b>	<b>(5,841,268)</b>
<b>The Company</b>	<b>Note</b>	<b>Share Capital</b>	<b>Share Premium Account</b>	<b>Retained Profit</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2003</b>					
- as previously reported		9,878,359	3,330,413	(79,998)	13,128,774
Net loss for the financial year		0	0	(733,875)	(733,875)
<b>Balance at 31 December 2003</b>		<b>9,878,359</b>	<b>3,330,413</b>	<b>(813,873)</b>	<b>12,394,899</b>
<b>Balance at 1 January 2004</b>					
- as previously reported		9,878,359	3,330,413	(813,873)	12,394,899

Issue of 94,502,371 rights shares at \$0.10 each		9,450,237	0	0	9,450,237
Rights issue expenses			(710,546)	0	(710,546)
Net loss for the financial year		0	0	(16,575,766)	(16,575,766)
<b>Balance at 30 June 2004</b>		<b>19,328,596</b>	<b>2,619,867</b>	<b>(17,389,639)</b>	<b>4,558,824</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue,**

**bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the period, the company issued 94,502,370 Rights Shares of \$0.10 each. The Share Capital rose from \$9,878,359 to \$19,328,596. Each Rights Share is issued with free detachable Warrant. Each Warrant carries the right to subscribe for one new ordinary share of the company at an exercise price of \$0.10 each. The Warrants can be exercised commencing 3 January 2005 and will end on the day immediately preceding the fifth anniversary of the date of issue of the Warrants

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not Applicable

**4. Whether the same accounting policies and methods of computation as in the**

**issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computation in the financial statements for the period ended 30 June 2004 as in the audited financial statements for the year ended 31 December 2003.

**5. If there are any changes in the accounting policies and methods of computation,**

**including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

None

**6. Earnings per ordinary share of the group for the current financial period reported**

**on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	30 June 04	30 June 03
Earning per share (EPS) (based on operating (loss) / profit after tax attributable to members of the company)		
(i) Based on weighted average number of shares	(2.26) cents	(17.36) cents
(ii) On fully diluted basis	(2.11) cents	(17.36) cents

Earning per share is calculated using weighted average number of shares of 106,658,788 (2003: 98,783,590) and fully diluted basis using 114,533,986 shares (2003:98,783,590)

**7. Net asset value (for the issuer and group) per ordinary share based on issued share**

**capital of the issuer at the end of the:-**

**(a) current financial period reported on; and  
(b) immediately preceding financial year.**

	30 June 04	30 June 03
Net (liability) / asset value per share Based on existing issued share capital at the respective period	(3.02) cents	(5.46) cents



**8. A review of the performance of the group, to the extent necessary for a reasonable**

**understanding of the group's business. It must include a discussion of the following:-**

**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Turnover for the current period has decreased significantly as a result of disruptions to its manufacturing business since the end of the last financial year. As previously announced, Startech Manufacturing Pte Limited ("SMPL") has since ceased its business.

Turnover for the current period only represents activities for its trading business. During this period, the Group has also reduced its operating expenses as it restructured its business and its financial position to re-position itself for the future.

The exceptional items noted during the period relate to the write off of its plant and equipment of its subsidiary, Startech Manufacturing (Dongguan) Ltd ("SMD").

Overall, with the above measures, the Group has reduced its net loss from about S\$17.1 million (for the period ended June 30, 2002) to about S\$2.4 million in the current period.

**Financial Position**

The Group has completed a rights issue of new shares increasing its share capital from approx. \$9.9 million to approx.\$19.3 million. It has also restructured its bank borrowings to be repaid over a period of 8 years. As a result, the Group has improved its net working capital from a negative of about \$5.2 million to a positive of approx. \$0.6 million. It has also reduced its capital deficit position from about \$12.2 million as at December 31, 2003 to about \$5.7 million as at June 30, 2004.

Plant and equipment has decreased as a result of the

write off of the assets owned by SMD. The increase in other non-current assets is due to an advance to invest in Cinch Electronics Pte Ltd. At the Company's level, it has provided for impairment in the carrying values and balances due from of its subsidiary, SMPL, as a result of the impending cessation of business activities by SMPL. These provisions have no material impact on the consolidated financial position of the Group.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The forecasts disclosed at the press conference held on July 17, 2004 were pro-forma results assuming that all the entities proposed to be acquired (see para 17 for more details) have been operating within the Group since the beginning of 2004.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

With the completion of the restructuring of the Group's financial position, it has entered into agreements to acquire the equity interest and business of Delteq Pte Ltd, Claymore Technology Group Pte Ltd and Beijing C&S Technology Development Co. Ltd. These acquisitions will transform the Group's core activities into the sphere of Transactions Relationship Management, which is expected to propel the Group's growth in the PRC and India markets in future.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? None

**(c) Date payable**

Not Applicable

**(d) Books closure date**

Not Applicable

**12. If no dividend has been declared/recommended, a statement to that effect.**

The Board does not recommend a dividend payment for the period ended 30 June 2004.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the**

**group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

<Place tabular results and/or notes here>

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

**15. A breakdown of sales.**

<Refer to Para 15 of Appendix 7.2 for the required details. Place tabular results and/or notes here>

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest**

**full year and its previous full year.**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year ( )	Previous Full Year ( )
Ordinary		
Preference	0	0
Total:		

**BY ORDER OF THE BOARD**

Lim Tai Toon

Managing Director  
13/08/2004