

STARTECH ELECTRONICS LTD

Company Registration Number : 199906220H

Unaudited Full Year Financial Statement And Dividend Announcement for the Period Ended 31/12/2005

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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.

	Notes	Group		
		This period 31-Dec-05 S\$'000	Previous period 31-Dec-04 S\$'000	% Increase / (Decrease)
Continuing Operations				
Revenue		5,192	4,738	9.58
Cost of Sales		(3,815)	(3,432)	11.19
Gross profit		1,377	1,306	
Other operating income		251	561	(55.26)
Distribution costs		(8)	(7)	14.28
Other operating expenses		(2,783)	(2,886)	(3.56)
Operating loss	A	(1,163)	(1,026)	
Finance costs		(45)	(50)	(11.52)
Impairment in value of convertible notes	B	(420)	-	NM
Advances for joint venture projects expensed off		(550)	-	NM
Loss before taxation		(2,178)	(1,076)	
Taxation		1	62	NM
Loss for the period from continuing operations		(2,177)	(1,014)	
Discontinued operations				
Profit/(loss) for the period from discontinued operations	C	2,297	(2,330)	NM
Minority interest		-	-	NM
Profit/(loss) for the year		120	(3,344)	NM

NM: Not Meaningful

Explanatory notes:

(A) Operating (loss) before taxation is stated after charging /(crediting):-

	31-Dec-05 S\$'000	31-Dec-04 S\$'000	% increase/ (decrease)
Interest income	(142)	(3)	4,633.3
Depreciation and amortization	79	83	(4.8)
Bad debts written off	29	1	2,800.0
Allowance for doubtful debts	-	1	NM
Foreign exchange differences	(3)	47	NM
Allowance for stocks obsolescence	324	28	1057.1
Diminution in value of club membership investment	10	-	NM
Obsolete stocks written off	25	22	13.7

(B) Impairment loss in convertible note investment

Provision for impairment loss of S\$420 thousand has been made in connection with the unquoted investment in convertible note issued by Cinch Electronics Pte Ltd.

Investment in convertible note	31 Dec 05 S\$'000
Cost of investment	1,800
Less impairment loss	(420)
Carrying value	1,380

(C) Profit/(loss) for the period from discontinued operations:

S\$2.3 million profit from discontinued operations is mainly due to deconsolidation adjustment of S\$2.5 million resulting from the liquidation of the subsidiaries, Startech Manufacturing Pte Ltd and Startech Power Pte Ltd.

Income statement for discontinued operations:

Discontinued operations	Period ended 31-Dec-05 S\$'000	Period ended 31-Dec-04 S\$'000
Revenue	1	89
Cost of Sales	-	(149)
Gross profit/(loss)	1	(60)
Other income	61	7
Deconsolidation adjustment (note 1(a)(D))	2,529	-
Other operating expenses	(47)	(671)
Operating profit/(loss)	2,544	(724)
Finance costs	(247)	(457)
Profit/(Loss) before exceptional items	2,297	(1,181)
Exceptional items	-	(1,149)
Profit/(Loss) before taxation	2,297	(2,330)
Taxation	-	-
Net profit/(loss) attributable to discontinued Operations	2,297	(2,330)

(D) Deconsolidation adjustment

	31 Dec 05
Liabilities reversed:	S\$'000
Trade payable	1,717
Other payables	738
Bank overdraft	1
Tax payable	78
Total liabilities reversed	2,534
Less assets written off:	
Bank balances	(5)
	2,529

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	
	Latest period 31-Dec-05 S\$'000	Previous period 31-Dec-04 S\$'000	Latest period 31-Dec-05 S\$'000	Previous period 31-Dec-04 S\$'000
Non – current assets				
Plant and equipment	59	134	36	66
Investment in subsidiaries	-	-	1,301	1,301
Club membership	37	47	-	-
Total non - current assets	96	181	1,337	1,367
Current assets				
Inventories	726	738	-	-
Trade receivables	1,257	982	5	1
Other receivables	49	106	32	77
Convertible note (Note: A)	1,380	-	1,380	-
Loan receivable (Note A)	-	1,000	-	1,000
Loan to joint venture	-	1,600	-	1,600
Advances to joint venture projects	-	550	-	550
Due from subsidiaries	-	-	1,069	279
Fixed deposits	272	269	-	-
Cash and bank balances	598	1,641	89	927
Total current assets	4,284	6,886	2,575	4,434
Current liabilities				
Trade creditors	757	2,275	-	-
Other creditors	1,387	2,588	1,280	1,706
Finance lease creditors	19	19	-	-
Due to director of the company	30	-	30	-
Due to subsidiary	-	-	296	42
Bank borrowings	800	1,410	586	293
Provision for taxation	-	79	-	-
Provision for contingent liability (Note: 1(b)(ii))	7,205	-	7,205	-
Total current liabilities	10,198	6,371	9,397	2,041
Net current (liabilities)/assets	(5,914)	515	(6,822)	2,393
Non-current liabilities				
Finance lease creditors	(31)	(50)	-	-
Bank borrowings	-	(7,414)	-	(414)
Deferred taxation	-	(1)	-	-
Total non - current liabilities	(31)	(7,465)	-	(414)
Net (liabilities) / assets	(5,849)	(6,769)	(5,485)	3,347
Capital and reserves				
Share capital	20,129	19,329	20,129	19,329
Share premium	2,620	2,620	2,620	2,620
Accumulated losses	(28,598)	(28,718)	(28,234)	(18,602)
	(5,849)	(6,769)	(5,485)	3,347

Note:

- (A) In the acquisition of unquoted convertible notes issued by Cinch Electronics Pte Ltd, the Company had made cash payment of S\$1 million as at 31 December 2004 (please refer to announcement dated 10 September 2004). This transaction was completed on 31 January 2005 and the Company had issued 8,000,000 new ordinary shares at par value of S\$0.10 each as the remaining consideration. Total cost of this investment is \$1.8 million (please refer to note 1(a)(B)). An impairment of S\$420,000 was made during the current financial year.

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

Amount repayable in one year or less, or on demand

As at 31 Dec 2005		As at 31 Dec 2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
176	586	1,117	293

Amount repayable after one year.

As at 31 Dec 2005		As at 31 Dec 2004	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	7,000	414

Details of any collateral

The bank overdraft and banking facilities are secured by fixed charges and debenture over all the assets of a subsidiary, and a pledge of fixed deposits in a subsidiary.

The Company is a corporate guarantor of S\$7 million outstanding bank loan of a subsidiary, which has been placed under liquidation. The Company has made a full provision on the contingent liabilities of \$7.2 million, including accrued interest of \$205 thousand which arose from the liquidation of the subsidiary.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Notes	Group	
		Latest period 31-Dec-05 S\$'000	Previous period 31-Dec-04 S\$'000
Cash flows from operating activities:			
Profit/(Loss) from operations before taxation		120	(3,406)
Adjustments for:			
Depreciation of plant and equipment		79	83
Interest expenses		292	507
Interest income		(142)	(3)
Obsolete stocks written off		25	22
Allowance for stocks obsolescence		324	119
Plant and equipment written off		1	1,175
Bad debts written off		29	1
Allowance for doubtful debts		-	102
Impairment loss in convertible note investment		430	-
Advances to joint venture projects expensed off		550	-
Gain on disposal of subsidiaries		(2,529)	-
Operating loss before working capital changes		(821)	(1,400)
Fixed deposits pledged to a bank		-	(2)
(Increase)/decrease in inventories and work in progress		(336)	70
(Increase)/decrease in receivables		(219)	1,285
Increase/(decrease) in payables		866	(500)
Cash used in operations		(510)	(547)
Interest paid		(88)	(493)
Income tax (paid)/received		(1)	19
Net cash used in operating activities		(599)	(1,021)
Cash flows from investing activities:			
Purchase of plant and equipment		(5)	(97)
Net cash flow on disposal of subsidiaries	A	(5)	-
Return of loan to joint venture		500	-
Funds allocated to joint venture projects		-	(550)
Loan to joint venture		-	(1,600)
Advances for acquisition of convertible notes		-	(1,000)
Net cash used in investing activities		490	(3,247)
Cash flows from financing activities:			
Net proceeds from right issue of shares		-	8,740
Repayment to finance lease creditors		(19)	(598)
Repayments of bank borrowings		(1,084)	(1,979)
Interest received		110	3
Net cash (used)/provided by financing activities		(993)	6,166
Net (decrease)/ increase in cash & cash equivalents		(1,102)	1,898
Cash & cash equivalent at beginning of the year		1,524	(374)
Cash & cash equivalent at end of the year	B	422	1,524

Note:

A. Net cash flow on disposal of subsidiaries:-

	31 Dec 05
	S\$'000
Liabilities:	
Trade payables	(1,717)
Other payables	(739)
Tax payables	(78)
	(2,534)
Profit on disposal of subsidiaries	2,529
Net cash flow on disposal of subsidiaries	(5)

B. Cash and cash equivalents included in the consolidated cash flow statement comprise the following consolidated balance sheet amounts:-

	31-Dec-05	31-Dec-04
	S\$'000	S\$'000
Fixed deposits	272	269
Cash and bank balances	598	1,641
Bank overdrafts	(176)	(117)
Total	694	1,793
Less,		
Fixed deposit pledged to a bank	(272)	(269)
Total	422	1,524

- 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	Share Capital S\$'000	Share premium S\$'000	Accumulated losses S\$'000	Total S\$'000
Balance at 1 st January 2004	9,879	3,330	(25,374)	(12,166)
Right issue of 94,502,371 ordinary Shares of \$0.10 each	9,450	-	-	9,450
Right Issue expenses	-	(710)	-	(710)
Loss for the financial year	-	-	(3,344)	(3,344)
Balance at 31 December 2004	19,329	2,620	(28,718)	(6,769)
Balance at 1 st January 2005	19,329	2,620	(28,718)	(6,769)
Issuing of 8,000,000 ordinary shares of \$0.10 each	800	-	-	800
Profit for the financial year	-	-	120	120
Balance at 31 December 2005	20,129	2,620	(28,598)	(5,849)

The Company	Share Capital S\$'000	Share premium S\$'000	Accumulated Losses S\$'000	Total S\$'000
Balance at 1 st January 2004	9,879	3,330	(814)	12,395
Rights issue of 94,502,371 ordinary shares of \$0.10 each.	9,450	-	-	9,450
Rights issue expenses	-	(710)	-	(710)
Loss for the financial year	-	-	(17,788)	(17,788)
Balance at 31 December 2004	19,329	2,620	(18,602)	3,347
Balance at 1 st January 2005	19,329	2,620	(18,602)	3,347
Issuing of 8,000,000 ordinary shares of \$0.10 each	800	-	-	800
Loss for the financial year	-	-	(9,632)	(9,632)
Balance at 31 December 2005	20,129	2,620	(28,234)	(5,485)

- 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 financial year, the company had issued 8,000,000 ordinary shares of \$0.10 each, being part of the consideration of acquiring the convertible note issued by Cinch Electronics Pte Ltd (please refer to note: 1(b)(i)(A)). The Share Capital increased from S\$19,328,596 to S\$20,128,596.

- 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 by the auditors.

- 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 financial year ended 31 December 2005, as compared with those of the last audited financial statements for the year ended 31 December 2004 except as described in section 5 below.

- 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.**

The Group has adopted the new and revised Singapore Financial Reporting Standards ("FRSs") that are mandatory for financial year beginning on and after 1st January 2005, where applicable. The adoption of the applicable revised and new accounting standards has no impact on the accumulated losses of the Group as at 1st January 2005.

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.

	31-Dec-05 cents	31-Dec-04 Cents
From continuing and discontinued operations:		
Basic and diluted earning/(loss) per ordinary share for the year	0.06	(2.15)
From continuing operations:		
Basic and diluted loss per ordinary share for the year from continuing operation	(1.08)	(0.66)
From discontinued operations:		
Basic and diluted earning/(loss) per ordinary shares for the year from discontinued operation	1.14	(1.49)
Weighted average number of fully-paid shares of \$0.10 each in issue during the financial year	200,716,098	155,303,571

Note:

Share warrants of 94,502,371 issued in the year of 2004 do not have dilution effect on earning/(loss) per ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-
 (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	31-Dec-05 cents	31-Dec-04 cents	31-Dec-05 cents	31-Dec-04 cents
Net tangible (liabilities)/assets per Ordinary shares based on the Issued share capital as at the Year end	(2.9)	(3.5)	(2.72)	1.73
Number of ordinary shares as at Year end	201,285,961	193,285,961	201,285,961	193,285,961

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.

Results

Turnover from continuing operations comprised revenue from Distribution Division, and the Switchgear Design and Assembly Division. Please refer to note 14 for explanations in the changes in turnover of the respective divisions.

Comparing to last year, the operating loss from continuing operations has increased from S\$1.1 million to S\$2.1 million. This is mainly due to non-recurring items like the impairment of investment in convertible note and the expensing of the advances to joint venture projects relating to costs incurred on the initial setting up of the joint venture projects which did not materialize.

The Group has continued to incur losses during the current financial year, largely due to corporate and compliance costs incurred and costs incurred to pursue investments to restructure the Group.

Financial Position

During the year the Group has recalled the \$1.6 million Loan to Joint Venture, \$500 thousand has been recovered and the remaining of \$1.1 million was assigned to other creditors for setting off of \$1.1 million owing to them.

The significant decrease of the Group creditors is mainly attributed by the deconsolidation adjustments resulting from the liquidation of the subsidiaries.

Cash Flow

The Group has utilised cash of about \$1.1 million for repayment of bank loans.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**
- Not applicable.
10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group is in the process of raising more funds through a right issue of shares. For additional details, please refer to our announcement dated December 2005. Barring any unforeseen circumstances, and subject to shareholders' and other necessary regulatory approvals, the right issue of shares should be completed by mid 2006. With the expected improvements in Asia's economy, and a better outlook for the Distribution and Switchgear Design and Assembly Division, the director is hopeful that the Group's performance will improve in FY2006.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(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 year ended 31 December 2005.

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.

(A) Business Segment	Discontinued operation Electronics Manufacturing Services		Distribution		Switchgear design & assembly		Consolidated	
	31-Dec-05 S\$'000	31-Dec-04 S\$'000	31-Dec-05 S\$'000	31-Dec-04 S\$'000	31-Dec-05 S\$'000	31-Dec-04 S\$'000	31-Dec-05 S\$'000	31-Dec-04 S\$'000
Revenue:								
External Customers	1	89	3,884	3,723	1,417	1,015	5,302	4,827
Inter-segment Sales	-	-	-	-	-	-	-	-
Total revenue	1	89	3,884	3,723	1,417	1,015	5,302	4,827
Segment results	468	(1,873)	(171)	(774)	(27)	(255)	270	(2,802)
Interest expenses							(292)	(507)
Interest income							142	3
Profit/(loss) before Taxation							120	(3,406)
Income tax							-	62
Profit from Ordinary activities							120	(3,344)
Minority interests							-	-
Net Profit/(loss)							120	(3,344)
Assets and Liabilities								
Segment assets	-	62	3,529	6,479	851	528	4,380	7,067
Segment liabilities	-	10,520	9,504	2,805	725	432	10,229	13,757
Capital Expenditures	-	-	5	97	-	-	5	97
Depreciation	-	4	39	70	7	9	79	83

(B) Geographical Segments

The Group revenue is mainly generated in Asia, all assets of the Group are located in Asia and capital expenditures are incurred in Asia.

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.

The increase in Group's operating turnover was mainly due to improvement in economic environment of electronics, marine and water treatment industries. The performance of Distribution division is connected to the economic performance of the electronics industry and the Distribution division has benefited from the improvement. The improvement in Switchgear Design and Assembly Division was due to a completion of a material project in the financial year.

15. A breakdown of sales.

Group	31-Dec-05 S\$'000	31-Dec-04 S\$'000	% increase/ (decrease)
a) Sales reported for first half year	2,321	2,526	(8.12)
b) Operating loss after tax before deducting minority interests reported for first half year	(1,799)	(2,416)	(25.54)
c) Sales reported for second half year	2,981	2,301	29.55
d) Operating profit/(loss) after tax before deducting minority interests reported for second half year	1,919	(928)	NM

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

By Order Of The Board
Tan Meng Dong
Executive Chairman
Date : 28 February 2006