

PROSPECTUS DATED 16 JUNE 2005

(Registered by the Monetary Authority of Singapore on 16 June 2005)

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

This Prospectus is issued in connection with our application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of all the ordinary shares of \$0.04 each (our "Shares") in the capital of Ban Leong Technologies Limited (our "Company") already issued (including the Vendor Shares as defined herein) and the new Shares ("New Shares") which are the subject of this Invitation (as defined herein). Such permission will be granted when we have been admitted to the Official List of the SGX-ST. The dealing in and quotation of our Shares will be in Singapore dollars. Our acceptance of your applications for our Shares will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in and for quotation of all our existing issued Shares (including the Vendor Shares) and the New Shares. Monies paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, if the said permission is not granted and you will not have any claim against us, the Vendor, the Manager, the Underwriter and the Placement Agent.

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-ST is not to be taken as an indication of the merits of this Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of the Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares) or the New Shares, as the case may be, being offered or in respect of which an invitation is made, for investment.

Investing in our Shares involves risks which are described in the section "Risk Factors" in this Prospectus.

No Shares shall be allotted and/or allocated on the basis of this Prospectus later than 6 months after the date of registration of this Prospectus.



BAN LEONG TECHNOLOGIES LIMITED

Registration Number 199303898C
(Incorporated in the Republic of Singapore on 18 June 1993)

Invitation in respect of 28,800,000 ordinary shares of \$0.04 each comprising 25,000,000 New Shares and 3,800,000 Vendor Shares, as follows:-

- (a) 2,800,000 Offer Shares at \$0.22 for each Offer Share by way of public offer; and
- (b) 26,000,000 Placement Shares by way of placement, comprising:-
 - (i) 23,200,000 Placement Shares at \$0.22 for each Placement Share; and
 - (ii) 2,800,000 Reserved Shares at \$0.22 for each Reserved Share reserved for our employees, business associates and those who have contributed to the success of our Group,

payable in full on application.

Manager, Underwriter and Placement Agent



Applications should be received by 12.00 noon on 21 June 2005 or such other time and date as our Company may, in consultation with the Manager, decide, subject to any limitation under all applicable laws.

Multimedia



Data Storage



IT Accessories



A Technology-Driven Specialist Distributor

We are a technology-driven specialist distributor of multimedia and data storage products as well as IT accessories. We focus on identifying innovative IT products to enhance our range of products. We currently have distributorship arrangements with six principals and also source our products from over 25 suppliers. In aggregate, we distribute over 70 types of products under more than 40 brand names.

Our Products

We carry a wide range of products of various brand names. These may be classified into three broad categories: (a) multimedia products, (b) data storage products and (c) IT accessories.

Multimedia Products

This category primarily consists of audio and visual IT products such as computer speakers, CRT and LCD monitors, graphic cards, MP3 players and sound cards.



Data Storage Products

These include products which are used in the storage of data such as tape storage, HDD cases and CD-ROMs.

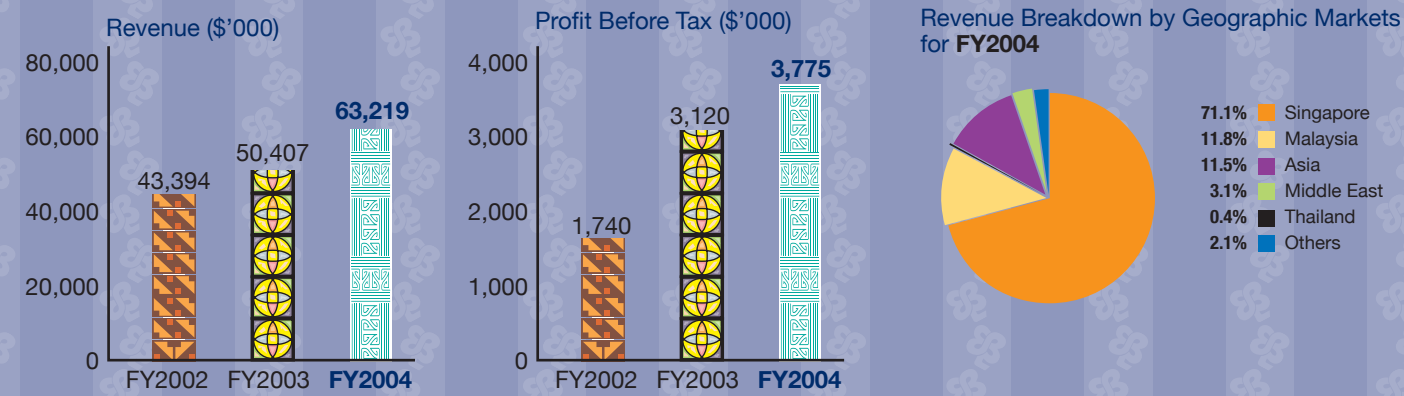


IT Accessories

This category consists of PC-related accessories such as mice, keyboards and networking products such as switches, routers and wireless cards.



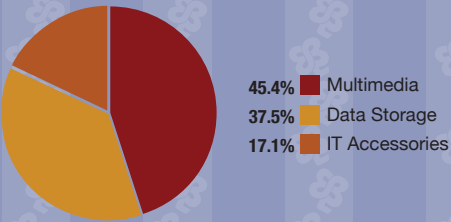
Our Financial Highlights



Our Competitive Strengths

- ⌘ We have established relationships with our principals.
- ⌘ We have developed good relationships with a wide customer base.
- ⌘ We distribute a wide range of products.
- ⌘ We have an experienced management team.
- ⌘ We have a flexible cost structure with our performance-based compensation scheme.

Revenue Breakdown by Product Category for FY2004



Our Awards and Accolades

As a testament to our Group's performance, our awards include:-

- ⌘ Enterprise 50 Award for three consecutive years from 2002 to 2004
- ⌘ 50 Fastest Growing Certification for 2003 and 2004
- ⌘ Outstanding Performance Award in 2002 from Samsung
- ⌘ Excellent Performance Award in 2003 from Sony

Our Prospects

We are optimistic about the prospects of our business and believe that we will continue to enjoy healthy growth in our business.

We view that our growth will primarily be fuelled by strong demand for multimedia products, data storage products and IT accessories in Singapore and the regional countries. This is expected to be driven by increasing consumer affluence and greater awareness of technological advancements in the IT industry. As home ownership of computers and IT products continues to rise, we expect a corresponding increase in penetration rates for internet usage and demand for the latest innovative IT products. We believe that our Group is well poised to capitalise on this growth trend.

We intend to focus on our expansion plans in regional countries such as Malaysia, Thailand and Vietnam. Our Directors are of the view that the market conditions in Singapore and the rest of South East Asia will continue to grow, and we believe that our Group is well poised to benefit from this trend.



Our Future Plans

We plan to further grow and develop our business operations by:

- ✚ Expanding our product range
- ✚ Expanding our geographical presence in South East Asia
- ✚ Expanding our business through acquisitions, joint ventures and strategic alliances
- ✚ Building up our technical and engineering capabilities





Dividend Policy

We intend to recommend dividends to our shareholders amounting to not less than 30% of our Group's net profit attributable to shareholders for each of FY2005 and FY2006.



BAN LEONG TECHNOLOGIES LIMITED

21 Kaki Bukit Crescent

Kaki Bukit Techpark 1

Singapore 416252

Tel: (65) 6512 9221

Fax: (65) 6741 9295

www.banleong.com

(Information contained on our website does not constitute a part of this Prospectus.)

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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Teng Woo Boon (<i>Managing Director</i>) Neo Gim Kiong (<i>Executive Director</i>) Ch'ng Jit Koon (<i>Non-Executive Director</i>) Loh Yih (<i>Independent Director</i>) Tan Eng Bock (<i>Independent Director</i>)
COMPANY SECRETARY	:	Eliza Lim Bee Lian (ACIS)
REGISTERED OFFICE AND BUSINESS ADDRESS	:	21 Kaki Bukit Crescent Kaki Bukit Techpark 1 Singapore 416252
REGISTRAR AND SHARE TRANSFER OFFICE	:	M & C Services Private Limited 138 Robinson Road #17-00 The Corporate Office Singapore 068906
MANAGER, UNDERWRITER, PLACEMENT AGENT AND RECEIVING BANK	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #29-02/04 OCBC Centre Singapore 049513
AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young Certified Public Accountants 10 Collyer Quay #21-01 Ocean Building Singapore 049315 Partner-in charge: Max Loh Khum Whai
SOLICITORS TO THE INVITATION	:	Colin Ng & Partners 50 Raffles Place #29-00 Singapore Land Tower Singapore 048623
SOLICITORS TO THE MANAGER, UNDERWRITER AND PLACEMENT AGENT	:	TSMP Law Corporation 6 Battery Road #33-01 Singapore 049909
SOLICITORS TO THE COMPANY ON MALAYSIAN LAW	:	Zaid Ibrahim & Co Level 19 Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia
SOLICITORS TO THE COMPANY ON THAI LAW	:	Apisith & Alliance Ltd. Wave Place 7 th Floor 55 Wireless Road Lumpini, Pathumwan Bangkok 10330 Thailand

CORPORATE INFORMATION

PRINCIPAL BANKERS	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #29-02/04 OCBC Centre Singapore 049513
		United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
VENDOR	:	Dollar Tree Inc Pte. Ltd. 207A Thomson Road Goldhill Centre Singapore 307640

DEFINITIONS

In this Prospectus, the accompanying Application Forms and, in relation to the Electronic Applications, the instructions appearing on the screens of the ATMs of the relevant Participating Banks, the following definitions apply throughout where the context so admits:-

Companies within our Group

<i>“Ban Leong (Malaysia)”</i>	:	Ban Leong Technologies Sdn Bhd
<i>“Ban Leong (Thailand)”</i>	:	Banleong Technologies (Thailand) Co., Ltd
<i>“Company”</i>	:	Ban Leong Technologies Limited
<i>“Digital Hub”</i>	:	Digital Hub Pte. Ltd.
<i>“Group” or “Proforma Group”</i>	:	Our Company and its subsidiaries, following the completion of the Restructuring Exercise, treated for the purposes of this Prospectus as if it had been in place since 1 January 2002

Other companies, corporations or agencies

<i>“Altec Lansing”</i>	:	Altec Lansing Technologies, Inc and/or Altec Lansing Far East Ltd, as the case may be
<i>“Authority”</i>	:	Monetary Authority of Singapore
<i>“Bizmen”</i>	:	Bizmen Corporation Pte. Ltd.
<i>“BLB”</i>	:	Ban Leong Brothers Pte Ltd
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Chainfusion”</i>	:	Chainfusion Limited
<i>“CPF”</i>	:	Central Provident Fund
<i>“Dollar Tree” or “Vendor”</i>	:	Dollar Tree Inc Pte. Ltd.
<i>“Fuwell Group”</i>	:	Fuwell Technology Pte. Ltd. and Fuwell International Pte Ltd
<i>“IDA”</i>	:	Info-communications Development Authority of Singapore
<i>“OCBC Bank”, “Manager”, “Underwriter”, “Placement Agent” or “Receiving Bank”</i>	:	Oversea-Chinese Banking Corporation Limited
<i>“Participating Banks”</i>	:	OCBC Bank, DBS Bank Ltd (including POSB) (“DBS Bank”) and United Overseas Bank Limited (“UOB Bank”) including its subsidiary, Far Eastern Bank Limited (the “UOB Group”)
<i>“Samsung”</i>	:	Samsung Asia Pte Ltd
<i>“SCCS”</i>	:	Securities Clearing and Computer Services (Pte) Limited
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Sony”</i>	:	Sony Electronics (Singapore) Pte. Ltd.

DEFINITIONS

General

- “Act”* : The Companies Act (Chapter 50) of Singapore
- “Application Forms”* : The printed application forms to be used for the purpose of this Invitation and which form part of this Prospectus
- “Application List”* : The list of applications for subscription and/or purchase of the Invitation Shares
- “Associate”* : (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder of a corporation (being an individual) means:-
- (i) his immediate family;
 - (ii) a trustee, when acting in his capacity as such trustee, of any trust of which the individual or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or
 - (iii) any corporation in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a 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 30% or more
- “Associated Company”* : A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
- “ATM”* : Automated teller machine of a Participating Bank
- “Audit Committee”* : The audit committee of our Company as at the date of this Prospectus
- “Bonus Issue”* : The bonus issue of 2,500,000 ordinary shares of \$1.00 each by way of capitalisation of \$2,500,000 from our Company’s accumulated profits referred to in the section “Share Capital” of this Prospectus
- “Controlling Shareholder”* : In relation to a corporation, means a person who:-
- (a) holds directly or indirectly 15% or more of the nominal amount of all voting Shares in the Company (unless otherwise excepted by SGX-ST); or
 - (b) in fact exercises control over the Company

DEFINITIONS

<i>"Directors" or "Board"</i>	:	The directors of our Company as at the date of this Prospectus
<i>"Electronic Applications"</i>	:	Applications for the Offer Shares made through the ATMs of the relevant Participating Banks in accordance with the terms and conditions of this Prospectus
<i>"EPS"</i>	:	Earnings per Share
<i>"Executive Directors"</i>	:	The executive directors of our Group as at the date of this Prospectus
<i>"Executive Officers"</i>	:	The executive officers of our Group as at the date of this Prospectus
<i>"Final Dividend"</i>	:	The final dividend of \$1.25 million declared on 11 May 2005 by our Company for FY2004, referred to in the section "Dividend Policy" of this Prospectus
<i>"FY"</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>"Independent Directors"</i>	:	The independent Directors of our Company as at the date of this Prospectus
<i>"Invitation"</i>	:	The invitation by our Company and the Vendor to the public to subscribe for and/or purchase the Invitation Shares, subject to and on the terms and conditions of this Prospectus
<i>"Invitation Shares"</i>	:	The 28,800,000 Shares which are the subject of this Invitation comprising 25,000,000 New Shares and 3,800,000 Vendor Shares
<i>"Issue Price"</i>	:	\$0.22 for each Invitation Share
<i>"Latest Practicable Date"</i>	:	9 May 2005, being the latest practicable date prior to the lodgement of this Prospectus
<i>"Listing Manual"</i>	:	Listing Manual of the SGX-ST
<i>"Market Day"</i>	:	A day on which the SGX-ST is open for trading in securities
<i>"New Shares"</i>	:	The 25,000,000 new Shares to be issued pursuant to this Invitation, for which we invite applicants to subscribe, subject to and on the terms and conditions of this Prospectus
<i>"Nominating Committee"</i>	:	The nominating committee of our Company as at the date of this Prospectus
<i>"NTA"</i>	:	Net tangible assets
<i>"Offer"</i>	:	The invitation by our Company and the Vendor to the public for subscription and/or purchase of the Offer Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus
<i>"Offer Shares"</i>	:	The 2,800,000 Invitation Shares which are the subject of the Offer

DEFINITIONS

<i>“Placement”</i>	:	The placement by the Placement Agent on behalf of our Company and the Vendor of the Placement Shares for subscription and/or purchase at the Issue Price, subject to and on the terms and conditions of this Prospectus
<i>“Placement Shares”</i>	:	The 26,000,000 Invitation Shares (including the Reserved Shares) which are the subject of the Placement
<i>“Prospectus”</i>	:	This Prospectus dated 16 June 2005 issued by our Company in respect of this Invitation
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Prospectus
<i>“Reserved Shares”</i>	:	The 2,800,000 Placement Shares reserved for our employees, business associates and those who have contributed to the success of our Group
<i>“Restructuring Exercise”</i>	:	The restructuring exercise undertaken by our Group as described under the section “Group Structure – Restructuring Exercise” of this Prospectus
<i>“Ronald Teng Woo Boon”</i>	:	Teng Woo Boon, our Managing Director
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP and does not include a securities sub-account
<i>“Securities and Futures Act”</i>	:	Securities and Futures Act (Chapter 289) of Singapore
<i>“Shareholders”</i>	:	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
<i>“Shares”</i>	:	Ordinary shares of \$0.04 each in the capital of our Company
<i>“Sub-division”</i>	:	The sub-division of each ordinary share of \$1.00 each in the authorised and issued and paid-up share capital of our Company into 25 ordinary shares of \$0.04 each, referred to in the section “Share Capital” of this Prospectus
<i>“Substantial Shareholder”</i>	:	A person who holds directly or indirectly 5% or more of the total issued share capital of our Company
<i>“Vendor Shares”</i>	:	The 3,800,000 Shares for which the Vendor invites applications to purchase pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus

Currencies, units and others

<i>“\$” or “SGD” and “cents”</i>	:	Singapore dollars and cents, respectively
<i>“RM”</i>	:	Malaysian ringgit
<i>“THB” or “Baht”</i>	:	Thai Baht
<i>“US\$” or “USD”</i>	:	United States dollars

DEFINITIONS

"sq ft"	:	Square feet
"N.A."	:	Not applicable
"%" or "per cent."	:	Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in Section 130A of the 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 neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus, the Application Forms and Electronic Applications to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined in the Securities and Futures Act, the Act, or any statutory modification thereof and used in this Prospectus shall, where applicable, have the meaning ascribed to it under the Securities and Futures Act, the Act or any statutory modification thereof as the case may be.

Any reference in this Prospectus, the Application Forms and Electronic Applications to Shares being allotted and/or allocated to an applicant includes allotment and/or allocation to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus, the Application Forms and Electronic Applications 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 a description of some of the technical terms and abbreviations commonly found in our industry:-

CD-ROM	:	A compact disc that is used with a computer (rather than with an audio system), where a large amount of digital information can be stored and accessed but it cannot be altered by the user
CD-RW	:	A compact disc that can be recorded more than once
CRT monitor	:	Cathode Ray Tube monitor which uses a type of technology that has been used in television sets and computer monitors for many years. A rapidly moving electron gun inside the set passes across the screen, casting a beam that lights selected phosphor dots as it moves. The dots are arranged in groups of three, forming "pixels" which can be lighted as red, blue, or green. By moving across rows of these pixels rapidly from top to bottom, the electron beam creates a continuously changing, lighted screen that the eye resolves into an image
DVD	:	Digital Versatile Disc, the technological successor of the compact disc, and a standard medium for storage of digital data in machine-readable form, accessible with a laser-based reader. The DVD has identical dimensions as a compact disc, but can store up to 4.7 gigabyte of computer data per 120 minutes
DVD-RW	:	A DVD that can be recorded more than once
HDD case	:	The casing of the Hard Disk Drive, the mechanism that controls the positioning, reading, and writing of the hard disk, which furnishes the largest amount of data storage for the personal computer
IT	:	Information technology, the science and activity of using computers and other electronic equipment to store and send information
KVM	:	Keyboard Video Mouse, a hardware device that enables a single keyboard, video monitor and mouse to control more than one computer at a time
LCD monitor	:	Liquid Crystal Display monitor which is a data projector that accepts computer output and displays it on a transmissive liquid crystal screen that is placed on top of an overhead projector
MP3	:	MP3 (MPEG-1 Audio Layer-3) is a standard technology and format for compressing a sound sequence into a very small file (about one-twelfth the size of the original file) while preserving the original level of sound quality when it is played
PC	:	Personal computer
Recordable Disc	:	The media used in recordable compact disc systems
Router	:	A device in a network that handles message transfer between computers
Sound card	:	A plug-in optional circuit card for the PC. It provides high-quality stereo sound output under program control. A "multimedia" PC usually includes a sound card

GLOSSARY OF TECHNICAL TERMS

USB	:	Universal Serial Bus, a standard bus connector or associated software for connecting computer input/output devices such as joysticks, keyboards, mouse, modems, printers, scanners and speakers
Wireless card	:	An electronic device in the card form which is used to support a computer network where there is no physical connection (either via copper cable or fibre optics) between sender and receiver, but instead they are connected by radio

DETAILS OF THE INVITATION

LISTING ON THE SGX-ST

We have applied to the SGX-ST for permission to deal in and for quotation of all our Shares already issued (including the Vendor Shares) and the New Shares on the SGX-ST. Such permission will be granted when our Company has been admitted to the Official List of SGX-ST. Our acceptance of your applications for our Shares will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in and for quotation of all our existing issued Shares (including Vendor Shares) and the New Shares. Monies paid in respect of any application accepted will, subject to applicable laws, be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, if the said permission is not granted and you will not have any claim against us, the Vendor, the Manager, the Underwriter or the Placement Agent.

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-ST is not to be taken as an indication of the merits of this Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares) or the New Shares, as the case may be, being offered or in respect of which an invitation is made, for investment.

Where the Authority issues a stop order pursuant to Section 242 of the Securities and Futures Act, and

- (a) in the case where the Invitation Shares have not been issued and/or allocated to the applicants, the applications of the Invitation Shares pursuant to this Invitation shall be deemed to have been withdrawn and cancelled and our Company shall, within 14 days from the date of the stop order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or
- (b) in the case where the Invitation Shares have been issued and/or allocated to the applicants, the issue of the Invitation Shares pursuant to this Invitation shall be deemed to be void and our Company shall, within 14 days from the date of the stop order, pay to the applicants all monies paid by them for the Invitation Shares.

This Prospectus has been seen and approved by our Directors and the Vendor, and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm that the facts stated and opinions expressed in this Prospectus are true and accurate and not misleading, that all expressions of opinion, intention and expectation contained herein are honestly held and made after due and careful consideration, that to the best of their knowledge, information and belief, this Prospectus constitutes full and true disclosure of all material facts about this Invitation, our Group and our Shares and that there are no other facts the omission of which would make any statement herein misleading.

Neither our Company, the Vendor, the Manager, Underwriter, the Placement Agent nor any other parties involved in this Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisors for business, legal or tax advice regarding an investment in our Shares.

DETAILS OF THE INVITATION

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with this Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by our Company, the Vendor or the Manager. Neither the delivery of this Prospectus, the Application Forms or any documents relating to the Offer or Placement nor this 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, we will comply with the requirements of the Securities and Futures Act and/or any other requirements of the Authority. All applicants should take note of any announcement and, upon the 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 this Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose. This Prospectus does not constitute an offer of, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability during office hours, from:-

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

and from selected branches of OCBC Bank, members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website <http://www.sgx.com>.

The Application List will open at 10.00 a.m. on 21 June 2005 and will remain open until 12.00 noon on the same day or for such further period or periods as our Company may, in consultation with the Manager, decide, subject to any limitation under all applicable laws. Where a supplementary document or replacement document has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary or replacement document. Where an applicant has notified our Company within 14 days from the date of lodgement of the supplementary document or replacement document of his wish to exercise his option under the Securities and Futures Act to withdraw his application, our Company shall return the application monies without interest or any share of revenue or other benefit arising therefrom and at the applicant's risk within 7 days from the receipt of such notification.

Details for the procedures for application for the Invitation Shares are set out in Appendix A of this Prospectus.

DETAILS OF THE INVITATION

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:-

Indicative Date and Time	Event
21 June 2005, 12.00 noon	Close of Application List
22 June 2005	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
23 June 2005, 9.00 a.m.	Commence trading on a "when issued" basis for our Shares
4 July 2005	Last day of trading on a "when issued" basis for our Shares
5 July 2005, 9.00 a.m.	Commence trading on a "ready" basis for our Shares
8 July 2005	Settlement date for all trades done on a "when issued" basis and for all trades done on a "ready" basis on 5 July 2005

The above timetable is only indicative as it assumes that the closing of the Application List takes place on 21 June 2005, the date of admission of our Company to the Official List of SGX-ST will be 23 June 2005, the SGX-ST's shareholding spread requirement will be complied with and the Invitation Shares will be issued and allotted, or allocated and fully paid prior to 23 June 2005. The actual date on which our Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures 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 our Shares on a "when issued" basis, do so at their own risk. **In particular, persons trading in our 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, if applicable, have been allotted and/or allocated 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 net sell positions traded on a "when issued" basis should close their positions on or before the first day of "ready" basis trading.**

In the event of any changes in the closure of the Application List or the time period during which this Invitation is open, we will publicly announce the same:-

- (i) through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (ii) in a major Singapore English newspaper such as The Straits Times or The Business Times.

We will provide details of the results of this Invitation through the channels described in (i) and (ii) above.

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

PROSPECTUS SUMMARY

The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus. Terms defined elsewhere in this Prospectus have the same meanings when used herein. Prospective investors should carefully consider the information presented in this Prospectus, particularly the matters set out under the section "Risk Factors" of this Prospectus before buying our Shares.

OVERVIEW OF OUR GROUP

Business

We are a technology-driven specialist distributor of multimedia and data storage products as well as IT accessories. We focus on identifying innovative IT products to enhance our range of products. We currently have distributorship arrangements with six principals and also source our products from over 25 suppliers. In aggregate, we distribute over 70 types of products under more than 40 brand names.

Our Products

We carry a wide range of products of various brand names. These may be classified into three broad categories: (a) multimedia products, (b) data storage products and (c) IT accessories.

(a) Multimedia Products

This category primarily consists of audio and visual IT products such as computer speakers, CRT and LCD monitors, graphic cards, MP3 players and sound cards.

(b) Data Storage Products

These include products which are used in the storage of data such as tape storage, HDD cases and CD-ROMs.

(c) IT Accessories

This category consists of PC-related accessories such as mice, keyboards and networking products such as switches, routers and wireless cards.

Further details are set out under the section "General Information on our Group - Our Products" of this Prospectus.

Competitive Strengths

Our Directors consider the following to be our core competitive strengths:-

(a) We have established relationships with our principals

Over the years, we have established good relationships and rapport with our major principals such as Altec Lansing, Samsung and Sony. We have an established track record with our principals and consistently meet targets set by them. Leveraging on our relationships with our principals, we believe that we are well poised to gain access to the latest innovative products introduced by our principals.

(b) We have developed good relationships with a wide customer base

As part of our strategy to grow our business, we have established a wide customer base of over 1,000 customers. Through regular meetings and discussions, we are able to plan our inventory and delivery schedules according to our customers' requirements. Approximately 82.1% of our revenue for FY2004 was derived from sales to repeat customers.

PROSPECTUS SUMMARY

(c) *We distribute a wide range of products*

Presently we have distributorship arrangements with six principals. We also source our products from over 25 suppliers. In aggregate, we distribute over 70 types of products under more than 40 brand names. In view of the wide range of products which we carry, we are able to bundle different products together to better cater to our customers' varied needs. By providing our customers with a wide range of products, our customers would in turn be able to provide their customers with more choices.

(d) *We have an experienced management team*

We have an experienced management team spearheaded by our Managing Director, Ronald Teng Woo Boon who has more than 10 years of experience in the IT industry. Our management team has over 30 years of combined experience in the IT industry. Our management team's in-depth understanding and experience in the IT industry have been instrumental in helping us identify and establish relationships with principals who have a track record of developing innovative IT products. This is in line with our focus as a technology-driven specialist distributor of multimedia and data storage products as well as IT accessories.

(e) *We have a flexible cost structure with our performance-based compensation scheme*

Our Managing Director, Ronald Teng Woo Boon has established a performance-based compensation scheme for our Group since our inception. Currently, all our sales personnel and product managers are remunerated based on this compensation scheme. We believe that this performance-based compensation scheme gives us an edge over our competitors, as we are able to maintain a flexible cost structure and align the interests of these staff with that of our Group.

Further details are set out under the section "General Information on our Group - Competitive Strengths" of this Prospectus.

Our Financial Performance

The following tables present a summary of the financial highlights of our Group and should be read in conjunction with the section "Financial Review" of this Prospectus and the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 set out in Appendix G of this Prospectus.

Summary of the Proforma Results of our Group

	FY2002	FY2003	FY2004
(\$'000)			
Revenue	43,394	50,407	63,219
Gross profit	4,300	6,237	8,526
Profit before tax	1,740	3,120	3,775
Net profit attributable to Shareholders	1,354	2,418	3,161
EPS ⁽¹⁾ (cents)	1.81	3.22	4.21

Note:-

- (1) For comparative purposes, EPS for the period under review has been computed based on our net profit attributable to Shareholders and our pre-Invitation share capital of 75,000,000 Shares.

PROSPECTUS SUMMARY

Summary of the Proforma Financial Position of our Group

	As at 31 December 2004
(\$'000)	
Non-current assets	560
Current assets	17,566
Total assets	18,126
Current liabilities	9,313
Non-current liability	95
Total liabilities	9,408
Net assets	8,718
Proforma Shareholders' Equity	8,685
NTA per Share ⁽¹⁾ (cents)	11.34

Note:-

- (1) NTA per Share has been computed based on the net assets of our Group after deducting minority interests and deferred tax assets and our pre-Invitation share capital of 75,000,000 Shares.

Prospects and Future Plans

Based on the current industry outlook, our Directors are optimistic about the prospects of our business and believe that we will continue to enjoy healthy growth in our business.

We plan to further grow and develop our business operations in the following ways:-

(a) To expand our product range

We intend to expand our product range by sourcing for new distributorships and suppliers and expanding the distribution rights from our existing principals and suppliers. In expanding our product range, we intend to focus on innovative IT products, in line with our strategy as a technology-driven specialist distributor of multimedia and data storage products as well as IT accessories.

(b) To further expand our geographical presence in South East Asia

We currently have operations in Singapore, Malaysia and Thailand. We intend to further expand our existing markets in Malaysia and Thailand and to penetrate new markets such as Vietnam, through various means including setting up subsidiaries or representative offices, forming joint ventures or appointing local agents.

(c) To expand our business through acquisitions, joint ventures and strategic alliances

We intend to expand our business through acquisitions, joint ventures or form strategic alliances with companies which we believe are complementary to our business. Such acquisitions, joint ventures or strategic alliances would bring about an expanded network of customers and additional distribution channels. Currently, we are not engaged in any discussion with any party for acquisitions, joint ventures or strategic alliances. Should such opportunities arise, we will, where necessary seek approval from our Shareholders and/or the relevant authorities as required by the relevant rules and regulations.

PROSPECTUS SUMMARY

(d) *To build up our technical and engineering capabilities*

To complement our distribution business, we intend to build up our technical and engineering capabilities through the recruitment of suitably qualified personnel and/or through partnerships with our principals and suppliers. We believe that this capability will strengthen our ability to market our principals' products. It will also enable us to keep up with development in the IT industry and enhance our ability to source for innovative IT products from our principals and suppliers.

Further details are set out under the section "Prospects and Future Plans – Future Plans" of this Prospectus.

Our Contact Details

Our registered address is 21 Kaki Bukit Crescent, Kaki Bukit Techpark 1, Singapore 416252. Our telephone and fax numbers are (65) 6512 9221 and (65) 6741 9295 respectively. Our Company registration number is 199303898C. Our website address is <http://www.banleong.com>. Information contained on our website does not constitute a part of this Prospectus.

PROSPECTUS SUMMARY

THE INVITATION

- Issue Size** : 28,800,000 Invitation Shares comprising 25,000,000 New Shares and 3,800,000 Vendor Shares. The New Shares upon allotment and issue, will rank *pari passu* in all respects with the existing issued Shares.
- Issue Price** : \$0.22 for each Invitation Share.
- The Offer** : The Offer comprises 2,800,000 Offer Shares to members of the public in Singapore.
- The Placement** : The Placement comprises 26,000,000 Placement Shares by way of placement comprising:-
- (i) 23,200,000 Placement Shares for applications by way of application forms; and
 - (ii) 2,800,000 Reserved Shares reserved for our employees, business associates and those who have contributed to the success of our Group.
- Reserved Shares** : Of the Placement Shares, 2,800,000 Reserved Shares will be reserved for our 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 made for the Placement Shares at the Issue Price or, in the event of an under-subscription for the Placement Shares, to satisfy applications made by members of the public for the Offer Shares at the Issue Price.
- Purpose of this Invitation** : We consider that the listing and quotation of our Shares on the SGX-ST will enhance our public image locally and internationally and enable us to tap the capital markets to fund our business growth. It will also provide members of the public, our employees and business associates of our Group with an opportunity to participate in the equity of our Company. The Invitation will also enlarge our capital base for the continued expansion of our business.
- Use of Proceeds** : The net proceeds from the issue of the New Shares (after deducting estimated issue expenses of approximately \$1.2 million) is approximately \$4.3 million. We intend to use the net proceeds from the issue of the New Shares as follows:-
- (a) approximately \$2.0 million to expand our product range by sourcing for new distributorships and expanding the distribution rights from our existing principals and suppliers for more innovative IT products;
 - (b) approximately \$1.0 million to finance our expansion into our existing markets in Malaysia and Thailand and to penetrate new markets such as Vietnam, through various means including setting up subsidiaries or representative offices, forming joint ventures or appointing local agents;

PROSPECTUS SUMMARY

- (c) approximately \$0.5 million to expand our business through acquisitions, joint ventures and strategic alliances with companies which we believe are complementary to our business;
- (d) approximately \$0.5 million to build up our technical and engineering capabilities through the recruitment of suitably qualified personnel and/or through partnerships with our principals and suppliers; and
- (e) the balance to be used as general working capital of our Group.

Please refer to the section “Prospects and Future Plans – Future Plans” of this Prospectus for further details.

Pending the specific deployment of the 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 or debt instruments, as our Directors may in their absolute discretion deem appropriate.

In the opinion of our Directors, there is no minimum amount which must be raised by this Invitation.

Listing Status

- :
- Our Shares will be quoted on the Main Board of the SGX-ST, subject to the admission of our Company to the Official List of the SGX-ST and permission for dealing in and for quotation of our Shares being granted by the SGX-ST and that no stop order is issued by the Authority.

RISK FACTORS

Prospective investors should carefully consider and evaluate each of the following considerations and all other information set forth in this Prospectus before deciding to invest in our Shares. To the best of our Directors' knowledge and belief, all risk factors that are material to investors in making an informed judgment have been set out below. If any of the following considerations and uncertainties develop into actual events, our business, financial condition, results of operations and prospects could be materially and adversely affected. In such cases, the trading price of our Shares could decline and you may lose all or part of your investment in our Shares.

This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.

RISKS RELATING TO OUR BUSINESS

Our business will be adversely affected if we are unable to adapt to technological changes and consumer preferences

The IT industry is one that is characterised by rapid changes in technology, the introduction of new products and changing consumer needs, demands and preferences. As such, we are required to constantly keep abreast of changes in technology in the industry in order to provide up-to-date IT products to meet our customers' needs. In the event we are unable to provide up-to-date IT products to our customers, our products may become obsolete and our customers may turn to our competitors who are able to meet their needs. This will affect our business and financial performance adversely.

Failure to compete successfully with our competitors and new entrants may adversely affect our business and financial performance

The IT industry in which we operate is highly competitive. We face competition from many players who sell similar products as us. Further, given the low barriers to entry into the industry, there is no assurance that we will not face competition from new entrants. We compete with a variety of companies, some of which may have longer operating histories, larger clientele, better products, larger teams of technical, sales, marketing and professional staff and such other relevant resources, or are better entrenched in the markets that we operate or intend to venture into. Our competitors may be able to respond more quickly to new and emerging technologies and changes in our customers' requirements. Our competitors may also have lower operating costs and may compete with us on pricing. For further details of our competitors, please refer to the section "General Information on our Group – Competition" of this Prospectus. If we are unable to compete effectively with our existing and future competitors and adapt quickly to changing market conditions and trends, our business and financial performance will be adversely affected.

Our business may be adversely affected if we are unable to manage our inventory

The nature of our industry is such that the technology in the industry is constantly changing. Current technology may thus become obsolete in a short span of time. In order to meet our customers' needs, we have to maintain a certain amount of inventory. If we fail to anticipate such needs of our customers and manage our inventory levels effectively, we may accumulate large amounts of obsolete inventory. Furthermore, any mismanagement of inventory may lead to us facing cash flow shortages and this would affect our business and financial performance adversely. Please refer to the section "General Information on our Group – Inventory Management" of this Prospectus for further details.

Our business will be adversely affected if we are not able to resell the products of our IT principals

We procure the products that we sell from our IT principals and suppliers. We are thus dependent on the authorisation of our IT principals to sell their products. If our IT principals decide in the future to change their sales strategy, for example, by selling their products directly to the end-users or by having their own retail outlets, we may no longer be authorised to distribute these products. There is no assurance that we will be able to secure alternative sources for the same or for similar products at competitive prices. As a result of this, our business and financial performance will be adversely affected.

RISK FACTORS

We are dependent on principal-distributorship arrangements

We are principally engaged in the distribution of multimedia products, data storage products and IT accessories. Some of our distributorship agreements are subject to annual or periodic review by our principals. Prior to appointing us or renewing our appointment, our principal may assess our past performance. In some cases, our right to distribute may be lost if we fail to satisfy certain purchase targets. Most of our distributorship agreements are non-exclusive in nature. As such, it would be possible for our principals to appoint additional distributors to distribute the same products in the same markets as us. If any of these events occur, our business and financial performance may be adversely affected.

We may face claims by our customers for defects in our products

The products which we distribute to our customers must meet the stringent quality standards stipulated by them. Although we have implemented quality assurance procedures as described in the section on “General Information on our Group – Quality Assurance” of this Prospectus, there is no assurance that products we distribute will always be able to satisfy our customers’ quality standards. If there are any quality defects in the products supplied by us, we may face claims from our customers for damages, injury claims or loss of business suffered by our customers arising from such defects. Under some of our distributorship agreements, we have recourse against our principals in respect of such defects. In the event that we are unable to seek such recourse against our principals and we are required to pay damages to our customers in respect of such claims, our business, financial condition and results of operations will be materially and adversely affected.

Our insurance coverage may not cover all situations

We have insurance coverage against claims arising from accidental bodily injury or loss or damage to property that may occur in connection with our business and operations. However, in the event that the amounts of such claims exceed the insurance coverage of our insurance policies, we may be liable to cover the shortfall of the amounts claimed. We are not insured against loss of key personnel and business interruption. If such events were to occur, our business, financial performance and financial position may be materially and adversely affected.

We are exposed to the credit risks of our customers which may result in bad debts

We are exposed to the credit risks of our customers. Any deterioration in the financial position of our customers may materially and adversely affect our Group’s profits and cash flows as these customers may default on their payment to us. This impact will be greater in an economic downturn, when more customers may experience cash flow difficulties or face the possibility of liquidation. This will result in us experiencing a long delay in receiving payment for our products or in more severe cases, we may not be able to receive and/or collect payment for our products. As a result of our customers defaulting on their payment to us, we would have to make provisions for doubtful debts, or debt write-offs, which would have an adverse impact on our profitability.

We are reliant on our key principals

Our key principals include Samsung and Sony, with whom we have had a business relationship of approximately six and eight years, respectively. The sales of products supplied by Samsung accounted for an average of approximately 40% of our purchases in FY2002, FY2003 and FY2004. The sales of products supplied by Sony accounted for an average of approximately 29% of our purchases in FY2002, FY2003 and FY2004. Although we have a strong relationship with Samsung and Sony, there is no assurance that they will continue to grant us distribution rights in the future. In the event that Samsung or Sony are not able to fulfill our purchase orders or our distributorship rights with these principals are terminated and we cannot secure any suitable substitute brands, our Group’s business and results of operations will be adversely affected. Please refer to the section “General Information on our Group – Principals and Major Suppliers” of this Prospectus for further details.

RISK FACTORS

Our business may be adversely affected if our principals and suppliers change our credit terms

We currently have credit terms with our principals and suppliers of up to 60 days. If for any reason our principals or suppliers change our credit terms adversely, we may face cash flow shortages and may not be able to pay them on time. This may also result in us having less resources for working capital. If our cash flow and working capital are not properly managed, our business and financial performance would be adversely affected.

We depend on selected personnel and our operations and results may be adversely affected by an inability to retain, recruit and motivate key employees

Our success to-date has been principally due to the collective contribution of our key management team headed by our Managing Director, Ronald Teng Woo Boon and our Executive Officers. Our continued success is dependent to a large extent on our ability to retain the services of these key personnel. We do not have any key-man insurance. The loss of any of their services without timely and suitable replacement or an inability to attract and retain qualified personnel will adversely affect our operations and hence, our revenue and profits. Further, our profits will be adversely impacted if we need to increase employee compensation levels in order to attract and retain our existing personnel, as well as any additional personnel that we require in the future. Please refer to the section “Directors, Management and Staff” of this Prospectus for details of their past working experience and service agreement with our Group.

Changes in political, economic or regulatory conditions in the countries we operate would affect our performance

Our overseas operations are located in Malaysia and Thailand. In addition, we also export multimedia products, data storage products and IT accessories to other countries in the Middle East and South Asia. Any political, economic or regulatory uncertainties in these countries may adversely affect our financial performance. In particular, any economic downturn in these regions or in the countries where our products are distributed will have an adverse effect on our business and financial condition.

We are subject to regulations on foreign share ownership in Malaysia

In Malaysia, the approval of the Foreign Investment Committee of Malaysia (“FIC”) is required, *inter alia*, in the event of any proposed acquisition of interest of a local company or business in Malaysia by any means which results in the transfer of ownership or control to foreign interests or any proposed acquisition of interests by any foreign interest of 15% or more of the voting rights of any local company or business in Malaysia. According to the current FIC guidelines, conditions to be imposed include, among others:-

- (a) companies which do not have any Bumiputra equity or having less than 30% Bumiputra equity, to increase the Bumiputra equity to at least 30% within a stipulated time-frame. The remaining equity shareholding can be held either by local interest, foreign interest or both;
- (b) companies owned by foreign interest with paid-up capital of less than RM250,000 will be required to increase the share capital to at least RM250,000 within 6 months from the date of FIC’s approval letter; and
- (c) companies must, to the best of their ability, recruit and train Malaysians so as to reflect the country’s population composition at all levels of employment.

Although the guidelines issued by FIC are applicable to us, we have not sought FIC’s approval for our shareholding in our wholly-owned subsidiary, Ban Leong (Malaysia).

The FIC guidelines are administrative guidelines and do not have the force of law. There are also no statutory penalties for non-compliance with these guidelines. However, non-compliance with the FIC guidelines may have practical consequences since application for approvals or licences to certain regulatory bodies in Malaysia may require the prior approval of the FIC or the FIC guidelines to be complied with. In the event that we are required to comply with the FIC guidelines to dilute our

RISK FACTORS

shareholding in Ban Leong (Malaysia) or to increase the issued and paid-up capital in Ban Leong (Malaysia) to at least RM250,000 or in the event of any future change to the FIC guidelines or the introduction of new regulations or requirements governing foreign ownership, we may be required to review the equity structure of Ban Leong (Malaysia). For FY2004, Ban Leong (Malaysia) accounted for approximately 2.3% of our net profit attributable to Shareholders. If the profit contribution from Ban Leong (Malaysia) increases significantly in the future, our financial performance may be adversely affected in the event that we have to comply with the FIC guidelines.

We are subject to foreign exchange risks

Our sales are denominated mainly in SGD, USD and RM whilst our purchases are denominated mainly in SGD and USD. Our operating costs are denominated in SGD, RM and THB.

Our foreign currency sales, purchases and operating costs fluctuate from year to year. Therefore, we are exposed to foreign currency exchange risks arising from any mismatch between the currencies of our sales and the currencies of our purchases and operating costs. To the extent that our sales and our purchases and operating costs are not matched in the same currency, we may be exposed to significant fluctuations in exchange rates, which may materially and adversely affect our operating results. Currently, we do not have any formal policy to hedge our foreign currency exposure.

As our reporting currency is in SGD, the accounts of our subsidiaries in Malaysia and Thailand will need to be translated to SGD for consolidation purposes. As such, we face translation risk in that any material fluctuation in the RM and THB will have an effect on our consolidated financial statements which are presented in SGD.

Please refer to the section “Financial Review – Foreign Exchange Exposure” of this Prospectus for further details.

We may face uncertainties and risks associated with our expansion of existing markets and entry into new overseas markets

As part of our future plans, we intend to further expand our existing markets in Malaysia and Thailand and to penetrate new markets such as Vietnam, through various means including setting up subsidiaries or representative offices, forming joint ventures or appointing local agents and intensifying our sales, marketing and business development activities. Such initiatives involve numerous risks, including but without limitation to, the costs of setting up our presence overseas and unexpected or additional costs which may affect our results of operations. There can be no assurance that we will be successful in our entry into these new markets overseas. If we fail to achieve a sufficient level of revenue, we will not be able to recover our costs and our future financial position and performance may be adversely affected. Please refer to the section “Prospects and Future Plans” of this Prospectus for further details on our future plans.

RISKS RELATING TO AN INVESTMENT IN OUR SHARES

Future sale of Shares will adversely affect our Share price

Any future sale or availability of Shares can have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after this Invitation, or the perception that such sales may occur, could materially affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described in the section “Share Capital – Moratorium” of this Prospectus, there will be no restriction on the ability of our Substantial Shareholders to sell their Shares either on the SGX-ST or otherwise.

Control by existing Shareholders may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

Upon completion of this Invitation, our Directors and existing Shareholders holding more than 5% in our equity and their Associates will collectively own approximately 66.0% of our issued post-Invitation share capital. These Shareholders, if acting together, would be able to significantly influence all matters requiring approval by our Shareholders, including the election of directors and the approval of significant

RISK FACTORS

corporate transactions, and will have veto power with respect to any shareholder action or approval requiring a majority vote. This concentration of ownership could have the effect of delaying or preventing a change in control of our Company or otherwise discouraging a potential acquirer from attempting to obtain control of us through corporate actions such as mergers or takeover attempts (notwithstanding that the same may be synergistic or beneficial to our Group) in a manner that could conflict with the interests of our public Shareholders.

Investors in our Shares would face immediate and substantial dilution in our NTA per Share

Our Issue Price of \$0.22 is substantially higher than our Group's NTA per Share of approximately \$0.12 (adjusted for the Restructuring Exercise, Final Dividend, Bonus Issue, Sub-division and net proceeds from the issue of the New Shares) as at 31 December 2004. Thus, there is an immediate and substantial dilution in the book value per Share for investors who purchase our Shares. Please refer to the section "Dilution" in this Prospectus for more details.

Our Share price may be volatile, which could result in substantial losses for investors purchasing Shares pursuant to this Invitation

Prior to this Invitation, you could not buy or sell our Shares publicly. You may not be able to sell your Shares at or above the Issue Price. Further, the market price of our Shares may fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:-

- the success or failure of our management in implementing business and growth strategies;
- variations in our operating results;
- failure to renew our distributorship agreements;
- changes in securities analysts' estimates of our financial performance and recommendation;
- changes in market valuations of similar companies;
- announcements by our competitors or ourselves of gain or loss of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- fluctuations in stock market price and volume; and
- involvement in any litigation.

There has been no prior market for our Shares and this Invitation may not result in an active or liquid market for these Shares

Prior to this Invitation, there has been no public market for our Shares. The Issue Price may not be indicative of the market price for our Shares after the completion of this Invitation. We have applied to the SGX-ST for the listing and quotation for our Shares on the SGX-ST. However, no assurance can be given that an active trading market for our Shares will develop or, if developed, will be sustained. You should not take the listing as an indication of the merits of this Invitation, our Company, our subsidiaries, our existing issued Shares (including the Vendor Shares) or the New Shares.

RISK FACTORS

We may require additional financing in the future

We may need to obtain additional debt or equity to fund future expansion plans, acquisitions or capital expenditure. We are continuously evaluating possible acquisition opportunities, which may require more funds if such acquisitions are carried out on a large scale basis. Accordingly, we are unable to predict the amount of funds required in the near future. The issue of additional equity may result in dilution to the holders of our Shares. In addition, additional debt financing may include conditions that would restrict our freedom to operate our business, such as conditions that:-

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

In addition, there is no assurance that we will be able to obtain any additional financing or obtain such additional financing on terms acceptable to us.

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 Directors, Executive Officers or employees acting on our behalf or the Vendor, that are not statements of historical fact constitute “forward looking statements”. Some of these statements can be identified by forward looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, and “could” or similar words. However, these words are not the exclusive means of identifying forward looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward looking statements. These forward looking statements and other matters discussed in this Prospectus regarding matters that are not historical fact 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 expected, expressed or implied by such forward looking statements. These risk factors and uncertainties are discussed in more detail in this Prospectus, in particular, but not limited to, discussions in the section “Risk Factors” of this Prospectus.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from expected, expressed or implied by the forward looking statements in this Prospectus, we advise you not to place undue reliance on those statements. Neither our Company, the Vendor, the Manager, our advisors nor any other person represents or warrants that our actual future results, performance or achievements will be as discussed in those statements.

Our actual future results may differ materially from those anticipated in these forward looking statements as a result of the risks faced by us. Our Company, the Vendor and the Manager disclaim any responsibility to update any of those forward looking statements or publicly announce any revisions to those forward looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of this Invitation, our Company becomes aware of: (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in this Prospectus, if it has arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

INVITATION STATISTICS

ISSUE PRICE

\$0.22

NTA

NTA per Share based on the proforma consolidated balance sheet of our Group as at 31 December 2004 and after adjusting for the Restructuring Exercise, Final Dividend, Bonus Issue and Sub-division referred to in the section “Share Capital” of this Prospectus (the “Adjusted NTA”):-

- | | |
|--|-------------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 75,000,000 Shares | 10.00 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 100,000,000 Shares | 11.80 cents |

Premium of Issue Price over the Adjusted NTA per Share as at 31 December 2004:-

- | | |
|--|--------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 75,000,000 Shares | 120.0% |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 100,000,000 Shares | 86.4% |

EARNINGS

Historical net EPS of our Group for FY2004 based on the pre-Invitation share capital of 75,000,000 Shares ⁽¹⁾	4.21 cents
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PRICE EARNINGS RATIO

Historical price earnings ratio based on the historical net EPS of our Group for FY2004	5.23 times
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NET OPERATING CASH FLOW⁽²⁾

Historical net operating cash flow per Share of our Group for FY2004 based on the pre-Invitation share capital of 75,000,000 Shares	4.36 cents
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PRICE TO NET OPERATING CASH FLOW

Historical price to net operating cash flow ratio based on the historical net operating cash flow per Share for FY2004	5.05 times
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MARKET CAPITALISATION

Market capitalisation based on Issue Price of 22 cents and post-Invitation share capital of 100,000,000 Shares	\$22.0 million
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Notes:-

- (1) There is no financial impact on our Group had the service agreement set out in the section “Directors, Management and Staff – Service Agreement” of this Prospectus been effected for FY2004.
- (2) Net operating cash flow is defined as net profit attributable to Shareholders with depreciation of property, plant and equipment added back.

PLAN OF DISTRIBUTION

The Issue Price was arrived at after consultations between ourselves, the Vendor and OCBC Bank and after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Invitation Shares. The Issue Price is the same for all the Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Issue Price. The terms and conditions and procedures for application and acceptance are described in Appendix A of this Prospectus.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, the number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy excess 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 over-subscription for the Offer Shares as at the close of the Application List and the Placement Shares are fully subscribed for or over-subscribed and/or purchased 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 Directors and approved by the SGX-ST.

Pursuant to the terms and conditions contained in the Management and Underwriting Agreement as disclosed in the section “General and Statutory Information – Management, Underwriting and Placement Arrangements” of this Prospectus, the Company and the Vendor appointed OCBC Bank and OCBC Bank has agreed to manage this Invitation and underwrite the Offer Shares. In the event of under-subscription, OCBC Bank will be committed to subscribe for and/or purchase all the unsubscribed and/or not purchased Offer Shares. However, OCBC Bank may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

Placement Shares (excluding Reserved Shares)

In the event of an under-subscription for the Placement Shares (other than Reserved Shares) as at the close of the Application List, that number of Placement Shares (other than Reserved Shares) not subscribed for and/or purchased 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.

Pursuant to the terms and conditions contained in the Placement Agreement as disclosed in the section “General and Statutory Information – Management, Underwriting and Placement Arrangements” of this Prospectus, OCBC Bank agreed to subscribe for and/or purchase or procure subscriptions for and/or purchase of the Placement Shares. In the event of under-subscription, OCBC Bank will be committed to subscribe for and/or purchase all the unsubscribed and/or not purchased Placement Shares (other than Reserved Shares). However, OCBC Bank may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers and/or purchasers of the Placement Shares (other than Reserved Shares) may be required to pay a commission of up to 1.0% of the Issue Price to the Placement Agent.

Reserved Shares

Of the Placement Shares, 2,800,000 Reserved Shares will be reserved for our employees, business associates and those who have contributed to the success of our Group at the Issue Price. They may accept, dispose of or transfer all or part of their respective Reserved Shares after the admission of our Company to the Official List of the SGX-ST.

Any Reserved Shares not taken up will be made available first to satisfy other applications for the Placement Shares (other than Reserved Shares) to the extent that there is an over-subscription for the Placement Shares (other than Reserved Shares) and then to satisfy applications for Offer Shares to the extent that there is an over-subscription for the Offer Shares.

PLAN OF DISTRIBUTION

None of our Shareholders or Directors intends to subscribe for and/or purchase Shares in this Invitation.

To the best of our knowledge, we are not aware of any person who intends to subscribe for and/or purchase more than 5% of the Invitation Shares. However, through the process of assessing market demand for our Shares, there may be person(s) who may indicate interest to subscribe for and/or purchase Shares amounting to more than 5% of the Invitation Shares. If such person(s) were to make an application for Shares amounting to more than 5% of the Invitation Shares and subsequently be allotted and/or allocated such number of Invitation Shares, we will make the necessary announcements at an appropriate time. The final allocation of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 210 of the SGX-ST Listing Manual.

No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the SGX-ST, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct Securities Accounts holders and Depository Agents in the Depository Register maintained by CDP, rather than CDP itself, will be treated, under our Articles of Association and the Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of \$10.00 for each withdrawal of 1,000 Shares or less and a fee of \$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of \$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of \$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or \$0.20 per \$100 or part thereof of the last transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$10.00 and a stamp duty of \$10.00 are payable upon the deposit of each such instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for our Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in shares on the SGX-ST is payable at the rate of 0.05% of the transaction value subject to a maximum of \$200 per transaction. The clearing fee, instrument of transfer, deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax of 5%.

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement via CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following Market Day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a Depository Agent. The Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the full text of this Prospectus including the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 and the related notes thereto set out in Appendix G of this Prospectus.

(\$'000)	As at 31 December 2004 ⁽¹⁾	As adjusted for net proceeds from the issue of New Shares
Pledged deposit	400	400
Cash and cash equivalents	3,149	7,449
	3,549	7,849
Indebtedness		
Current		
Bills payable to a bank (secured)	1,860	1,860
Finance lease obligations	29	29
Non-current		
Finance lease obligations	95	95
Total Indebtedness	1,984	1,984
Proforma shareholders' equity	7,685	11,985
Total Capitalisation and Indebtedness	9,669	13,969

Note:-

- (1) This is based on the unaudited proforma balance sheet of our Group as at 31 December 2004 adjusted for the Restructuring Exercise, the Final Dividend, the Bonus Issue and the Sub-division. The Final Dividend was declared on 11 May 2005 and paid on 31 May 2005.

As at 31 December 2004, we had cash and cash equivalents of \$3.1 million.

Our bills payable to a bank were secured by the following:-

- (i) Joint and several personal guarantee for \$4.0 million from our Managing Director, Ronald Teng Woo Boon and our Substantial Shareholder, Teng Kin Chong;
- (ii) Guarantee for \$0.8 million from Ban Leong Radio and Electric Company, a sole proprietorship of Teng Kin Chong;
- (iii) A legal mortgage of two units in Sim Lim Square owned by BLB;
- (iv) Pledge of our fixed deposit of \$0.4 million; and
- (v) Existing irrevocable letter of authority to debit the account of Ban Leong Radio and Electric Company.

As at the Latest Practicable Date, the aforesaid guarantees and securites have been discharged and replaced by a personal guarantee from our Managing Director, Ronald Teng Woo Boon for \$7.0 million to UOB Bank to cover credit facilities of \$7.0 million granted to our Group.

As at the Latest Practicable Date, we had total banking facilities, including the aforesaid credit facilities from UOB Bank, comprising letters-of-credit, bills payables, bankers guarantees and overdraft facilities of \$17.6 million. All our banking facilities are secured by personal guarantees from our Managing Director, Ronald Teng Woo Boon.

CAPITALISATION AND INDEBTEDNESS

As at the Latest Practicable Date, based on the management accounts of our Group, there are no material changes in our cash and cash equivalents and indebtedness as disclosed above save for:-

- (i) a net increase in cash and cash equivalents of approximately \$1.4 million, from \$3.1 million as at 31 December 2004 to \$4.5 million as at the Latest Practicable Date;
- (ii) a net increase in bills payable to a bank (secured) of approximately \$1.3 million, from \$1.9 million as at 31 December 2004 to \$3.2 million as at the Latest Practicable Date;
- (iii) a net increase in finance lease obligations (current) of approximately \$31,000, from \$29,000 as at 31 December 2004 to \$60,000 as at the Latest Practicable Date; and
- (iv) a net increase in finance lease obligations (non-current) of approximately \$0.1 million, from \$0.1 million as at 31 December 2004 to \$0.2 million as at the Latest Practicable Date.

Operating Lease Commitments

As at the Latest Practicable Date, we have the following operating lease commitments:-

	(\$'000)
Due within 1 year	289
Due between 2 to 5 years	87
Total	<u>376</u>

Contingent Liabilities

As at the Latest Practicable Date, we do not have any contingent liabilities.

Capital Commitments

As at the Latest Practicable Date, we do not have any capital commitments.

Save as disclosed above, our Group had as at the Latest Practicable Date, no other borrowings and/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.

Save as disclosed above, since 31 December 2004 to the Latest Practicable Date, there were no material changes in our total capitalisation and indebtedness, except for changes in our retained earnings arising from day-to-day operations in the ordinary course of our business.

DIVIDEND POLICY

Our Company declared and paid a final dividend of \$375,000 in FY2003. On 11 May 2005, our Company also declared a final dividend of \$1.25 million for FY2004. Save as disclosed above, we have not declared any dividends for the last three financial years ended 31 December 2004.

Our current dividend policy is as follows:-

- (a) In determining the form, frequency and amount of future dividends on our Shares in any particular year, we will take into account, among other things, our level of cash and retained earnings, our results of operations, our capital needs, our plans for expansion and other factors as our Directors may deem appropriate.
- (b) Subject to the factors set out above, and in the absence of any circumstances which might reduce the amount of profits and cash flow available to pay dividends, it is the intention of our Directors to recommend dividends amounting to not less than 30.0% of our Group's net profit attributable to Shareholders for each of the financial years ending 31 December 2005 and 31 December 2006.
- (c) In considering dividend payments for the financial years thereafter, our Directors will take into account our current desire to maintain and potentially increase dividend levels subject to our objective of maximising shareholder value over the longer term and the factors stated in (a) above.

No inference should or can be made from any of the foregoing statements as to our actual profitability or our ability to pay dividends in any of the periods discussed.

The declaration and payment of dividends will be determined at the sole discretion of our Directors, subject to the approval of our Shareholders. Our Directors may also declare an interim dividend without seeking Shareholders' approval. Future dividends will be paid by us as and when approved by our Shareholders and Directors.

There is no assurance that dividends will be paid in the future. Neither will there be any assurance regarding the amount or timing of any dividends that will be paid in the future. The above are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification at our Directors' sole and absolute discretion. Our Directors may in their discretion amend or repeal our dividend policy. Our Directors may decrease the level of dividends provided for in this dividend policy or entirely discontinue the payment of dividends.

Please refer to Appendix C of this Prospectus for information relating to taxes payable on dividends.

DILUTION

Dilution is the amount by which the Issue Price paid by the applicants for our Invitation Shares in this Invitation exceeds our NTA per Share after this Invitation. The NTA of our Proforma Group as at 31 December 2004 after adjusting for the Restructuring Exercise, the Final Dividend, the Bonus Issue and the Sub-division ("Adjusted NTA"), but before adjusting for the net proceeds from the issue of New Shares was \$7.5 million and based on the pre-Invitation issued and paid-up share capital of 75,000,000 Shares was 10.00 cents per Share.

Based on the issue of 25,000,000 New Shares at an Issue Price of \$0.22 for each New Share pursuant to this Invitation and after deducting the estimated issue expenses, the adjusted NTA of our Group as at 31 December 2004 would have been 11.80 cents per Share based on the post-Invitation issued and paid-up share capital of 100,000,000 Shares. This represents an immediate increase in NTA of 1.80 cents per Share to our existing Shareholders and an immediate dilution in NTA of 10.20 cents per Share to our new investors. The following table illustrates such dilution on a per Share basis:-

	(cents)
Issue Price	22.00
Adjusted NTA per Share	10.00
Increase in NTA per Share contributed by new investors	1.80
NTA per Share after this Invitation	11.80
Dilution in NTA per Share to new investors	10.20

The following table summarises the total number of Shares issued by us, the total consideration paid and the average price per Share paid by our existing Shareholders (after adjusting for the Restructuring Exercise, the Final Dividend, the Bonus Issue and the Sub-division), and the new investors pursuant to this Invitation:-

	Number of Shares ('000)	%	Consideration ⁽¹⁾ (\$'000)	%	Average price per Share (cents)
Existing Shareholders					
Ronald Teng Woo Boon	37,500	37.5	1,786	18.8	4.76
Lim Siew Eng	10,125	10.1	405	4.3	4.00
Teng Kin Chong	12,750	12.8	510	5.4	4.00
Teo Su Ching	1,875	1.9	147	1.5	7.81
Dollar Tree	7,500	7.5	754	7.9	10.05
Employees	5,250	5.3	410	4.3	7.81
	75,000	75.0*	4,012	42.2	
New Investors (excluding purchasers of Vendor Shares)	25,000	25.0	5,500	57.8	22.00
Total	100,000	100.0	9,512	100.0	

* Total does not add up due to rounding.

Note:-

(1) This is computed based on the consideration paid by our Shareholders after taking into account the Bonus Issue.

SHARE CAPITAL

SHARE CAPITAL

Our Company was incorporated in Singapore on 18 June 1993 under the Act as a private limited company under the name “Ban Leong Technologies Pte Ltd”. On 17 May 2005, our Company was converted into a public limited company and changed its name to “Ban Leong Technologies Limited”.

Our authorised share capital was \$1,000,000 divided into 1,000,000 ordinary shares of \$1.00 each and our issued share capital was \$500,000 divided into 500,000 ordinary shares of \$1.00 each immediately prior to the Extraordinary General Meeting referred to below.

At the Extraordinary General Meeting held on 13 May 2005, our Shareholders approved, *inter alia*, the following:-

- (a) an increase in the authorised share capital of our Company from \$1,000,000 divided into 1,000,000 ordinary shares of \$1.00 each to \$100,000,000 divided into 100,000,000 ordinary shares of \$1.00 each;
- (b) the Bonus Issue of 2,500,000 new ordinary shares of \$1.00 each fully paid-up in the capital of our Company prior to the Invitation by way of capitalisation of \$2,500,000 from our accumulated profits;
- (c) the Sub-division of each ordinary share of \$1.00 each in the authorised and issued and paid-up share capital of our Company into 25 ordinary shares of \$0.04 each;
- (d) the conversion of our Company into a public limited company and the change of our name to “BAN LEONG TECHNOLOGIES LIMITED”;
- (e) the adoption of the new Articles of Association of our Company;
- (f) the issue of the New Shares pursuant to this Invitation. The New Shares, when issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares; and
- (g) the authorisation to our Directors to allot and issue, in addition to the New Shares, such further shares and/or convertible securities at any time to such persons, upon terms and conditions and for such purposes as our Directors may in their absolute discretion deem fit (whether by way of rights, bonus or otherwise), provided always that the aggregate number of shares and/or convertible securities to be issued pursuant to such authorisation shall not exceed 50% of the issued share capital of our Company, and provided further that the aggregate number of shares and/or convertible securities to be issued other than on a *pro-rata* basis to Shareholders of our Company does not exceed 20% of the issued share capital of our Company. For this purpose, the percentage of issued share capital is based on our Company’s post-Invitation issued share capital, after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue or vesting of share awards subsisting when the mandate is passed and any subsequent consolidation or sub-division of shares. Such a general mandate shall only remain in force until:-
 - (i) the conclusion of the next annual general meeting of our Company following the passing of the resolution by the Shareholders of our Company at which time it shall lapse, unless by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
 - (ii) the Shareholders of our Company by an ordinary resolution in a general meeting revoke or vary such general mandate, whichever is the earlier.

SHARE CAPITAL

As at the date of this Prospectus, our Company has only one class of Shares, being ordinary shares of \$0.04 each. The voting rights and privileges of our Shares are stated in our Articles of Association of our Company, a summary of which is set out in Appendix E of this Prospectus. Save for the New Shares, there are no founder, management, deferred or unissued Shares reserved for any purpose. The New Shares shall have the same interest and voting rights as our existing issued Shares that were issued prior to this Invitation and there are no restrictions to the free transferability of our Shares.

Details of the changes to the issued and paid-up share capital of our Company since incorporation and the resultant issued and paid-up share capital immediately before this Invitation are as follows:-

Date	Purpose of issue	Consideration (\$)	Number of Shares	Resultant issued and paid-up share capital (\$)
18 June 1993	Incorporation	2	2	2
27 September 1994	Working capital	99,998	99,998	100,000
27 May 1998	Working capital	100,000	100,000	200,000
27 March 2002	Bonus issue arising from capitalisation of accumulated profits	300,000	300,000	500,000
13 May 2005	Bonus Issue	2,500,000	2,500,000	3,000,000
13 May 2005	Sub-division	–	75,000,000	3,000,000

The authorised share capital and the Shareholders' funds of our Company as at 31 December 2004, before and after adjustments to reflect the increase in authorised share capital, the Restructuring Exercise, the Final Dividend, the Bonus Issue, the Sub-division and this Invitation are set forth below.

(\$'000)	As at 31 December 2004	After adjusting for the increase in authorised share capital, the Restructuring Exercise, Final Dividend, Bonus Issue, Sub-division but before this Invitation	After this Invitation
Authorised Share Capital			
Ordinary shares of \$1.00 each	1,000	–	–
Ordinary shares of \$0.04 each	–	100,000	100,000
Shareholders' Funds			
Issued and paid-up share capital	500	3,000	4,000
Share premium	–	–	3,300
Accumulated profits	8,185	4,685	4,685
Total Proforma Shareholders' equity	8,685	7,685	11,985

SHARE CAPITAL

SHAREHOLDERS

The Shares held by our Directors and Shareholders do not carry different voting rights from the New Shares which are the subject of this Invitation. As at the Latest Practicable Date, to the best of our Directors' knowledge, there is no known arrangement the operation of which may, at a subsequent date, result in a change in the control of our Company.

The direct and deemed shareholdings of our Directors and Shareholders in our Company immediately before and after this Invitation are set out below:-

	Before Invitation				After Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares ('000)	%	Number of Shares ('000)	%	Number of Shares ('000)	%	Number of Shares ('000)	%
Directors								
Ronald Teng Woo Boon ⁽¹⁾	37,500	50.0	1,875	2.5	37,500	37.5	1,875	1.9
Neo Gim Kiong ⁽²⁾	—	—	7,500	10.0	—	—	3,700	3.7
Ch'ng Jit Koon	—	—	—	—	—	—	—	—
Loh Yih	—	—	—	—	—	—	—	—
Tan Eng Bock	—	—	—	—	—	—	—	—
Substantial Shareholders								
Teo Su Ching ⁽¹⁾	1,875	2.5	37,500	50.0	1,875	1.9	37,500	37.5
Lim Siew Eng ⁽³⁾	10,125	13.5	—	—	10,125	10.1	—	—
Teng Kin Chong ⁽⁴⁾	12,750	17.0	—	—	12,750	12.8	—	—
Dollar Tree ⁽²⁾	7,500	10.0	—	—	3,700	3.7	—	—
Other Shareholders								
Employees ⁽⁵⁾	5,250	7.0	—	—	5,250	5.3	—	—
Public (including Reserved Shares)	—	—	—	—	28,800	28.8	—	—
Total	75,000	100.0			100,000	100.0⁽⁶⁾		

Notes:-

- (1) Our Managing Director, Ronald Teng Woo Boon is the spouse of our Executive Officer, Teo Su Ching and they are deemed to have an interest in each other's shares.
- (2) Dollar Tree is an investment holding company incorporated in Singapore on 12 April 2004. Dollar Tree is owned as to 80% by our Executive Director, Neo Gim Kiong and 20% by Yu Li Hong. Both Neo Gim Kiong and Yu Li Hong are deemed to be interested in 100% of the Shares held by Dollar Tree.
- (3) Lim Siew Eng is the mother of our Managing Director, Ronald Teng Woo Boon.
- (4) Teng Kin Chong is the uncle of our Managing Director, Ronald Teng Woo Boon.
- (5) The Shares owned by the employees were transferred to these employees by our Shareholders, Teng Kin Chong and Lim Siew Eng for an aggregate consideration of \$235,200. These Shares will be subject to a moratorium of 12 months from the date of admission of our Company to the Official List of SGX-ST.

The employees comprise Ang Chai Ling, Chia Poh Koon, Tan You Hong, Yeo Siong Chan and Teo Wee Chong. Teo Wee Chong is the brother of our Executive Officer, Teo Su Ching.

- (6) Does not add up to 100.0% due to rounding.

SHARE CAPITAL

SIGNIFICANT CHANGES IN PERCENTAGE OWNERSHIP

The significant changes in the percentage of ownership of our Company held by our Directors and our Substantial Shareholders since the date of incorporation and up to the Latest Practicable Date are as follows:-

	As at incorporation		As at 27 September 1994		As at 27 May 1998		As at 27 March 2002		As at 27 December 2004		As at the Latest Practicable Date	
	Number of ordinary shares of \$1.00 each	%	Number of ordinary shares of \$1.00 each	%	Number of ordinary shares of \$1.00 each	%	Number of ordinary shares of \$1.00 each	%	Number of ordinary shares of \$1.00 each	%	Number of ordinary shares of \$0.04 each	%
Directors												
Ronald Teng Woo Boon ⁽¹⁾	1	50.0	40,000	40.0	80,000	40.0	200,000	40.0	250,000	50.0	37,500,000	50.0
Neo Gim Kiong ⁽³⁾	—	—	—	—	—	—	—	—	—	—	—	—
Substantial Shareholders												
Teo Su Ching ⁽¹⁾	—	—	—	—	—	—	—	—	12,500	2.5	1,875,000	2.5
Lim Siew Eng ⁽²⁾	—	—	28,000	28.0	56,000	28.0	140,000	28.0	67,500	13.5	10,125,000	13.5
Teng Kin Chong ⁽²⁾	1	50.0	32,000	32.0	64,000	32.0	160,000	32.0	85,000	17.0	12,750,000	17.0
Dollar Tree ⁽³⁾	—	—	—	—	—	—	—	—	50,000	10.0	7,500,000	10.0
Total	2	100.0	100,000	100.0	200,000	100.0	500,000	100.0	465,000	93.0	69,750,000	93.0

Notes:-

- (1) Ronald Teng Woo Boon is the spouse of Teo Su Ching and they are deemed to have an interest in each other's shares.
- (2) Lim Siew Eng is the mother and Teng Kin Chong is the uncle of our Managing Director, Ronald Teng Woo Boon.
- (3) Dollar Tree is an investment holding company incorporated in Singapore on 12 April 2004. Dollar Tree is owned as to 80% by our Executive Director, Neo Gim Kiong and 20% by Yu Li Hong. Both Neo Gim Kiong and Yu Li Hong are deemed to be interested in 100% of the Shares held by Dollar Tree.

SHARE CAPITAL

VENDOR

The name of the Vendor and the number of Shares which it will offer pursuant to the Invitation is set out below:-

Name/Address/ Relationship with our Group	Shares held as at the Latest Practicable Date and immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares ('000)	% of pre- Invitation share capital	Number of Vendor Shares ('000)	% of pre- Invitation share capital	Number of Shares ('000)	% of post- Invitation share capital
Dollar Tree Inc Pte. Ltd. ⁽¹⁾ / 207A Thomson Road Goldhill Centre Singapore 307640/ Substantial Shareholder	7,500	10.0	3,800	5.1	3,700	3.7

Note:-

- (1) Dollar Tree is an investment holding company incorporated in Singapore on 12 April 2004. Dollar Tree is owned as to 80% by our Executive Director, Neo Gim Kiong and 20% by Yu Li Hong. Both Neo Gim Kiong and Yu Li Hong are deemed to be interested in 100% of the Shares held by Dollar Tree.

MORATORIUM

To demonstrate their commitment to our Group, our Shareholders, Ronald Teng Woo Boon, Teng Kin Chong, Lim Siew Eng and Teo Su Ching, who in aggregate hold 62,250,000 Shares, representing approximately 62.3% of our Company's enlarged issued share capital immediately after this Invitation, have each undertaken not to transfer, assign or dispose of any part of their respective shareholding interests in our Company for a period of 12 months commencing from the date of admission of our Company to the Official List of SGX-ST ("Date of Listing").

Dollar Tree which holds 3,700,000 Shares, representing 3.7% of our Company's enlarged issued share capital immediately after the Invitation has undertaken not to transfer, assign or dispose of any part of its shareholding interests in our Company for a period of six months commencing from the Date of Listing. In addition, Neo Gim Kiong and Yu Li Hong who hold 80% and 20% of the issued share capital of Dollar Tree respectively, have also undertaken not to transfer, assign or dispose of any part of their shareholding interests in Dollar Tree for a period of six months commencing from the Date of Listing.

To demonstrate their commitment to our Group, our employees namely, Ang Chai Ling, Chia Poh Koon, Tan You Hong, Yeo Siong Chan and Teo Wee Chong who in aggregate hold 5,250,000 Shares, representing 5.3% of our Company's enlarged issued share capital immediately after this Invitation, have each undertaken not to transfer, assign or dispose of any part of their respective shareholding interests in our Company for a period of 12 months commencing from the Date of Listing.

GROUP STRUCTURE

RESTRUCTURING EXERCISE

To rationalise our Group's corporate structure in connection with this Invitation, the following Restructuring Exercise was undertaken:-

Chainfusion

Our Company held 44,400 ordinary shares of \$1.00 each, representing approximately 4.3% of the total issued and paid-up capital in Chainfusion. Chainfusion is engaged in the business of IT software development. Pursuant to a sale and purchase agreement dated 18 January 2005 and as part of the Restructuring Exercise, we sold our entire interest in Chainfusion to our Managing Director, Ronald Teng Woo Boon for a cash consideration of \$42,000. The said consideration was determined based on the NTA of Chainfusion as at 31 December 2004. The aforesaid disposal of our interest in Chainfusion is in line with our intention to divest our non-core assets and streamline the core business and operations of our Group for purposes of this Invitation.

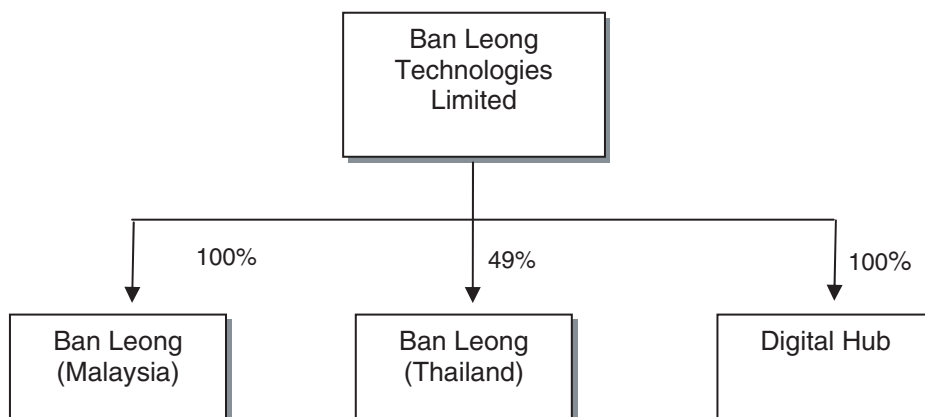
Ban Leong (Thailand)

Prior to the Restructuring Exercise, our Company held 3,800 ordinary shares of THB100 each ("Ban Leong (Thailand) Shares") representing 38% of the total issued and paid-up share capital of Ban Leong (Thailand) while Ronald Teng Woo Boon held 1,100 Ban Leong (Thailand) Shares (11%). The remaining 51% of the total issued and paid-up share capital of Ban Leong (Thailand) is held by five Thai shareholders who are not related to any of our Directors and Substantial Shareholders. As part of the Restructuring Exercise, Ronald Teng Woo Boon transferred his entire interest of 11% of the total issued and paid-up share capital of Ban Leong (Thailand) at par for a cash consideration of THB110,000 to our Company on 31 January 2005. Following the said transfer, our Company holds 49% of the total issued and paid-up share capital of Ban Leong (Thailand).

Under the relevant laws of Thailand, the entire share capital of a Thai company must at all times be held by at least seven shareholders. Accordingly, to ensure compliance with the said legal requirement, Ronald Teng Woo Boon acquired one ordinary share in the share capital of Ban Leong (Thailand) from one of the existing shareholders, Paweena Sritrakul at par for a cash consideration of THB100 on 31 January 2005.

GROUP STRUCTURE

Our Group structure following the Restructuring Exercise is as follows:-



GROUP STRUCTURE

Our Company has three subsidiaries as at the date of this Prospectus, details of which are as follows:-

Name of subsidiary	Date and place of incorporation	Principal business	Principal place of business	Percentage owned
Ban Leong Technologies Sdn Bhd	15 August 2003, Malaysia	Distribution of computer hardware	Malaysia	100%
Banleong Technologies (Thailand) Co., Ltd. ⁽¹⁾	16 July 2004, Thailand	Distribution of computer hardware	Thailand	49%
Digital Hub Pte. Ltd.	20 March 2003, Singapore	Distribution of computer peripherals and accessories	Singapore	100%

Note:-

- (1) Ban Leong (Thailand) is deemed to be a subsidiary of our Company by virtue of our Company's control of the composition of the board of directors of Ban Leong (Thailand) pursuant to a shareholders' agreement dated 31 January 2005. The remaining 51% of Ban Leong (Thailand) is held by five Thai shareholders who are not related to any of our Directors and Substantial Shareholders.

As at the Latest Practicable Date, we do not have any associated companies and none of our subsidiaries are listed on any stock exchange.

GENERAL INFORMATION ON OUR GROUP

HISTORY

Our Company was incorporated on 18 June 1993 as a private company limited by shares under the Act. Our subsidiaries comprise Ban Leong (Malaysia), Ban Leong (Thailand) and Digital Hub.

The origins of our Group can be traced back to 1993 when our founder and Managing Director, Ronald Teng Woo Boon established our Company to sell a Taiwanese brand of computer speakers to IT retailers in Singapore. Following our initial success in the sale of such computer speakers, Ronald Teng Woo Boon envisioned that we could carve a niche in the computer speaker market. Within our first year of operations, we expanded our product range to include other Taiwanese and Korean brands of computer speakers.

In 1994, whilst marketing computer speakers, we identified a demand in the market for personal computer karaoke software and expanded our product range with the distribution of Chinese-language personal computer karaoke software which we imported from a Taiwanese software developer, Summit Computer Technology Co., Ltd.. In the same year, we secured distribution rights from Sirius Publishing Inc., a US software developer, for distribution of its personal computer karaoke software programs and applications in Singapore and Malaysia. Building on our relationship with our principals and our success in the distribution of their products, Sirius Publishing Inc. engaged us to assist in the introduction of their multi CD-ROM pack, at that time an innovative packaging concept for CD-ROM titles. We were also tasked by Summit Computer Technology Co., Ltd. to assist in the introduction of their newly developed Chinese-language educational software in Singapore.

Leveraging on our good relationships with our principals and building on our success to-date, we embarked on a strategy to establish ourselves as one of the leading distributors of multimedia products and to gradually shift our business focus towards the distribution of hardware products. Over the next three years, our product range expanded to also include complementary computer peripherals such as sound cards, graphic cards, modems and CD-ROM drives.

As our business grew, we sought to enhance our profile by expanding our product range to include internationally recognised brands. In 1997, we secured an exclusive right to distribute a US brand of computer speakers, Altec Lansing, as well as rights to distribute Canopus and Hercules brands of graphic cards.

Recognising an opportunity to introduce an alternative to Japanese brands of computer monitors, we sought and successfully secured the right to distribute Samsung CRT and LCD monitors in Singapore in 1999. The Samsung distribution right enabled us to broaden our existing customer base beyond IT retailers and chain stores to corporate resellers and system integrators. To further enhance our relationship with Samsung, we expanded into value-added services such as after-sales maintenance and repair services.

From 2000 to 2003, in line with our strategy of distinguishing ourselves as a technology-driven distributor of innovative IT products, we strived to build relationships with principals who were committed to research and development of new products. Some of the new distributorships which we secured from principals include BenQ and Belkin.

In a bid to further strengthen our relationship with one of our principals, BenQ, a multinational company involved in the manufacture and sale of digital lifestyle products, Digital Hub was established in April 2003 to distribute BenQ products and operate a digital lifestyle concept store for such products. We operated for two years from June 2003 the concept store at Funan The IT Mall, in collaboration with BenQ to showcase their range of products. We believe that this gave us an advantage over our competitors as we had first hand knowledge of new product roll-outs by BenQ. Upon the expiry of our lease at Funan The IT Mall, we did not renew the lease. This will not have any impact on our distributorship arrangement with BenQ. Presently, we intend to continue the operation of the concept store subject to identification of appropriate alternative premises with BenQ, which will allow us to showcase a wider range of BenQ products.

GENERAL INFORMATION ON OUR GROUP

Acknowledging the limitations in the size of the Singapore market, we embarked on establishing physical presence in the region as part of our expansion plans. In August 2003, Ban Leong (Malaysia) was set up, followed by Ban Leong (Thailand) in July 2004, to tap on growth opportunities in these territories.

Since our establishment in 1993, our Group's business has grown significantly. As at the Latest Practicable Date, our Group has distributorship arrangements with six principals. We also source our products from over 25 suppliers. In aggregate, we distribute over 70 types of products under more than 40 brand names and have distribution channels in Singapore, Malaysia and Thailand.

AWARDS AND ACCOLADES

As a testament to our Group's performance, some of the awards which we received in the last three years ended 31 December 2004 are as follows:-

Year	Award	Awarded by
2004	Enterprise 50 (22 nd position)	Accenture Singapore
2004	50 Fastest Growing Certification 2004	DP Information Network Pte Ltd
2003	Excellent Performance Award 2003	Sony Electronics (Singapore) Pte. Ltd.
2003	Enterprise 50 (31 st position)	Accenture Singapore
2003	50 Fastest Growing Certification 2003	DP Information Network Pte Ltd
2002	Outstanding Performance 2002	Samsung Asia Pte Ltd
2002	Enterprise 50 (20 th position)	Accenture Singapore

BUSINESS

We are a technology-driven specialist distributor of multimedia and data storage products as well as IT accessories. We focus on identifying innovative IT products to enhance our range of products. We currently have distributorship arrangements with six principals and also source our products from over 25 suppliers. In aggregate, we distribute over 70 types of products under more than 40 brand names. We distribute our products through two channels, namely, resellers such as retailers and chain stores and directly to corporate resellers and system integrators. To complement our distribution services, we provide after-sales support services to our customers. Currently, we have operations in Singapore, Malaysia and Thailand.

OUR PRODUCTS

We carry a wide range of products of various brand names. These may be classified into three broad categories: (a) multimedia products, (b) data storage products and (c) IT accessories.

(a) Multimedia Products

This category primarily consists of audio and visual IT products such as computer speakers, CRT and LCD monitors, graphic cards, MP3 players and sound cards.

Some of the major products which we distribute under this category are as follows:-

Brands	Products
Altec Lansing	Multimedia speakers and headsets
Digitalway	MP3 players
Leadtek	Graphic cards

GENERAL INFORMATION ON OUR GROUP

Brands

Powercolor

Samsung

Products

Graphic cards

MP3 players, CRT and LCD monitors

(b) Data Storage Products

These include products which are used in the storage of data such as tape storage, HDD cases and CD-ROMs.

Some of the major products which we distribute under this category are as follows:-

Brands

BenQ

Sarotech

LG

Samsung

Sony

Products

Recordable disc

HDD case

Optical storage

Optical storage

Optical storage, tape storage, USB storage media

(c) IT Accessories

This category consists of PC-related accessories such as mice, keyboards and networking products such as switches, routers and wireless cards.

Some of the major products which we distribute under this category are as follows:-

Brands

A4 Tech

Belkin

BenQ

Epson

Microsoft

Netgear

Samsung

Products

Mouse, keyboard

PC related accessories, including IPOD accessories and KVM and networking products such as switches, routers and wireless cards.

Mouse, keyboard

Printers and scanners

Mouse, keyboard

Wireless networking products such as switches, routers and wireless cards.

Printers

GENERAL INFORMATION ON OUR GROUP

DISTRIBUTORSHIP ARRANGEMENTS

Presently, we have distributorship arrangements with six principals. We also source our products from over 25 suppliers. In aggregate, we distribute over 70 types of products under more than 40 brand names.

We set out below a list of distributorships which we have successfully secured:-

Principal	Brand	Year in which Relationship commenced ⁽¹⁾	Products distributed	Duration and Renewal terms ⁽²⁾	Nature of Appointment/Territory ⁽³⁾
Altec Lansing Technologies, Inc	Altec Lansing	1997	Speakers, headsets	Not Specified	Exclusive/ Singapore, Malaysia, Thailand and Vietnam
Belkin Logistics Inc.	Belkin	2000	Computer accessories	Not Specified	Non-exclusive/ Singapore and Malaysia
BenQ (S.E. Asia) Pte Ltd	BenQ	2002	LCDs and computer accessories	Not Specified	Non-exclusive/ Singapore
Epson Singapore Pte Ltd	Epson	2004	Printers	1 year from 22 December 2004	Non-exclusive/ Singapore
Samsung Asia Pte Ltd	Samsung	1999	CRT and LCD monitors and printers	1 year from 1 January 2005	Non-exclusive/ Singapore
Sony Electronics (Singapore) Pte. Ltd.	Sony	1997	LCDs	6 months from 1 April 2005	Non-exclusive/ Singapore

Notes:-

- (1) This refers to the year in which we started distributing the products of these principals.
- (2) This refers to the distributorship agreements in force as at the date of this Prospectus
- (3) Our distributorship agreements with these principals may typically be terminated upon written notice being given or in the event one party becomes involved in certain insolvency-related proceedings. Some of our distributorship agreements are subject to annual or periodic review by our principals or to the achievement of certain minimum purchase targets.

To the best of their knowledge, our Directors are not aware of any information or development, which may result in the termination or non-renewal of any of our distributorship arrangements.

QUALITY ASSURANCE

We source for products from six principals and over 25 suppliers. We have in place stringent selection criteria for our principals and suppliers which include assessment of track record and experience in the IT industry.

Before an order is placed for a new product, we conduct product trials on samples provided by our principals or suppliers.

GENERAL INFORMATION ON OUR GROUP

We have two main stages of quality control for the products which we purchase, namely in-coming inspections when we purchase the products and out-going pre-delivery inspections.

We carry out in-coming inspections when we purchase and receive the goods from our suppliers. We conduct physical inspection on the products to ensure that the products delivered match our specifications and the packaging is not damaged in-transit before accepting delivery. Before delivery of the products to our customers, we conduct pre-delivery inspections of the products to ensure that there is no damage to the external packaging of the products.

We may also receive feedback in relation to the products from our customers. We will review and act on such feedback to improve our products and services. If there is a complaint in relation to a particular batch of products, we will send that batch of products to the suppliers' service centre to ascertain the defective parts. Depending on the nature and condition of the defective parts, the products will either be returned to or replaced by the supplier.

Repair Policy

We also provide after-sales repair services to end customers. Some of the products which we distribute are covered by product warranties. These product warranties are provided by the principals and suppliers of these products. We have a service centre with in-house technicians to handle any hardware/technical problems as well as on-site repair for some of our products. Our principals and suppliers provide us with spare parts for repair of products which are under warranty. For repairs of products after the expiry of the warranty period, the cost of repair will be charged to the end customers directly. The revenue that we derived from such repair services was insignificant, amounting to less than \$0.1 million for each of the last three financial years ended 31 December 2004.

PRODUCT DEVELOPMENT

We do not undertake any product development activity.

SALES AND MARKETING

Our sales and marketing function is spearheaded by our Managing Director, Ronald Teng Woo Boon, who is assisted by our Executive Officers, Yeo Siong Chan and Tan You Hong. Our sales and marketing team consists of five sales managers, seven product managers, one marketing executive and 18 sales executives as at the Latest Practicable Date.

Our sales and marketing team focuses on maintaining and developing relationships with our local and overseas customers, including generating new customer accounts. Apart from coordinating our purchases from our principals and suppliers, our product managers also work with our sales managers to plan and execute our marketing activities.

As we have a wide range of products, we are able to bundle different products together to cater to our customers' various needs, thereby improving our sales and margins. We also provide our customers with a mix of products based on our analysis of their target customer profiles.

We market our products through various avenues such as local and overseas tradeshows, advertisements in IT magazines like Hwmag and PC magazine as well as lifestyle magazines. To promote our products, we also advertise online on websites, such as hardwarezone.com and participate in roadshows and product launches with our principals and suppliers.


GENERAL INFORMATION ON OUR GROUP

Customer Relationship Management

As our network of customers is essential to our business, we place great emphasis on customer relationship management. Our sales executives maintain regular contacts with our customers. This also keeps our customers informed of the latest product offerings. We also organise regular incentive trips and social sessions with our key customers. We conduct weekly reviews with most of our customers in order to obtain information on market development as well as feedback on our products and services. From time to time, we also provide discounts or promotional gifts to our customers in order to incentivise them to generate more sales of our products and reward those who have assisted us in building a strong relationship with our end consumers.

COPYRIGHTS, PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we do not own any intellectual property. Save as disclosed below, we have not applied for the registration of any intellectual property rights (including but not limited to patents, brandnames, licences and trademarks).

Trademark	Place of application	Class	Application date	Application status
	Singapore	35 ⁽¹⁾	28 January 2005	Pending

Note:-

- (1) Class 35 is applicable to distributorship of multimedia and data storage products, information technology accessories, speakers, headsets, accessories for information technology network, liquid crystal displays, cathode ray tubes, computer storage materials, computer accessories, MP3 players, service spare parts and printers.

Our Directors are of the view that failure to complete the registration of the trademark above will not significantly impact upon our operations. As at the Latest Practicable Date, our business or profitability is not materially dependent on any patent, trademark, licence or new manufacturing process.

SEASONALITY

Our business is generally not subject to any significant seasonal influences.

CREDIT MANAGEMENT

Credit policy to our customers

Sales are typically made to our new customers and export customers on cash terms while credit terms are granted to existing customers who are deemed creditworthy. The credit terms range from 30 days to 45 days. The credit terms to be granted to our customers are approved by our Managing Director, Ronald Teng Woo Boon, based on the recommendations provided by the relevant sales personnel and taking into account factors such as the financial strength of the customer, our relationship with the customer and the past payment record of the customer.

Our finance personnel generate the trade receivables ageing report on a weekly basis for our sales personnel to collect payment. Our management team closely monitors all outstanding debts. Our sales personnel then proceeds to contact the customers for the collection of overdue amounts. Taking into account the credit standing and track record of the customer, we may withhold any credit terms extended to the customer where necessary.

Our trade receivables' turnover for the last three financial years ended 31 December 2004 was as follows:-

	FY2002	FY2003	FY2004
Trade receivables' turnover (days)	30	35	39

GENERAL INFORMATION ON OUR GROUP

Our trade receivables' turnover increased as we extended credit terms to repeat customers who have established a track record with us.

The amounts of provision for doubtful debts charged to profit and loss and bad debts written off for the last three financial years ended 31 December 2004 were as follows:-

	FY2002	FY2003	FY2004
Provision for doubtful debts (\$'000)	237	86	58
Bad debts written off (\$'000)	4	99	129
	241	185	187
As a percentage of profit before tax (%)	13.9	5.9	5.0

We make general provisions for doubtful debts based on the ageing of our trade receivables. In addition, we write-off bad debts that are deemed not collectable by our management. As at 31 March 2005, approximately 95% of the trade receivables as at 31 December 2004 have been collected.

Our provision for doubtful debts (balance sheet) amounted to \$0.4 million as at 31 December 2004. To the best of their knowledge, our Directors are not aware of any information or development, which may require us to make any additional provision for doubtful debts. Our Directors are of the view that our provision for doubtful debts is adequate.

Credit policy from our suppliers

We endeavour to pay our suppliers on a timely basis to avoid any delays in the delivery of products, thereby avoiding any disruption to our distribution schedule. The credit terms granted to us by our suppliers range from cash terms to 60 days.

Our trade payables' turnover for the last three financial years ended 31 December 2004 was as follows:-

	FY2002	FY2003	FY2004
Trade payables' turnover (days)	26	30	30

Our trade payables' turnover ranges from 26 to 30 days for the last three financial years ended 31 December 2004. This is in line with the credit terms granted by our principals and suppliers.

INVENTORY MANAGEMENT

We source our products from six principals and over 25 suppliers. We place purchase orders with our principals and suppliers based on our sales forecast. Our sales personnel, together with our senior management, are responsible for preparing three-month rolling sales forecasts on a monthly basis. The factors which we consider in preparing our forecasts include our analysis of market demand for the products and our customers' outstanding orders and feedback.

We maintain our inventory at warehouses located at No. 21, No. 32 and No. 36 Kaki Bukit Crescent. We have put in place the following inventory management procedures to ensure that our inventories are properly accounted for:-

- We conduct weekly delivery and outstanding order review with our sales personnel to determine the inventory levels to be maintained. All requisition of inventory must be supported by a requisition form duly authorised by our Managing Director, Ronald Teng Woo Boon or our Executive Officers.
- All incoming inventory is verified against purchase orders by our warehouse personnel before acceptance.

GENERAL INFORMATION ON OUR GROUP

- Withdrawal of inventory from our warehouses is strictly based on delivery orders.
- Access to our inventory is restricted to designated staff handling delivery.

We carry out monthly physical inventory counts on a rotational basis. We also conduct an annual physical inventory count in the presence of our external auditors. Reconciliation between physical inventories and quantities recorded in our computerised inventory system is performed after every inventory count. This ensures the accuracy of the information captured in our computerised inventory system and allows us to detect any loss of inventory.

Due to the rapid changes in technology in our industry, we monitor our inventory closely to minimise the risk of inventory obsolescence. We make general provisions for inventory obsolescence based on the ageing of our inventory items. We also make specific write-offs for damaged, lost or obsolete inventories and specific provision for inventory items based on our management's assessment of the marketability of such products. Our provision for inventory obsolescence charged to profit and loss for the last three financial years ended 31 December 2004 were as follows:-

	FY2002	FY2003	FY2004
Provision for inventory obsolescence (\$'000)	717	–	106
Write-back of provision for inventory obsolescence (\$'000)	–	(217)	–
	717	(217)	106
As a percentage of profit before tax (%)	41.2	(7.0)	2.8

Our inventory turnover for the last three financial years ended 31 December 2004 was as follows:-

	FY2002	FY2003	FY2004
Inventory turnover (days)	12	31	45

Our inventory turnover for FY2002 was 12 days due mainly to a low inventory balance as at 31 December 2002 as a result of bulk shipment to an export customer. Our inventory turnover increased to 31 days in FY2003 and 45 days in FY2004 as we increased our inventories to cater for our business expansion.

Our provision for inventory obsolescence (balance sheet) amounted to \$0.6 million as at 31 December 2004. To the best of their knowledge, our Directors are not aware of any information or development, which may require us to make any additional provision for inventory obsolescence. Our Directors are of the view that our provision for inventory obsolescence is adequate.

STAFF TRAINING AND DEVELOPMENT

We recognise that the level of knowledge and skill of our staff is a contributing factor to our continued success and thus aim to equip our employees with the relevant skills and knowledge. Our training covers, amongst others, technical training, quality assurance training and customer satisfaction training.

We require all new employees to undergo an orientation programme to familiarise them with our Group's operations, policies and practices. Such training is conducted in-house and includes instructions on employee conduct and discipline, company regulations, quality assurance and safety awareness. Thereafter, our employees will be directed to their supervisors for on-the-job training.

As our industry is characterised by rapidly changing technologies, we train our sales personnel on a regular basis to update them on the latest developments of the products we distribute. They are regularly sent for product training conducted by our principals. This allows our sales personnel to be kept up-to-date on the latest products and services in the industry.

GENERAL INFORMATION ON OUR GROUP

We also send our staff for external courses, depending on the requirements of their jobs. Such courses include accounting and technical training courses.

Our training costs for the last three financial years ended 31 December 2004 were not significant, amounting to less than \$0.1 million for each year.

INSURANCE COVERAGE

We maintain the following insurance policies:-

Insurance	Interest insured	Amount insured (\$'million)
Burglary Insurance	Office contents and stock-in-trade and goods pertaining to the business	1.0
Fire Insurance	Office equipment, furniture, fixtures and fittings including stock-in-trade	5.7
Public Liability	Accidental bodily injury suffered by and/or damage to property caused to third parties in the course of business	1.0
Workmen's Compensation	Personal injury to employees in the course of work	1.3
Money insurance	Loss of money	0.01
Fidelity Guarantee policy	Any act of fraud or dishonesty committed by employees	0.1
Marine Cargo Insurance	Shipment of goods	1.0

Our Directors are of the view that the above insurance coverage is adequate for our current purposes. However, significant damage to our operations, whether as a result of fire or other causes, may still have a material adverse impact on our results of operations and financial condition. Please refer to the section "Risk Factors" for more information.

PRINCIPALS AND MAJOR SUPPLIERS

Our principals and major suppliers accounting for five per cent. or more of our total purchases in each of the last three financial years ended 31 December 2004 are listed below:-

Name of Principal/Supplier	Products supplied	Percentage of total purchases (%)		
		FY2002	FY2003	FY2004
Altec Lansing	Speakers, headsets	5.1	3.3	5.6
Samsung	LCD and CRT monitors and printers	40.0	40.3	40.9
Sony	LCD monitors, computer storage/tapes	38.6	28.4	19.3

The fluctuation in our purchases from Altec Lansing was mainly attributable to the introduction of new product models in FY2002 and FY2004. Our purchases from Sony declined due mainly to a decrease in the value of their products as a result of price competition.

None of our Directors or Substantial Shareholders has any interest, direct or indirect, in any of the above principals or suppliers.

GENERAL INFORMATION ON OUR GROUP

MAJOR CUSTOMERS

We distribute a broad range of products to a wide customer base of more than 1,000 customers. These include resellers such as retailers and chain stores, corporate resellers and system integrators. Most of these retailers have outlets in major IT malls such as Sim Lim Square and Funan The IT Mall. Some of these chain stores include Best Denki, Harvey Norman, Carrefour and Courts while corporate resellers and system integrators include BusinessIT Pte Ltd, Micro-2000 Technology Pte Ltd and UIC Asian Computer Services Pte Ltd.

Save for Fuwell Group which accounted for 5.4%, 6.1% and 6.1% of our revenue in FY2002, FY2003 and FY2004 respectively, none of our customers accounted for 5% or more of our revenue for the last three financial years ended 31 December 2004. Fuwell Group operates retail outlets in Sim Lim Square.

None of our Directors or Substantial Shareholders has any interest, direct or indirect, in Fuwell Group.

Save as disclosed above, we are not materially dependent on any industrial, financial or commercial contract including a contract with a customer or supplier.

COMPETITION

We operate in a highly competitive environment. We face competition from existing competitors as well as new entrants to the industry. We believe that the principal competitive factors in our industry include the distribution network, the range of products distributed, the brands represented and product bundling strategies adopted by each competitor.

To the best of our Directors' knowledge, our competitors include C2O Holdings Limited, Ingram Micro Asia Ltd and SiS Technologies Pte Ltd.

To the best of our Directors' knowledge, there are no published sources with respect to our market share and industry statistics. As such, it is not possible for us to determine on a comparative basis the market share of our Group and our major competitors.

COMPETITIVE STRENGTHS

Our Directors consider the following to be our core competitive strengths:-

(a) We have established relationships with our principals

Over the years, we have established good relationships and rapport with our major principals such as Altec Lansing, Samsung and Sony. This is evidenced by our track record where our business relationships with Altec Lansing and Sony date back to 1997 and our business relationship with Samsung dates back to 1999. We have an established track record with our principals and consistently meet targets set by them. To build up personalised and close relationships with our principals, we have dedicated product managers to manage a specific portfolio of principals. Please refer to the section on "General Information on our Group – Sales and Marketing" of this Prospectus for further details. From time to time, our principals have also provided marketing and technical support to our sales personnel and product managers. Leveraging on our relationships with our principals, we believe that we are well poised to gain access to the latest innovative products introduced by our principals.

(b) We have developed good relationships with a wide customer base

As part of our strategy to grow our business, we have established a wide customer base of over 1,000 customers. We are able to consistently meet our customers' requirements by working closely with them. We also organise regular incentive trips and social sessions with our key customers. We may make product bundling recommendations based on our customers' requirements. Through regular meetings and discussions, we are able to plan our inventory and delivery schedules according to our customers' requirements. Approximately 82.1% of our revenue for FY2004 was derived from sales to repeat customers.

GENERAL INFORMATION ON OUR GROUP

(c) We distribute a wide range of products

Presently we have distributorship arrangements with six principals. We also source our products from over 25 suppliers. In aggregate, we distribute over 70 types of products under more than 40 brand names. These include multimedia products such as CRT and LCD monitors, computer speakers and graphic cards, data storage products such as CD-ROMs and IT accessories such as networking products. Please refer to the section on “General Information of our Group – Our Products” of this Prospectus for further details on the products which we distribute. In view of the wide range of products which we carry, we are able to bundle different products together to better cater to our customers’ varied needs. By providing our customers with a wide range of products, our customers would in turn be able to provide their customers with more choices.

(d) We have an experienced management team

We have an experienced management team spearheaded by our Managing Director, Ronald Teng Woo Boon who has more than 10 years of experience in the IT industry. Our management team has over 30 years of combined experience in the IT industry. These personnel are responsible for the formulation and the implementation of our business strategy and growth. Our management team’s in-depth understanding and experience in the IT industry have been instrumental in helping us identify and establish relationships with principals who have a track record of developing innovative IT products. This is in line with our focus as a technology-driven specialist distributor of multimedia and data storage products as well as IT accessories. We believe that we were one of the pioneers to introduce MP3 players to the Singapore market in 2000. Please refer to the section “Directors, Management and Staff” of this Prospectus for further details on our Directors and Executive Officers.

(e) We have a flexible cost structure with our performance-based compensation scheme

Our Managing Director, Ronald Teng Woo Boon has established a performance-based compensation scheme for our Group since our inception. Currently, all our sales personnel and product managers are remunerated based on this compensation scheme. The variable pay-out to our staff constituted approximately 42.4% of our total staff cost for FY2004. We believe that this performance-based compensation scheme gives us an edge over our competitors, as we are able to maintain a flexible cost structure and align the interests of these staff with that of our Group. Further information on this scheme can be found under the section “Directors, Management and Staff” of this Prospectus.

PROPERTIES AND FIXED ASSETS

We do not own any properties. Our Group currently leases the following properties:-

Location	Use of Property	Leased area (sq ft)	Tenure	Monthly Rental	Lessor
Singapore					
21 Kaki Bukit Crescent Singapore 416252	Office, warehouse and service centre	16,400	Two years commencing from 1 January 2005	\$12,000	BLB ⁽¹⁾
32 Kaki Bukit Crescent Level 4 Singapore 416262	Warehouse	4,100	One year commencing from 31 December 2004	\$3,500	Lian Aik Holdings Pte Ltd
36 Kaki Bukit Crescent Singapore 416264	Warehouse	16,400	Two years commencing from 15 January 2004	\$10,000	Song Seng Associates Pte Ltd

GENERAL INFORMATION ON OUR GROUP

Location	Use of Property	Leased area (sq ft)	Tenure	Monthly Rental	Lessor
109 North Bridge Road #04-02 Funan the IT Mall Singapore 179097	Concept store	463	Two years commencing from 15 June 2003 ⁽²⁾	\$5,091	HSBC Institutional Trust Services (Singapore) Limited
Malaysia					
29-G and 29-4, Block C2, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Malaysia	Computer warehouse and office space	3,134	23 months commencing from 1 January 2004 with option to renew for another one or two years	RM4,400	Diamond Form Sdn Bhd
No. 13-1, Ground Floor Block I, Dataran Prima Jalan PJU 1/37, 47301 Petaling Jaya, Selangor Malaysia	Warehouse	1,282	Two years commencing from 1 July 2004 with option to renew for another one year	RM2,400	Extol Corporation (M) Sdn Bhd
Thailand					
542/69 Soi Ramkamheng 39 (Thepleela 1) Ramkamheng Road Wangthonglang Sub-district Wangthonglang District Bangkok Metropolis Thailand	Office and warehouse	232	Two years commencing from 1 August 2004 with option to renew for another two years	THB22,000	Athapol Prachyapipat

Notes:-

- (1) Please refer to the section "Interest of Management and Others in Certain Transactions – Interested Person Transactions" of this Prospectus for further details.
- (2) We did not renew this lease and are currently sourcing for alternative premises for the operation of the concept store. Further details are set out in the section "General Information on our Group – History" of this Prospectus.

Our fixed assets consist primarily of computers, office equipment, furniture and fittings and motor vehicles. The aggregate net book value of these fixed assets as at 31 December 2004 amounted to \$0.4 million. Details of our fixed assets can be found in Appendix G: "Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004" of this Prospectus. Details of our operating lease commitments are set out under the section "Capitalisation and Indebtedness" of this Prospectus.

GOVERNMENTAL REGULATIONS

We have obtained the necessary business licences for our day-to-day operations. Each of our subsidiaries, namely Ban Leong (Malaysia) and Ban Leong (Thailand) has obtained valid business licences for its business and operations. Save as disclosed in the section "Risk Factors" and in Appendix D: "Governmental Regulations" of this Prospectus, we are not subject to any government regulations in the countries where we operate other than those generally applicable to companies and businesses in such countries, which will have a material effect on our business operations. For details on applicable laws and regulations, please refer to Appendix D: "Governmental Regulations" of this Prospectus.

As at the Latest Practicable Date, none of our licences have been suspended or revoked. Our Directors are not aware of any facts or circumstances which would cause the suspension or revocation or affect the renewal of the said licences.

FINANCIAL REVIEW

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information should be read in conjunction with the full text of this Prospectus including the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 and the related notes set out in Appendix G of this Prospectus.

Operating Results of our Proforma Group

(\$'000)	← FY2002	Proforma FY2003	FY2004 →
Revenue	43,394	50,407	63,219
Cost of sales	(39,094)	(44,170)	(54,693)
Gross profit	4,300	6,237	8,526
Other operating income	–	2	14
Operating expenses			
Selling and distribution expenses	(1,451)	(1,608)	(2,421)
General and administrative expenses	(1,101)	(1,502)	(2,198)
Other operating expenses	–	–	(110)
	(2,552)	(3,110)	(4,729)
Profit from operations	1,748	3,129	3,811
Financial costs, net	(8)	(9)	(36)
Profit before tax	1,740	3,120	3,775
Income tax	(386)	(702)	(604)
Profit after tax	1,354	2,418	3,171
Minority interests	–	–	(10)
Net profit attributable to Shareholders	1,354	2,418	3,161
EPS ⁽¹⁾ (cents)	1.81	3.22	4.21

Note:-

- (1) For comparative purposes, EPS for the period under review has been computed based on our net profit attributable to Shareholders and our pre-Invitation share capital of 75,000,000 Shares.

FINANCIAL REVIEW

Financial Position of our Proforma Group

	← Proforma → As at 31 December 2004
(\$'000)	
Non-current assets	
Property, plant and equipment	377
Deferred tax assets	183
	560
Current assets	
Inventories	6,073
Trade receivables	7,676
Other receivables, deposits and prepayments	246
Due from related parties (trade)	1
Due from shareholders of a subsidiary (non-trade)	21
Fixed deposit	426
Cash and bank balances	3,123
	17,566
Current liabilities	
Trade payables	4,724
Bills payable to a bank (secured)	1,860
Other payables and accruals	1,763
Finance lease obligations, current portion	29
Due to directors (non-trade)	19
Provision for tax	918
	9,313
Net current assets	8,253
Non-current liability	
Finance lease obligations, non-current portion	95
Net assets	8,718
Proforma shareholders' equity	
Share capital	500
Revenue reserves	8,185
	8,685
Minority interests	33
	8,718
NTA per Share ⁽¹⁾ (cents)	11.34

Note:-

- (1) NTA per Share has been computed based on net assets of our Group after deducting minority interests and deferred tax assets and our pre-Invitation share capital of 75,000,000 Shares.

FINANCIAL REVIEW

ANALYSIS OF REVENUE AND PROFITS

The following information should be read in conjunction with the full text of this Prospectus, including the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 and the related notes thereto set out in Appendix G of this Prospectus.

Revenue

Our principal business activity is in the distribution of IT products which can be categorised as follows:-

- (a) Multimedia products which comprise audio and visual IT products such as computer speakers, CRT and LCD monitors, graphic cards, MP3 players and sound cards;
- (b) Data storage products which are used in the storage of data such as tape storage, HDD cases and CD-ROMs; and
- (c) IT accessories which consists of PC-related accessories such as mice, keyboards and networking products such as switches, routers and wireless cards.

We derive our revenue mainly from the sale of multimedia products, data storage products and IT accessories. Multimedia products constituted more than 45% of our revenue for each of the last three financial years ended 31 December 2004 as these products generally have higher average unit sale price as compared to data storage products and IT accessories. Data storage products constituted over 30% of our revenue for each financial year while the balance comprised sales of IT accessories. Among our three product categories, IT accessories generally have lower average unit sale price but yield higher gross profit margins. These products are more susceptible to changes in consumer trends and preferences as aesthetic features tend to be a key consideration by consumers when selecting these products. We also derive revenue from the provision of after-sales service to our customers. This source of revenue was insignificant, accounting for less than \$0.1 million for each of the last three financial years ended 31 December 2004. We recognise our revenue upon delivery and acceptance of our products and services by our customers.

Our customers consist mainly of resellers such as retailers and chain stores, corporate resellers and system integrators. The key factors affecting our revenue include the following:-

- (a) our ability to enhance our relationship with our existing principals and secure new principals;
- (b) our ability to analyse and predict consumers' changing needs and preferences;
- (c) our ability to continue to secure sales from existing and new customers; and
- (d) our ability to expand into regional markets.

Please refer to the section "Risk Factors" of this Prospectus for other factors that may affect our revenue and financial performance.

Our main geographical market is Singapore, which constituted more than 50% of our revenue for each of the last three financial years ended 31 December 2004. In FY2003 and FY2004, we set up our operations in Malaysia and Thailand, respectively, to facilitate the distribution of our products in these markets. We also export to the Middle East which includes Saudi Arabia, United Arab Emirates, Jordan, Syria and Lebanon, Asian countries such as the People's Republic of China, Taiwan, Korea, Mongolia, Pakistan, India, Bangladesh and Nepal and other countries in Africa, America and Europe. Please refer to the section "Review of Operating Results" of this Prospectus for a breakdown of our revenue, gross profit and gross profit margin by product category and geographical markets for each of the last three financial years ended 31 December 2004.

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Cost of Sales

Cost of sales represented 93.8%, 93.4% and 92.0% of our total costs and expenses for FY2002, FY2003 and FY2004 respectively.

Our cost of sales comprises mainly costs of procuring products from our principals and suppliers. We currently have distributorship arrangements with six principals. We represent various brands including Samsung, Sony and Altec Lansing. The cost of products we purchase constitutes more than 95% of our cost of sales and the balance comprises cost incurred in the process of importing products from our overseas principals and suppliers, such as freight charges, import duties, and insurance. Such charges are not material as they formed less than 5% of our total cost of sales for each of the last three financial years ended 31 December 2004.

Factors affecting our cost of sales include, *inter alia*, the following:-

- (a) our ability to negotiate with our principals through our constant engagement with them and providing them with relevant market feedback, thereby allowing more flexibility in our purchasing and inventory planning; and
- (b) our ability to minimise the risk of inventory obsolescence due to rapid changes in technology.

The above should be read in conjunction with the section “Risk Factors” of this Prospectus.

Operating Expenses

Our operating expenses comprise selling and distribution expenses, general and administrative expenses and other operating expenses. Operating expenses as a proportion of our revenue was 5.9%, 6.2% and 7.5% in FY2002, FY2003 and FY2004 respectively.

Selling and distribution expenses comprise mainly salaries and bonuses of sales and marketing staff, staff commissions, travelling expenses, provision for bad debts and other charges. These accounted for 56.9%, 51.7%, and 51.2% of our total operating expenses in FY2002, FY2003 and FY2004 respectively.

General and administrative expenses include salaries and bonuses of administrative staff, bank charges, directors’ remuneration, rental, depreciation and other miscellaneous costs such as utilities, professional fees, insurance and stationeries. These accounted for 43.1%, 48.3% and 46.5% of our total operating expenses in FY2002, FY2003 and FY2004 respectively.

Financial Costs, net

Financial costs comprise mainly interests on bills payable and finance leases, net of interest income from fixed deposits.

Income Tax

Our Company and our subsidiaries, which operate in Singapore, Malaysia and Thailand, are taxed in accordance with the respective prevailing tax regulations of the jurisdictions in which they are incorporated. Deferred income tax is provided on all temporary differences arising from the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The prevailing corporate income tax rates in Singapore were 22.0%, 22.0% and 20.0% for FY2002, FY2003 and FY2004, respectively. We commenced our operations in Malaysia and Thailand only in FY2003 and FY2004, respectively.

FINANCIAL REVIEW

The prevailing income tax rate in Malaysia is 28.0%. However, companies with paid-up capital of less than RM2.5 million will be subject to a tax rate of 20.0% on chargeable income of up to RM500,000. The remaining chargeable income in excess of RM500,000 will be subject to the prevailing tax rate of 28.0%. Ban Leong (Malaysia) has had a paid-up capital of RM3.00 since incorporation. Therefore, the tax rate applicable to Ban Leong (Malaysia) is 20.0% on chargeable income of up to RM500,000 and 28.0% on chargeable income in excess of RM500,000.

The prevailing income tax rate in Thailand is 30%. However, under the recent Thai taxation laws, small-medium enterprises with paid-up capital of not more than THB5 million and with profits of less than THB1 million will be subject to a tax rate of 15.0%. Ban Leong (Thailand) has had a paid-up capital of THB1 million since incorporation. Therefore, the tax rate applicable to Ban Leong (Thailand) is 15.0%.

Please refer to the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 set out in Appendix G of this Prospectus for more information on our income tax.

Inflation

In the last three financial years ended 31 December 2004, inflation has not had a material impact on our financial performance.

REVIEW OF OPERATING RESULTS

For the purpose of discussion, we have categorised our revenue, gross profit and gross profit margin by categories of products and by geographical markets for the last three financial years ended 31 December 2004. The following review of past performance should be read in conjunction with the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 set out in Appendix G of this Prospectus.

Breakdown of Past Performance by Product Category

A breakdown of our revenue, gross profit and gross profit margin by categories of products for each of the last three financial years ended 31 December 2004 is set out below:-

Revenue

	FY2002		Proforma FY2003		FY2004	
	\$'000	%	\$'000	%	\$'000	%
Multimedia products	24,789	57.1	26,123	51.8	28,724	45.4
Data storage products	15,213	35.1	17,349	34.4	23,673	37.5
IT accessories	3,392	7.8	6,935	13.8	10,822	17.1
Total	43,394	100.0	50,407	100.0	63,219	100.0

Gross profit/Gross profit margin

	FY2002		Proforma FY2003		FY2004	
	\$'000	%	\$'000	%	\$'000	%
Multimedia products	2,870	11.6	3,257	12.5	3,979	13.9
Data storage products	893	5.9	1,482	8.5	3,048	12.9
IT accessories	537	15.8	1,498	21.6	1,499	13.9
Total	4,300	9.9	6,237	12.4	8,526	13.5

FINANCIAL REVIEW

Breakdown of past performance by geographical markets

Our segmental revenue by geographical markets is based on the location of our customers. A breakdown of our revenue, gross profit and gross profit margin by geographical markets for each of the last three financial years ended 31 December 2004 is set out below:-

Revenue

	FY2002		Proforma FY2003		FY2004	
	\$'000	%	\$'000	%	\$'000	%
Singapore	30,179	69.5	38,757	76.9	44,933	71.1
Malaysia	—	—	915	1.8	7,484	11.8
Thailand	—	—	—	—	244	0.4
Asia ⁽¹⁾	6,512	15.0	7,484	14.8	7,275	11.5
Middle East ⁽²⁾	4,317	9.9	2,301	4.6	1,972	3.1
Others ⁽³⁾	2,386	5.6	950	1.9	1,311	2.1
Total	43,394	100.0	50,407	100.0	63,219	100.0

Gross profit/Gross profit margin

	FY2002		Proforma FY2003		FY2004	
	\$'000	%	\$'000	%	\$'000	%
Singapore	3,607	12.0	5,488	14.2	7,180	16.0
Malaysia	—	—	82	9.0	637	8.5
Thailand	—	—	—	—	132	54.1
Asia ⁽¹⁾	414	6.4	447	6.0	345	4.7
Middle East ⁽²⁾	180	4.2	141	6.1	125	6.3
Others ⁽³⁾	99	4.1	79	8.3	107	8.2
Total	4,300	9.9	6,237	12.4	8,526	13.5

Notes:-

- (1) Asia includes the People's Republic of China, Taiwan, Korea, Mongolia, Pakistan, India, Bangladesh, Nepal and Asean member countries excluding Singapore, Malaysia and Thailand.
- (2) Middle East includes Saudi Arabia, United Arab Emirates, Jordan, Syria and Lebanon.
- (3) Others include countries in Africa, America and Europe.

FY2002 vs FY2003

Revenue

Our revenue increased by \$7.0 million or 16.2% from \$43.4 million in FY2002 to \$50.4 million in FY2003. This was due mainly to increase in sales of multimedia products, data storage products and IT accessories of \$1.3 million, \$2.1 million and \$3.6 million, respectively. The increase in sales across all our product categories was mainly attributable to our efforts to expand our range of products which enabled us to secure new product lines from suppliers such as Powercolour and Cooler Master and principals such as BenQ in FY2003.

FINANCIAL REVIEW

The increase in sales of multimedia products was mainly attributable to an increase in demand for LCD monitors from our customers as prices of LCD monitors declined in FY2003 which made them more affordable. The increase in sales of data storage products was due mainly to higher demand for products such as tape storage and CD-RW from corporate resellers and retailers in FY2003 with wider usage of such products in offices and homes. The increase in sales of IT accessories was due mainly to an increase in our range of IT accessories in line with our focus to increase revenue from this product category which generated higher gross profit margin due to its aesthetic features and relatively low unit sale price as compared to the other product categories.

Our revenue derived from Singapore, Malaysia and Asia segment increased by \$8.6 million, \$0.9 million and \$1.0 million, respectively while sales to the Middle East and others segments declined by an aggregate of \$3.5 million from FY2002 to FY2003. The increase in our sales in Singapore was due mainly to sales of products from suppliers such as Powercolour and Cooler Master and principals such as BenQ in FY2003. Our marketing efforts for these new distributorships were focused primarily on promoting these products to our customers in Singapore during the year. The increase in our sales in Malaysia was mainly attributable to sales achieved by our subsidiary, Ban Leong (Malaysia), which commenced operations in September 2003. The fluctuations in our sales to the Middle East and others segments were due mainly to the export nature of these sales which are mainly bulk orders. The decline in our sales to these segments was due mainly to a one-off bulk order from a customer in the Middle East in FY2002.

Gross Profit

Our gross profit increased by \$1.9 million or 45.0% from \$4.3 million in FY2002 to \$6.2 million in FY2003. Gross profit increased by \$0.4 million, \$0.6 million and \$0.9 million for multimedia products, data storage products and IT accessories respectively. This increase was proportionately higher than the growth in revenue as we were able to distribute more products that commanded higher profit margins in FY2003.

Our gross profit margin for multimedia products remained relatively stable at approximately 12% in FY2002 and FY2003. Despite a decline in prices of products such as LCD monitors in FY2003, we were able to maintain our gross profit margin for this product category as our purchase cost of these products decreased. Our gross profit margin for data storage products improved from 5.9% in FY2002 to 8.5% in FY2003 due mainly to an increase in sales of tape storage and CD-RW which commanded higher margins as new models of these products were launched during the year. Our gross profit margin for IT accessories improved from 15.8% in FY2002 to 21.6% in FY2003. These products are more susceptible to changes in consumer trends and preferences as aesthetic features tend to be a key consideration by consumers when selecting these products. In line with our focus on identifying innovative IT products, we expanded our range of IT accessories with new models of these products which yielded higher gross profit margins in the early stages of their product life cycles.

Our gross profit margin for Singapore increased from 12.0% in FY2002 to 14.2% in FY2003 as we were able to bundle our product offerings with a wider range of products from our new distributorships secured in FY2003. As compared to Singapore, our gross profit margin for Malaysia was lower at 9.0% due to competitive pricing for our products in order to penetrate the new market. Our gross profit margins for the Asia, Middle East and others segments were lower as compared to our gross profit margins in Singapore and Malaysia as sales in these markets were typically bulk orders with payments made in advance of delivery. The gross profit margin for Middle East and others segments increased from 4.2% and 4.1% in FY2002 to 6.1% and 8.3% in FY2003 respectively. These were mainly due to higher margins derived from bulk orders received in FY2003 as compared to FY2002.

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Operating Expenses

Our operating expenses comprise selling and distribution and general and administrative expenses. Our operating expenses increased by \$0.5 million or 21.9% from \$2.6 million in FY2002 to \$3.1 million in FY2003.

Our selling and distribution expenses increased by approximately \$0.1 million or 10.8% from \$1.5 million in FY2002 to \$1.6 million in FY2003 due mainly to an increase in salaries and bonuses of approximately \$0.2 million as we increased our sales and marketing staff strength from seven in FY2002 to 17 in FY2003.

Our general and administrative expenses increased by approximately \$0.4 million or 36.4% from \$1.1 million in FY2002 to \$1.5 million in FY2003 due mainly to increase in overheads which included higher salaries and bonuses of administrative staff as our headcount increased from 17 in FY2002 to 32 in FY2003, higher bank charges, insurance costs, utilities expenses, depreciation charges and professional fees to support our business expansion.

Financial Costs, net

Financial costs are not a significant part of our expenses and form less than 1.0% of our operating expenses. These were mainly interest payments on bills payable and finance leases net of interest income derived from fixed deposits placed with banks.

Profit Before Tax

As a result of the above, our profit before tax increased by \$1.4 million or 79.3% from \$1.7 million in FY2002 to \$3.1 million in FY2003.

Income Tax

Our effective tax rate increased marginally from 22.2% in FY2002 to 22.5% for FY2003 due mainly to an increase in non-deductible expenses.

FY2003 vs FY2004

Revenue

Our revenue increased by \$12.8 million or 25.4% from \$50.4 million in FY2003 to \$63.2 million in FY2004. This was due mainly to increase in sales of multimedia products, data storage products and IT accessories of \$2.6 million, \$6.3 million and \$3.9 million respectively. The increase in sales across all our product categories was mainly attributable to our efforts to expand our range of products from new suppliers to include brands such as HIS, LG and Microsoft. We also recorded revenue contributions from our Malaysian subsidiary for the full year in FY2004.

The increase in sales of multimedia products was mainly attributable to demand for a new range of portable speakers which was launched by one of our principals, Altec Lansing. During the year, Altec Lansing also extended our distribution rights from Singapore to other geographical territories such as Malaysia, Thailand and Vietnam. Our sales of data storage products increased as we expanded our range of optical storage products to include Samsung and LG brands during the year. The increase in sales of IT accessories was due mainly to an increase of our range of IT accessories in line with our focus to increase revenue from this product category.

Our revenue derived from Singapore, Malaysia and Thailand increased by \$6.2 million, \$6.6 million and \$0.2 million respectively, while sales to other markets increased by \$0.4 million from FY2003 to FY2004. Sales to Asia and Middle East segments decreased by an aggregate of \$0.5 million. Our sales in Singapore increased due mainly to the demand for a new range of portable speakers launched by Altec Lansing as mentioned above and a demand for newer models of graphic cards. The increase in our sales

FINANCIAL REVIEW

in Malaysia was mainly attributable to revenue contributions from Ban Leong (Malaysia) for the full year in FY2004. Our subsidiary in Thailand, Ban Leong (Thailand) started operations in September 2004 and recorded sales of \$0.2 million. The fluctuations in our sales to the Asia, Middle East and others segments were due mainly to the export nature of these sales which are mainly bulk orders.

Gross Profit

Our gross profit increased by \$2.3 million or 36.7% from \$6.2 million in FY2003 to \$8.5 million in FY2004. Gross profit increased by \$0.7 million and \$1.6 million for multimedia products and data storage products respectively. Our gross profit for IT accessories remained relatively stable.

Our gross profit margin for multimedia products increased from 12.5% in FY2003 to 13.9% in FY2004. Our gross profit margin for data storage products improved from 8.5% in FY2003 to 12.9% in FY2004. The improvement in margins for multimedia and data storage products was due mainly to sales of new models of products which commanded higher margins. Our gross profit margin for IT accessories declined from 21.6% in FY2003 to 13.9% in FY2004 as we expanded our range of networking products and printers. While these products yielded lower profit margins, they were distributed as part of our product bundling strategy to cater to our customers' varied needs.

Our gross profit margin for Singapore increased from 14.2% in FY2003 to 16.0% in FY2004 due to sales of new models of products which commanded higher margins. Our gross profit margin for Malaysia declined from 9.0% in FY2003 to 8.5% in FY2004 due to competitive pricing of our products to increase our market penetration. Our gross profit margin for Thailand of 54.1% in FY2004 was due mainly to sales of promotional products sourced from our suppliers as part of our initial sales efforts when we started operations in September 2004. The gross profit margin for Asia declined marginally from 6.0% in FY2003 to 4.7% in FY2004 as orders from this segment commanded a lower margin in FY2004. For Middle East and others segments, gross profit margin remained similar to FY2003.

Operating Expenses

Our operating expenses comprised selling and distribution, general and administrative expenses and other operating expenses. Our operating expenses increased by \$1.6 million or 52.1% from \$3.1 million in FY2003 to \$4.7 million in FY2004.

Our selling and distribution expenses increased by approximately \$0.8 million or 50.6% from \$1.6 million in FY2003 to \$2.4 million in FY2004 due mainly to the following reasons:-

- (i) increase in salaries and bonuses of \$0.3 million as we increased our sales and marketing staff strength from 17 in FY2003 to 30 in FY2004;
- (ii) increase in sales commissions of \$0.1 million which is in line with increase in our revenues and gross profits generated in FY2004; and
- (iii) increase in expenditure for promotional events and participation in exhibition activities of \$0.3 million.

Our general and administrative expenses increased by approximately \$0.7 million or 46.3% from \$1.5 million in FY2003 to \$2.2 million in FY2004 due mainly to increase in overheads which included higher salaries and bonuses of administrative staff as our headcount increased from 32 in FY2003 to 42 in FY2004 to support our business expansion both locally and in Malaysia and Thailand.

Our other operating expenses of \$0.1 million in FY2004 related to provision for impairment and write-off of unquoted investments which were disposed. Further details are set out under the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 as set out in Appendix G of this Prospectus.

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Financial Costs, net

Financial costs are not a significant part of our expenses and form less than 1% of our operating expenses. These were mainly interest payments on bills payable and finance leases net of interest income derived from fixed deposits placed with the banks.

Profit Before Tax

As a result of the above, our profit before tax increased by \$0.7 million or 21.0% from \$3.1 million in FY2003 to \$3.8 million in FY2004.

Income Tax

Our effective tax rate decreased from 22.5% in FY2003 to 16.0% for FY2004 due mainly to the recognition of deferred tax assets not taken up in the prior years.

LIQUIDITY AND CAPITAL RESOURCES

Our business growth and expansion have been financed through internal sources of funds derived from cash generated from operating activities as well as from external sources comprising borrowings from financial institutions and credit granted by our principals and suppliers.

As at the Latest Practicable Date, we have cash and cash equivalents and fixed deposit of approximately \$4.5 million. As at the Latest Practicable Date, we have total banking facilities comprising letters-of-credit, bills payables, bankers guarantees and overdraft facilities of \$17.6 million of which \$11.9 million was unutilised. Further details of our bank facilities can be found in the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 as set out in Appendix G of this Prospectus, and under the section “Capitalisation and Indebtedness” of this Prospectus.

Our Directors are of the opinion that, as at the Latest Practicable Date, after taking into account the cash flows generated from operations, together with our existing cash, bank balances and borrowings from financial institutions, we have adequate working capital to meet our present requirements.

FINANCIAL REVIEW

A summary of our cash flows for FY2004 is as follows:-

(\$'000)	Proforma ⁽¹⁾ FY2004
Cash flows from operating activities	
Profit before tax	3,775
Adjustment for:-	
Depreciation of property, plant and equipment	111
Gain on disposal of property, plant and equipment	(12)
Interest expense	39
Interest income	(3)
Translation difference	1
Operating profit before working capital changes	3,911
Decrease/(increase) in	
Inventories	(2,788)
Trade receivables	(2,003)
Other receivables, deposits and prepayments	49
Due from related parties (trade)	851
Due from shareholders of a subsidiary (non-trade)	(21)
Increase/(decrease) in	
Trade payables	429
Bills payable to a bank (secured)	1,261
Other payables and accruals	831
Due to directors (non-trade)	(636)
Cash generated from operations	1,884
Interest expense paid	(39)
Interest income received	3
Income tax paid	(572)
Net cash generated from operating activities	1,276
Cash flows from investing activities	
Proceeds from disposal of property, plant and equipment	12
Purchase of property, plant and equipment	(225)
Net cash used in investing activities	(213)
Cash flows from financing activities	
Cash contribution from minority shareholders of a subsidiary	23
Dividend paid	(300)
Payment of finance lease obligations	(66)
Net cash used in financing activities	(343)
Net increase in cash and cash equivalents	720
Cash and cash equivalents at the beginning of year	2,429
Cash and cash equivalents at the end of year⁽²⁾	3,149

Notes:-

- (1) The proforma cash flow summary for our Group has been prepared on the basis that our Group structure at the date of lodgement of this Prospectus has been in existence since FY2002.
- (2) Cash and cash equivalents comprised cash and bank balances and the unpledged portion of fixed deposit of \$26,000.

FINANCIAL REVIEW

Net cash generated from operating activities

In FY2004, our operating profit before working capital changes was \$3.9 million. During the financial year, there were increases in inventories, trade receivables, trade payables, bills payable to a bank, other payables and accruals. The increase in inventories was due mainly to a wider range of products carried by our Group to support our revenue growth in FY2004. The increase in trade receivables and trade payables were in line with our overall increase in revenue in FY2004. The increase in other payables and accruals was due to provisions made for staff bonuses and staff welfare and the increase in bills payable to a bank was due mainly to utilisation of banking facilities for the settlement of our purchases. The remaining outflow was due to interest expense and tax paid during the year. Our net cash generated from operating activities amounted to \$1.3 million.

Net cash used in investing activities

In FY2004, our net cash used in investing activities was \$0.2 million due mainly to the purchase of computers, office equipment and renovation as our business expanded.

Net cash used in financing activities

Our net cash used in financing activities which amounted to \$0.3 million for FY2004 was mainly attributable to the payment of dividend of \$0.3 million and repayment of our finance leases of \$0.1 million.

Operating Lease Commitments

As at the Latest Practicable Date, we have operating lease commitments of \$0.4 million relating to the lease of our properties at No. 21, No. 32 and No. 36 Kaki Bukit Crescent. Further details are set out under the section “Capitalisation and Indebtedness” of this Prospectus.

MATERIAL CAPITAL EXPENDITURES AND DIVESTMENTS

Our material capital expenditures for the last three financial years ended 31 December 2004 and up to the Latest Practicable Date are as follows:-

(\$'000)	FY2002	FY2003	FY2004	1 January 2005 to Latest Practicable Date
Acquisition ⁽¹⁾				
Computer	–	23	71	15
Office equipment	4	9	55	4
Furniture and fittings	–	5	10	–
Motor vehicles	–	93	86	255
Renovation	2	51	89	6
	6	181	311	280

Note:-

(1) This relates to the cost of property, plant and equipment acquired during the respective financial years.

Save for the divestment of our investments as described in the sections “Group Structure – Restructuring Exercise” and “Financial Review – Review of Operating Results” of this Prospectus, we do not have any material divestment in the last three financial years ended 31 December 2004 .

Details of our property, plant and equipment additions and disposals are set out in the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 as set out in Appendix G of this Prospectus.

FINANCIAL REVIEW

There is no material capital investment, the making or divestment of which is still in progress as at the Latest Practicable Date.

FOREIGN EXCHANGE EXPOSURE

Accounting Treatment of Transactions in Foreign Currencies

Our functional currency is in Singapore dollars. Transactions in foreign currency are translated at exchange rates ruling on the transaction dates. Monetary assets and liabilities maintained in foreign currencies are translated into Singapore dollars at the approximate exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated into Singapore dollars at the approximate exchange rates ruling at the transaction date. All exchange differences are dealt with in the profit and loss account.

Impact of Foreign Exchange

Our reporting currency is in SGD and our sales are denominated mainly in SGD, USD and RM while our purchases are denominated mainly in SGD and USD. Our operating costs are denominated in SGD, RM and THB. The percentages of our revenue and purchases and operating costs denominated in SGD, USD, RM and THB for each of the last three financial years ended 31 December 2004 are as follows:-

(%)	← FY2002	Proforma FY2003	→ FY2004
As a percentage of our revenue			
SGD	71.0	74.3	63.8
USD	29.0	23.9	24.0
RM	—	1.8	11.8
THB	—	—	0.4
Total	100.0	100.0	100.0
As a percentage of our purchases and operating costs			
SGD	46.0	52.2	45.3
USD	54.0	47.6	53.6
RM	—	0.2	0.9
THB	—	—	0.2
Total	100.0	100.0	100.0

To the extent that our sales, purchases and operating costs are not naturally matched in the same currency and to the extent that there are timing differences between collections and payments, we will be exposed to adverse fluctuations of the various currencies against SGD. As a result, our earnings may be adversely affected. For example, other things being equal, in a net long position in USD, depreciation of USD against SGD will decrease our USD denominated receivables when converted to SGD and will have an adverse impact on our earnings.

At present, we do not have any formal policy for hedging against foreign exchange exposure. We have not in the past used any financial hedging instruments to manage foreign exchange risks. We may, when necessary, enter into foreign currency forward contracts to hedge against exposure from foreign currency fluctuations.

FINANCIAL REVIEW

Our net foreign exchange gain/(loss) for each of the last three financial years ended 31 December 2004 is as follows:-

	 ←	Proforma	 →
	FY2002	FY2003	FY2004
Foreign exchange gain/(loss) (\$'000)	49.0	(71.0)	(5.0)
As a percentage of profit before tax (%)	2.8	(2.3)	(0.1)

As our reporting currency is in SGD, the accounts of our subsidiaries in Malaysia and Thailand will need to be translated to SGD for consolidation purposes. As such, we face translation risk in that any material fluctuation in the RM and THB will have an effect on our consolidated financial statements which are presented in SGD.

SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

There have been no changes in our accounting policies for the last three financial years ended 31 December 2004. Please refer to section G.5, “Summary of Significant Accounting Policies” of the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 as set out in Appendix G of this Prospectus for details of our accounting policies.

PROSPECTS AND FUTURE PLANS

PROSPECTS

Based on the current industry outlook, our Directors are optimistic about the prospects of our business and believe that we will continue to enjoy healthy growth in our business.

Our Directors are of the view that our growth will primarily be fuelled by strong demand for multimedia products, data storage products and IT accessories in Singapore and the regional countries. This is expected to be driven by increasing consumer affluence and greater awareness of technological advancements in the IT industry. As home ownership of computers and IT products continues to rise, we expect a corresponding increase in penetration rates for internet usage and demand for the latest innovative IT products. We believe that our Group is well poised to capitalise on this growth trend.

We intend to focus on our expansion plans in regional countries such as Malaysia, Thailand and Vietnam. Our Directors are of the view that the market conditions in Singapore and the rest of South East Asia will continue to grow, and we believe that our Group is well poised to benefit from this trend.

Trend Information

Our Directors are of the view that in FY2005:-

- (a) In general, the selling prices of IT products will face downward pressure as newer versions of similar products are launched into the markets. However, our selling prices are typically pegged to our cost of goods purchased. Accordingly, our gross margins will not be materially affected by this decrease in selling prices.
- (b) Our principals will continue to introduce new products into the market. New products introduced by our principals in recent years include Sony DVD-RWs, Samsung printers and Altec Lansing portable speakers. This will in turn enable us to broaden our product range further and contribute to our revenue.
- (c) As mentioned above, we believe that there is increasing awareness of technological advancements in the IT industry. We believe that this will lead to an increase in demand for innovative IT products.
- (d) Our inventory levels will continue to increase as we expand our product range and extend our presence in Malaysia, Thailand and Vietnam.

Order Book

Our Group does not have an order book as we typically deliver goods to our customers upon receipt of purchase orders, subject to stock availability.

FUTURE PLANS

We plan to further grow and develop our business operations in the following ways:-

(a) To expand our product range

We intend to expand our product range by sourcing for new distributorships and suppliers and expanding the distribution rights from our existing principals and suppliers. In expanding our product range, we intend to focus on innovative IT products in line with our strategy as a technology-driven specialist distributor of multimedia and data storage products as well as IT accessories. As set out in the section "Prospectus Summary" of this Prospectus, we intend to utilise \$2.0 million of our proceeds from the issue of New Shares for this purpose.

PROSPECTS AND FUTURE PLANS

(b) To further expand our geographical presence in South East Asia

We currently have operations in Singapore, Malaysia and Thailand. We intend to further expand our existing markets in Malaysia and Thailand and to penetrate new markets such as Vietnam, through various means including setting up subsidiaries or representative offices, forming joint ventures or appointing local agents. We believe that an increased presence will enable us to expand our customer base as well as build closer links with our existing customers. As set out in the section “Prospectus Summary” of this Prospectus, we intend to utilise \$1.0 million of our proceeds from the issue of New Shares for this purpose.

(c) To expand our business through acquisitions, joint ventures and strategic alliances

We intend to expand our business through acquisitions, joint ventures or form strategic alliances with companies which we believe are complementary to our business. Such acquisitions, joint ventures or strategic alliances would bring about an expanded network of customers and additional distribution channels. We believe that with our status as a listed company, we will be in a better position to take advantage of such opportunities when they arise, as we would have access to the public equity market to raise funds if necessary, and we would be in a position to issue new shares to acquire or merge with potential partners through an exchange of shares. Currently, we are not engaged in any discussion with any party for acquisitions, joint ventures or strategic alliances. Should such opportunities arise, we will, where necessary seek approval from our Shareholders and/or the relevant authorities as required by the relevant rules and regulations. We intend to utilise \$0.5 million of our proceeds from the issue of New Shares for this purpose as set out in the section “Prospectus Summary” of this Prospectus.

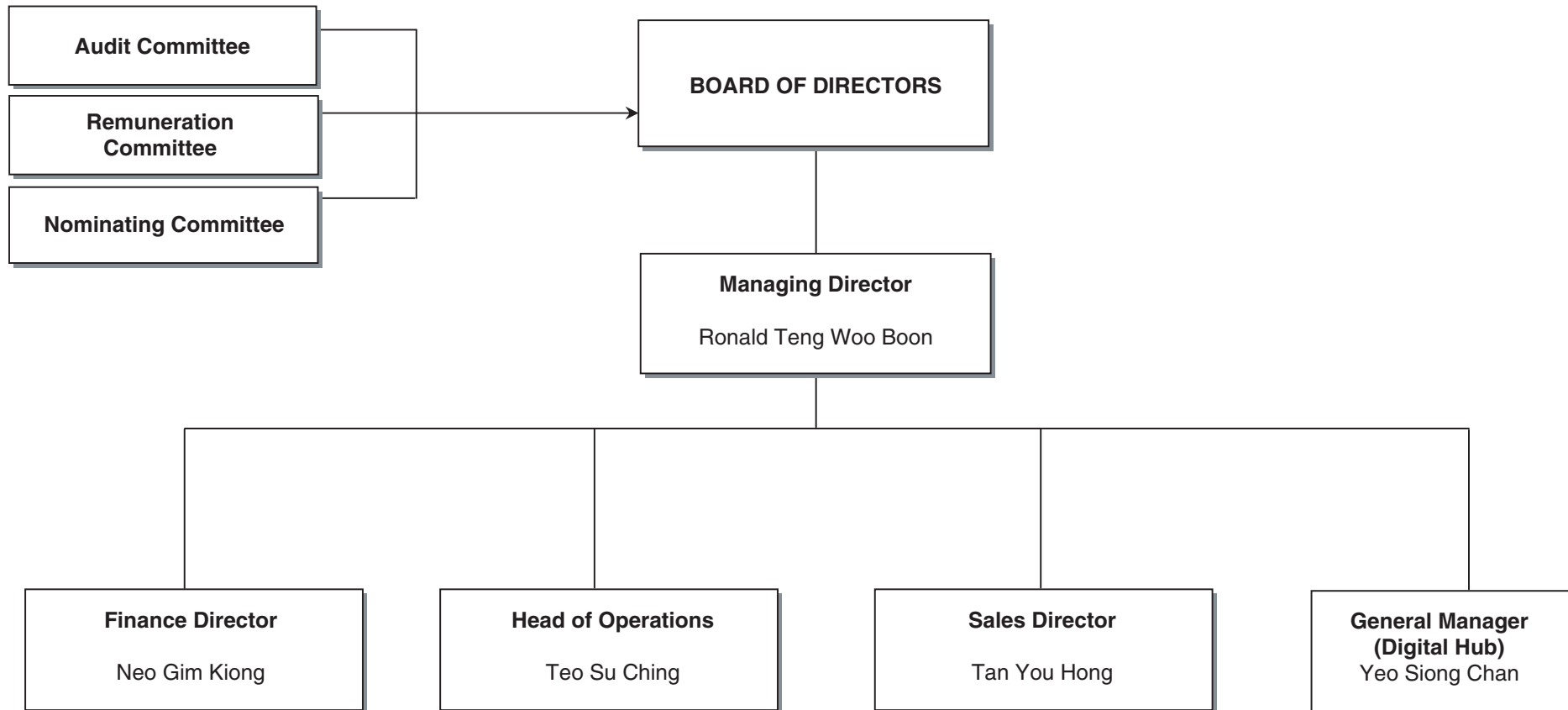
(d) To build up our technical and engineering capabilities

To complement our distribution business, we intend to build up our technical and engineering capabilities through the recruitment of suitably qualified personnel and/or through partnerships with our principals and suppliers. We believe that this capability will strengthen our ability to market our principals’ products. It will also enable us to keep up with development in the IT industry and enhance our ability to source for innovative IT products from our principals and suppliers. Where opportunities arise, we may also leverage on our technical and engineering capabilities to explore the design and development of multimedia products, data storage products and IT accessories. We intend to utilise \$0.5 million of our proceeds from the issue of New Shares for this purpose as set out in the section “Prospectus Summary” of this Prospectus.

DIRECTORS, MANAGEMENT AND STAFF

MANAGEMENT REPORTING STRUCTURE

The management reporting structure of our Group is set out below:-



DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. The particulars of our Directors are as follows:-

Name	Age	Address	Principal Occupation
Ronald Teng Woo Boon	36	1 Amber Gardens #15-01 Singapore 439957	Managing Director
Neo Gim Kiong	35	175 Tamarind Road Singapore 806129	Finance Director
Ch'ng Jit Koon	71	162 Tamarind Road Singapore 806116	Director
Loh Yih	41	34 Greenleaf Drive Singapore 279543	Managing Director, Netplus Communications Pte Ltd
Tan Eng Bock	69	30 Jalan Sindar Seletar Hills Estate Singapore 808385	Director

Information on the business and working experience, education and professional qualification, if any, and areas of responsibilities of our Directors are set out below:-

Ronald Teng Woo Boon is our Managing Director and was appointed as a Director of our Company on 18 June 1993. He is the founder of our Group and plays an important role in managing the overall business, operations and profitability of our Group. His responsibilities include formulating and executing our Group's business strategies and policies as well as charting the growth of our Group. He also spearheads the sales and marketing function of our Group. In 2004, he received the Rotary ASME *Top Entrepreneur Of Year 2004* award presented by the Association of Small and Medium Enterprises (Singapore). He graduated from the National University of Singapore in 1993 with a Degree of Bachelor of Science (Computer and Information Sciences).

Neo Gim Kiong is an Executive Director of our Company. He was appointed as a Director of our Company on 1 July 2004. He is responsible for management reporting and overseeing the financial and internal controls of our Group. He is supported by a finance manager, who is a Certified Public Accountant and a team of eight accounts executives. He is a shareholder of Bizmen Corporation Pte Ltd, a business advisory services company. He also holds the position of managing director and is primarily responsible for the business planning and development activities of the company. He is an independent director of Advance SCT Limited, a company listed on SGX-SESDAQ. From 2001 to August 2004, he was an executive director with Jackspeed Corporation Limited ("Jackspeed") assisting its chief executive officer in the overall business growth of the Jackspeed group, finance and corporate development activities. Prior to that, he was in the banking industry for seven years. His main responsibility was in business lending and management of loan portfolios. He graduated from the National University of Singapore with a Bachelor of Science Degree in Mathematics (Second Upper Class Honours) in 1993.

Ch'ng Jit Koon is a Non-Executive Director of our Company. He was appointed as a Director of our Company on 12 May 2005. Currently, he is the chairman of Pan-United Corporation Ltd. and is a director of several other public-listed and private companies in Singapore. Ch'ng Jit Koon, a Justice of Peace, was a Member of Parliament from 1968 to 1996. He was the Senior Parliamentary Secretary to the Prime Minister from 1982 to 1984, the Minister of State for Community Development from 1984 to 1991 and Senior Minister of State from 1991 till his retirement in January 1997. In addition to holding directorships in several public-listed companies and private companies in Singapore, he is also serving in several community organisations such as chairman of the Traditional Chinese Medicine Practitioners

DIRECTORS, MANAGEMENT AND STAFF

Board, Chairman of the Oral History Advisory Committee, member of the Board of Trustees, Chinese Development Assistance Council, member of the Board of Advisors for National Technological University's 21st Century Fund and a trustee of the Building Construction and Timber Industries Employees' Union. He graduated with a Bachelor of Arts (Economics and Political Science) degree from the former Nanyang University, Singapore.

Loh Yih is an Independent Director of our Company. He was appointed as a Director of our Company on 12 May 2005. He is the managing director of Netplus Communications Pte Ltd, an internet service provider. Between 2001 and 2004, he was managing his personal private equity investment. From 1998 to 2000, he was managing an independent institutional marketing team in OSK Securities Berhad in Malaysia. Between 1995 to 1998, he headed the equities department of West Merchant Bank. Prior to that, he was a senior manager of the capital market department at Standard Chartered Merchant Bank where he managed equities trading and emerging market bonds investment. He graduated from Nanyang Technological University in 1988 with a Bachelor of Accountancy (Hons). He is a chartered financial analyst.

Tan Eng Bock is an Independent Director of our Company. He was appointed as a Director of our Company on 12 May 2005. He is currently a director of Ho Bee Investment Limited. From 1956 to 1991, he was with the Singapore Police Force where he held various appointments that included the director of Logistics and Commander of Operations, the director of Administration and Planning, Singapore Civil Defence, the director of Public Affairs and the director of the Criminal Investigations Department. He retired in 1991 as the Assistant Commissioner of the Singapore Police Force. Since 1970, he has been active and instrumental in steering the growth of sports in Singapore. Some of his appointments include being a committee member of the Singapore National Olympic Council, committee member of the Singapore Island Country Club, vice chairman of the Asian Amateur Swimming Federation (Technical Waterpolo Committee) and deputy president of the Singapore Swimming Association.

The list of present and past directorships of each of our Directors over the last five years (excluding those held in our Company) is set out below:-

Name	Present Directorships	Past Directorships
Ronald Teng Woo Boon	<u>Group Companies</u> Ban Leong (Malaysia) Ban Leong (Thailand) Digital Hub <u>Other Companies</u> —	<u>Group Companies</u> — <u>Other Companies</u> Ban Leong Brothers Sdn Bhd Direct Commerce Pte Ltd
Neo Gim Kiong	<u>Group Companies</u> — <u>Other Companies</u> Advance SCT Limited Bizmen Corporation Pte. Ltd. Dollar Tree Inc Pte. Ltd.	<u>Group Companies</u> — <u>Other Companies</u> Jackspeed Australia Pty Ltd Jackspeed Aviation and Marine Pte. Ltd. Jackspeed Corporation Limited Jackspeed Leather Manufacture (Thailand) Co., Ltd.

DIRECTORS, MANAGEMENT AND STAFF

Ch'ng Jit Koon

Group Companies

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Other Companies

China Fashion Holdings Limited
Conference & Exhibition Management Services Pte Ltd
Cortina Holdings Limited
D.B. Progen Servicing Pte Ltd
Dico International Pte Ltd
Eastern Asia Technology Limited
Ho Bee Investment Limited
Pan-United Corporation Ltd.
Polacel Manufacturing (S.E.Asia) Pte Ltd
Progen Engineering Pte Ltd
Progen Holdings Ltd
Progen Industrial Pte Ltd
Progen Media Pte Ltd
Progen Pte Ltd
Santak Holdings Limited
Tropical One Pte Ltd
Tung Lok Restaurants (2000) Ltd.

Group Companies

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Other Companies

Circuits Plus Holdings Ltd.
Eplus Technologies Pte Ltd
Global Advantage Investment Pte Ltd/
Spring Ads Pte Ltd
HBM Print Ltd
Hong Leong Asia Ltd.
Keppel TatLee Finance Ltd
Keppel Finance Limited
New Wave Technologies Ltd
Zuellig Insurance Brokers Pte Ltd

Loh Yih

Group Companies

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Other Companies

Netplus Communications Pte Ltd
Vietnam Singapore Investment and Consultancy Pte. Ltd.

Group Companies

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Other Companies

E-Sun Corporate Advisory Pte Ltd
I.Securep Services Pte. Ltd.
Wapnbuy.com Pte Ltd

Tan Eng Bock

Group Companies

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Other Companies

A P C Distributors (Pte) Ltd
Ho Bee Investment Ltd
Kyowa Security Guard & General Services Pte Ltd
Spencer (S) Pte Ltd

Group Companies

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Other Companies

Beverage World (S) Pte Ltd
E-Cop Pte. Ltd.
HB Media Holdings Pte Ltd
Hin Lung Credit Pte. Ltd.
Ho Bee Holdings (Pte) Ltd
Hobee Print Pte Ltd
Intracel Pte Ltd
Intrapage Pte Ltd
Matsuya Singapore Pte Ltd
Mediarep Asia Pte Ltd
SHC Capital Limited
Teledata (Singapore) Limited.
Tridex Pte. Ltd.

Our Non-Executive Director, Ch'ng Jit Koon is the father-in-law of our Executive Director, Neo Gim Kiong. Save for Neo Gim Kiong's interests in Bizmen and Dollar Tree, and as disclosed above and in the sections "Share Capital – Shareholders" and "Interest of Management and Others in Certain Transactions – Interested Person Transactions" of this Prospectus, none of our Directors are related to each other or to any of our Substantial Shareholders.

DIRECTORS, MANAGEMENT AND STAFF

MANAGEMENT

The day-to-day operations of our Group is entrusted to our Executive Directors and an experienced and qualified team of Executive Officers, whose particulars are as follows:-

Name	Age	Address	Designation
Teo Su Ching	35	1 Amber Gardens #15-01 Singapore 439957	Head of Operations
Tan You Hong	36	Blk 336 Clementi Ave 2 #16-34 Singapore 120336	Sales Director
Yeo Siong Chan	42	Blk 101 Aljunied Crescent #11-335 Singapore 380101	General Manager (Digital Hub)

Information on the business and working experience, education and professional qualification, if any, and areas of responsibilities of our Executive Officers are set out below:-

Teo Su Ching is the Head of Operations of our Group. She has been primarily responsible for the administration, day-to-day operations of the accounts and human resource functions of our Group since 1993. From 1992 to 1993, she was a secretary at BLB. Prior to that, she was a personal assistant to the managing director of Dan & Jon Interior Design Pte Ltd from 1990 to 1991. From 1988 to 1990, she was an administration officer in Mode Circle Pte Ltd. She completed her GCE "O" levels education in 1987.

Tan You Hong is the Sales Director of our Group. He is in-charge of our Group's sales and marketing operations in Singapore and Malaysia. He was a sales manager of our Group from 1994 to 1997. He re-joined our Group in 2000 as a business development manager where he was responsible for developing and managing the distribution channels for our products. He was promoted to the position of Sales Director in 2004. From 1997 to 2000, he was the country sales manager of Intranet (S) Pte Ltd where he was responsible for overseeing the company's operations. From 1993 to 1994, he was an IT engineer in Golden Hall Investments Pte Ltd. In 1993, he was a software engineer in the Institute of System Science at the National University of Singapore. He graduated from the National University of Singapore in 1993 with a Degree of Bachelor of Science (Computer and Information Sciences).

Yeo Siong Chan is the General Manager of Digital Hub. He joined our Group in 2003 where his main responsibility was to oversee the entire business operations of Digital Hub which includes managing its local distribution sales and marketing function. From 1999 to 2002, he was regional sales and marketing manager and channel sales manager of Samsung Asia Pte Ltd and Fullmark Micro Pte Ltd, respectively. He was responsible for developing and managing the sales of Samsung's range of IT products within the South East Asian market and managing the channel sales for certain IT products at Fullmark Micro Pte Ltd. From 1996 to 1999, he was a product manager at Westan International (S) Pte Ltd responsible for regional distribution sales and a corporate account manager at JTS International. Inc. where he was responsible for Original Equipment Manufacturer sales. He graduated from the Vocational and Industrial Training Board Singapore with an Industrial Technician Certificate in Electronics Engineering in 1987 and from the Marketing Institute of Singapore with a Diploma in Sales and Marketing in 1996.

The list of present and past directorships of each of our Executive Officers over the last five years is set out below:-

Name	Present Directorships	Past Directorships
Teo Su Ching	<u>Group Companies</u> Ban Leong (Malaysia) Ban Leong (Thailand) Digital Hub <u>Other Companies</u> —	<u>Group Companies</u> Ban Leong Technologies Pte Ltd <u>Other Companies</u> Direct Commerce Pte Ltd Future Era Pte. Ltd.

DIRECTORS, MANAGEMENT AND STAFF

Name	Present Directorships	Past Directorships
Tan You Hong	<u>Group Companies</u> —	<u>Group Companies</u> —
	<u>Other Companies</u> —	<u>Other Companies</u> Trivision Technology Pte Ltd
Yeo Siong Chan	<u>Group Companies</u> —	<u>Group Companies</u> —
	<u>Other Companies</u> —	<u>Other Companies</u> —

EMPLOYEES

As at 31 December 2004, our Group had 74 full-time employees. Save for 20 employees who were based in Ban Leong (Malaysia) and Ban Leong (Thailand) as at 31 December 2004, all our full-time employees for the last three financial years ended 31 December 2004 were based in Singapore. The functional and geographical distribution of our full-time employees as at the end of each of the last three financial years ended 31 December 2004 were as follows:-

Function	Number of employees		
	FY2002	FY2003	FY2004
Management	1	1	2
Finance and Operations	17	32	42
Sales and Marketing	7	17	30
Total	25	50	74

Location	Number of employees		
	FY2002	FY2003	FY2004
Singapore	25	38	54
Malaysia	—	12	15
Thailand	—	—	5
Total	25	50	74

The increase in our employees headcount was due mainly to recruitment of sales and marketing staff to increase our revenue and additional headcount for finance and operations to support our business expansion in Singapore, Malaysia and Thailand.

We do not employ a significant number of temporary staff. However, from time to time, when the need arises, we may employ contract workers to help us in handling any increase in workload. None of our employees are members of any external labour union. The relationship and cooperation between our management and employees have been good and this is expected to continue. We have not experienced any labour disputes or work stoppages, which have affected our operations.

We make contributions to government-managed retirement benefit plans in Singapore, Malaysia and Thailand in accordance with the applicable governmental regulations. Save as disclosed above, we have not set aside or accrued any amounts to provide for pension, retirement or similar benefits.

DIRECTORS, MANAGEMENT AND STAFF

COMPENSATION

The compensation paid or payable to each of our Directors and our Executive Officers for services rendered to our Group on an aggregate basis and in remuneration bands for each of the two most recent completed financial years ended 31 December 2004 and an estimated amount of remuneration paid and to be paid for the current financial year ending 31 December 2005 are as follows:-

(a) Directors in each remuneration band⁽¹⁾⁽²⁾

Directors	FY2003	FY2004	Estimated FY2005 ⁽³⁾
Ronald Teng Woo Boon	Band A	Band B	Band A
Neo Gim Kiong	–	Band A	Band A
Ch'ng Jit Koon	–	–	Band A
Loh Yih	–	–	Band A
Tan Eng Bock	–	–	Band A

(b) Executive Officers in each remuneration band⁽¹⁾⁽²⁾

Executive Officers	FY2003	FY2004	Estimated FY2005 ⁽³⁾
Teo Su Ching	Band A	Band A	Band A
Tan You Hong	Band A	Band A	Band A
Yeo Siong Chan	Band A	Band A	Band A

Notes:-

(1) Remuneration bands:-

“A” refers to remuneration up to \$250,000

“B” refers to remuneration from \$250,001 to \$500,000

“C” refers to remuneration from \$500,001 to \$750,000

(2) Remuneration includes salary, bonus, CPF, director's fee and benefits-in-kind.

(3) For the purpose of this estimation, no account is taken for any bonus including the Performance Bonus that our Managing Director, Ronald Teng Woo Boon is entitled under his service agreement. Details of the Performance Bonus are set out under the section “Directors, Management and Staff – Service Agreement” of this Prospectus.

REMUNERATION OF RELATED EMPLOYEES

As at the Latest Practicable Date, we have two employees who are related to our Managing Director, Ronald Teng Woo Boon. Their relationships and appointments are as follows:-

Name	Relationship	Designation
Teo Su Ching	Wife of Managing Director, Ronald Teng Woo Boon	Head of Operations
Teo Wee Chong	Brother-in-law of Managing Director, Ronald Teng Woo Boon	Sales Manager

The aggregate remuneration (including CPF contributions thereon and benefits) in FY2002, FY2003, and FY2004 for each of these employees amounted to less than \$150,000 for each of the last three financial years ended 31 December 2004.

The total remuneration of these employees will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review.

DIRECTORS, MANAGEMENT AND STAFF

There is no arrangement or understanding with any Substantial Shareholder, customer or supplier of our Group or other person, pursuant to which any of our Directors and Executive Officers were appointed.

SERVICE AGREEMENT

We have entered into a service agreement ("Service Agreement") with our Managing Director, Ronald Teng Woo Boon for an initial period of three years from the date of commencement, being 1 January 2005, of the Service Agreement (the "Initial Term") which shall automatically expire at the end of the Initial Term unless renewed by our Company for such period as our Company may so decide. During the Initial Term, the appointment of our Managing Director may only be terminated by our Company. Upon renewal of the Service Agreement, the appointment of our Managing Director may be terminated at any time in accordance with the provisions of the Service Agreement or by either party giving to the other six months' notice in writing of such intended termination, or in lieu of the said six months' notice, an amount equivalent to six months' salary based on our Managing Director's last drawn salary. Our Managing Director will not be entitled to any benefits upon termination of his Service Agreement.

The Service Agreement shall automatically terminate at any time without any notice or payment in lieu of notice if, our Managing Director: (i) becomes prohibited by law from being or ceases to be a Director of our Company for any reason whatsoever; (ii) may be suffering from a mental disorder; and/or (iii) is convicted of any criminal offence (save for an offence under road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment) and is sentenced to any term of immediate or suspended imprisonment. Our Company may terminate our Managing Director's appointment in the event a successful takeover offer is made. Upon such termination, our Managing Director shall not be entitled to claim any compensation or damages or any severance payment for or in respect or by reason of such termination.

The Service Agreement may be terminated by our Company in the event that our Managing Director commits certain events of default (comprising gross misconduct, breach of a material provision of the Service Agreement, breach of trust or dishonesty or if he becomes bankrupt or makes any arrangement or composition with his creditors) as described in his Service Agreement and upon such termination, our Managing Director shall not be entitled to claim any compensation or damages.

Under the Service Agreement, our Managing Director will receive a monthly salary of \$9,000 (exclusive of CPF contributions by our Company). Our Company will reimburse our Managing Director all travel, hotel, entertainment, mobile phone and other expenses reasonably incurred by him in the performance of his duties, during the term of his Service Agreement. Our Managing Director shall also be provided with the use of a motor car and all cost of taxes, insurance, repair, maintenance and petrol of the motor car shall be borne by our Company.

In respect of each financial year, our Managing Director shall also be entitled to a performance bonus (in addition to the 13th month annual wage supplement) which shall include the CPF contribution by our Company, based on our Group's audited consolidated profit before tax, performance bonus, gains on exceptional items and extraordinary items ("Profits") as follows:-

Profits	Percentage to be allocated as performance bonus
For the first \$1.5 million	3.25% of Profits
Where Profits exceed \$1.5 million but less than \$2.0 million	An additional 4.0% of the difference between the Profits and \$1.5 million
Where Profits exceed \$2.0 million but less than \$2.5 million	An additional 4.75% of the difference between the Profits and \$2.0 million
Where Profits exceed \$2.5 million but less than \$3.0 million	An additional 5.5% of the difference between the Profits and \$2.5 million

DIRECTORS, MANAGEMENT AND STAFF

Profits	Percentage to be allocated as performance bonus
Where Profits exceed \$3.0 million but less than \$3.5 million	An additional 6.5% of the difference between the Profits and \$3.0 million
Where Profits exceed \$3.5 million but less than \$4.0 million	An additional 7.5% of the difference between the Profits and \$3.5 million
Where Profits exceed \$4.0 million but less than \$4.5 million	An additional 8.5% of the difference between the Profits and \$4.0 million
Where Profits exceed \$4.5 million but less than \$5.0 million	An additional 9.5% of the difference between the Profits and \$4.5 million
Where Profits exceed \$5.0 million	An additional 10.5% of the difference between the Profits and \$5.0 million

Please refer to the section “Directors, Management and Staff – Directors” in this Prospectus for details of the responsibilities of our Managing Director, Ronald Teng Woo Boon. Under his leadership, the operations of our Group have developed and expanded rapidly. We consider his skill, expertise and continuing contribution to our Group to be invaluable and vital to the future growth of our Group and awarding him with a performance bonus will serve as a reward as well as to motivate him to continue to contribute to the growth of our Group.

There is no financial impact on our Group had the Service Agreement been effected for FY2004.

Our Board of Directors or a Remuneration Committee appointed by it will review the remuneration package of our Managing Director annually.

In order to motivate our staff and to encourage loyalty, we have in place a performance-based compensation scheme for our sales personnel and product managers. Currently, all our sales personnel and product managers are remunerated based on this compensation scheme. The variable pay-out to our staff constituted approximately 42.4% of our total staff cost for FY2004. Under this scheme, the participants are entitled to a monthly commission which is pegged to the profit margins of the products sold by each of them.

Save as disclosed above, there are no existing or proposed service agreements between our Company or any of our subsidiaries and any of our Executive Directors. There are no existing or proposed service contracts entered or to be entered into by our Directors with our Company which provide for benefits upon termination of employment.

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and in the offering of high standards of accountability to our Shareholders. Accordingly, our Directors have established a Nominating Committee, a Remuneration Committee and an Audit Committee.

Nominating Committee

Our Nominating Committee comprises Tan Eng Bock, Ch’ng Jit Koon and Ronald Teng Woo Boon. The Chairman of our Nominating Committee is Tan Eng Bock. Our Nominating Committee will be responsible for (i) re-nomination of our Directors having regard to each Director’s contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

DIRECTORS, MANAGEMENT AND STAFF

Our Nominating Committee will decide on how our board's performance is to be evaluated and propose objective performance criteria, subject to the approval of our board, which address how our board has enhanced long-term shareholders' value. Our board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our board as a whole and for assessing the contribution by each individual Director to the effectiveness of the board. Each member of our Nominating Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of our Nominating Committee in respect of the assessment of his performance or re-nomination as Director.

Remuneration Committee

Our Remuneration Committee comprises Loh Yih, Tan Eng Bock and Ch'ng Jit Koon. The Chairman of our Remuneration Committee is Loh Yih. Our Remuneration Committee will be responsible for recommending to our board a framework of remuneration for our Directors and Executive Officers, and determining specific remuneration packages for each Director and Executive Officer and our Managing Director. The recommendations of our Remuneration Committee will be submitted for endorsement by the entire board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be reviewed by our Remuneration Committee. Each member of our Remuneration Committee shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of our Remuneration Committee in respect of his remuneration package.

The total remuneration of the employees who are related to our Directors will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review.

The remuneration paid to employees who are immediate family members of our Directors will be disclosed in our annual report in the event that such remuneration exceeds \$150,000 for that financial year.

Audit Committee

Our Audit Committee comprises Loh Yih, Tan Eng Bock and Ch'ng Jit Koon. The chairman of our Audit Committee is Loh Yih. Our Independent Directors, Loh Yih, Tan Eng Bock and our Non-Executive Director, Ch'ng Jit Koon, do not have any existing business or professional relationship with our Group, our Directors or Substantial Shareholders. Save for Ch'ng Jit Koon who is the father-in-law of our Executive Director, Neo Gim Kiong, none of our Audit Committee members are related to our other Directors or Substantial Shareholders.

Our Audit Committee will assist our board in discharging their responsibility to safeguard our assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group. Our Audit Committee will provide a channel of communication between our board, our management and our external auditors on matters relating to audit. In particular, our Audit Committee will meet periodically to perform the following functions:-

- (a) review with the external auditors the audit plan, their evaluation of our system of internal accounting controls, their letter to management and the management's response;
- (b) review the quarterly and annual financial statements and balance sheet and profit and loss accounts before submission to our board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

DIRECTORS, MANAGEMENT AND STAFF

- (c) review the internal control procedures and ensure co-ordination between the external auditors and our management, and review the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management, where necessary);
- (d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position and our management's response;
- (e) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
- (f) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (g) review potential conflicts of interests, if any;
- (h) undertake such other reviews and projects as may be requested by our board, and will report to our board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- (i) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall commission and review the findings or internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. Each member of our Audit Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of our Audit Committee in respect of matters in which he is interested.

BOARD PRACTICES

Our Directors are appointed by our Shareholders at a general meeting and an election of Directors is held annually. One third (or if their number is not a multiple of three, the number nearest to but not less than one third) of our Directors, are required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Please refer to Appendix E: "Extracts of Memorandum and Articles of Association" of this Prospectus for more details on the appointment and retirement of our Directors.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

INTERESTED PERSON TRANSACTIONS

Save as disclosed below and under the section “Group Structure – Restructuring Exercise” of this Prospectus, none of our Directors, Executive Officers, Substantial Shareholders or Associates of such Directors, Executive Officers or Substantial Shareholders, were or are interested in any material transactions undertaken by our Group for the last three financial years ended 31 December 2004 and up to the Latest Practicable Date.

Past Transactions

(a) Transactions with BLB

BLB is a company established in Singapore and is in the business of distribution and sale of home entertainment and automobile audio equipment. Our Substantial Shareholders, Teng Kin Chong and Lim Siew Eng are substantial shareholders and executive directors of BLB.

Sales to BLB

Some of our overseas customers may require a certificate of origin for our products. This certificate of origin is issued by the Singapore Chinese Chamber of Commerce and Industry, and backed by a declaration of the country of origin of the products. As the importer, we provided this declaration and channeled the sales of these products through BLB. BLB then on-sold these products to our overseas customers at cost.

The value of these transactions in the last three financial years ended 31 December 2004 was as follows:-

(\$'000)	FY2002	FY2003	FY2004
Sale of products	96	7	354

Since November 2004, we have ceased this arrangement with BLB and have instead channeled these sales through our wholly-owned subsidiary, Digital Hub.

Loan to BLB

In FY2002, we extended a loan of \$0.7 million to BLB for its general working capital needs. The loan was interest-free, unsecured and had no fixed terms of repayment. This loan was paid down to \$0.6 million as at 31 December 2003. The remaining balance was fully settled in 2004. We do not intend to extend any loans to BLB in the future.

(b) Sales to Future Era Pte. Ltd. (“Future Era”)

Future Era is a company established in Singapore which is principally engaged in the retailing of IT products. Our Executive Officer, Teo Su Ching was a director and held an interest of 35% in the share capital of Future Era.

From time to time, we distributed some of our IT products to Future Era. Our sales to Future Era were entered into on an arm’s length basis on normal commercial terms. The value of these transactions in the last three financial years ended 31 December 2004 was as follows:-

(\$'000)	FY2002	FY2003	FY2004
Sale of products	–	632	705

Our Executive Officer, Teo Su Ching disposed her entire interest in Future Era and resigned as a director of Future Era in 2004.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

(c) Purchase of motor vehicle from our Managing Director, Ronald Teng Woo Boon

On 1 January 2005, we purchased from our Managing Director, Ronald Teng Woo Boon his existing motor vehicle for the sum of \$255,000. The purchase consideration was determined based on the fair market value of the vehicle at the time of the purchase. This was a one-off transaction and will not recur subsequent to the Invitation.

Pursuant to his Service Agreement, our Managing Director, Ronald Teng Woo Boon is entitled to and will continue the use of the said motor vehicle.

Present and On-Going Transactions

(a) Purchases from BLB

In the past, we pooled our purchases of headsets from an overseas supplier together with BLB's purchases from the same country to reduce freight and related costs. The value of these transactions in the last three financial years ended 31 December 2004 and up to the Latest Practicable Date were as follows:-

(\$'000)	FY2002	FY2003	FY2004	1 January 2005 to Latest Practicable Date
Purchase of products	36	20	21	8

BLB charged us the cost of these headsets plus a mark-up to cover freight and related costs. As the volume of these transactions are low, we intend to continue such transactions so long as it is in our interest to do so. These transactions will be subject to the review of our Audit Committee in accordance with the procedures described in the section "Interest of Management and Others in Certain Transactions – Review Procedures for Future Interested Person Transactions" of this Prospectus to ensure that any such transaction is on normal commercial terms and not prejudicial to the interests of our Shareholders.

(b) Lease of premises at 21 Kaki Bukit Crescent from BLB

We rent our premises at 21 Kaki Bukit Crescent from BLB. The rental paid for the last three financial years ended 31 December 2004 and up to the Latest Practicable Date were as follows:-

(\$'000)	FY2002	FY2003	FY2004	1 January 2005 to Latest Practicable Date
Rental Paid	168	168	168	60

On 1 January 2005, we entered into a lease agreement with BLB to record and formalise the lease arrangement. Pursuant to the lease agreement, we were granted a lease for an area of approximately 16,400 sq ft at 21 Kaki Bukit Crescent for a period of two years for a monthly rent of \$12,000. The rental amount was arrived at after taking into consideration the prevailing market rate for rental of similar premises in the same vicinity.

Our Directors have reviewed the terms of the lease agreement and are of the view that the transaction was on an arm's length basis. Any renewal of the aforesaid lease agreement will be subject to the review of our Audit Committee in accordance with the procedures described in the section "Interest of Management and Others in Certain Transactions – Review Procedures for Future Interested Person Transactions" of this Prospectus to ensure that any such transaction is entered into on normal commercial terms and not prejudicial to the interests of our Shareholders.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

(c) Lease of premises at 36 Kaki Bukit Crescent to BLB

Since 2004, we have been sharing part of our warehouse space at 36 Kaki Bukit Crescent with BLB to meet their inventory storage requirements and we have not collected any rent from BLB. On 1 January 2005, we entered into a sub-lease agreement with BLB whereby we sub-leased approximately 10,200 sq ft at 36 Kaki Bukit Crescent to BLB. The sub-lease commenced on 1 January 2005 and expires on 14 January 2006 at a monthly rent of \$6,500. The aggregate amount of rental paid by BLB from 1 January 2005 and up to the Latest Practicable Date was \$32,500. The rental rate was arrived at after taking into account the cost of renting the property from our landlord, an unrelated third party and the area leased.

Our Directors have reviewed the terms of the sub-lease agreement and are of the view that the transaction is on an arm's length basis. Any renewal of the aforesaid agreement will be subject to the review of our Audit Committee in accordance with the procedures described in the section "Interest of Management and Others in Certain Transactions – Review Procedures for Future Interested Person Transactions" of this Prospectus to ensure that any such transaction is on normal commercial terms and not prejudicial to the interests of our Shareholders.

(d) Guarantees and securities provided by our Managing Director, Ronald Teng Woo Boon, our Substantial Shareholder, Teng Kin Chong and BLB

Our Managing Director, Ronald Teng Woo Boon, our Substantial Shareholder, Teng Kin Chong and BLB, had in the past provided the following guarantees and securities to UOB Bank to cover credit facilities of \$4.0 million granted to our Group:-

- (i) joint and several personal guarantee for \$4.0 million from Ronald Teng Woo Boon and Teng Kin Chong;
- (ii) guarantee for \$0.8 million from Ban Leong Radio and Electric Company, a sole proprietorship of Teng Kin Chong;
- (iii) a legal mortgage of two units in Sim Lim Square owned by BLB;
- (iv) pledge of our fixed deposit of \$0.4 million; and
- (v) existing irrevocable letter of authority to debit the account of Ban Leong Radio and Electric Company.

As at the Latest Practicable Date, the aforesaid guarantees and securities have been discharged and replaced by a personal guarantee from Ronald Teng Woo Boon of \$7.0 million to UOB Bank to cover credit facilities of \$7.0 million granted to our Group. As at the Latest Practicable Date, we had total banking facilities, including the aforesaid credit facilities from UOB Bank, comprising letters-of-credit, bills payables, bankers guarantees and overdraft facilities of \$17.6 million. All our banking facilities are secured by personal guarantees from our Managing Director, Ronald Teng Woo Boon.

The nature of the above facilities are described in the sections "Liquidity and Capital Resources" and "Capitalisation and Indebtedness" of this Prospectus.

(e) Services provided by Bizmen

Our Executive Director, Neo Gim Kiong, is a director and 80% shareholder of Bizmen, a business advisory services company. In preparation for our listing, we engaged Bizmen's services in 2004. The fees paid to Bizmen in FY2004 amounted to \$36,000. These fees were at arm's length and were comparable to fees charged for similar services by unrelated professional parties. No other payments have been made to Bizmen in the last three financial years ended 31 December 2004 and up to the Latest Practicable Date.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

It is envisaged that we may continue to engage the services of Bizmen in the future, as and when the need arises. These transactions will be subject to the review of our Audit Committee in accordance with the procedures described in the section “Interest of Management and Others in Certain Transactions – Review Procedures for Future Interested Person Transactions” of this Prospectus to ensure that they are on normal commercial terms and not prejudicial to the interests of our Shareholders.

Save as disclosed above, none of the Directors has any professional relationship with our Company and our other Directors and Substantial Shareholders.

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

All future transactions with interested persons shall comply with the requirements of the Listing Manual. As required by Paragraph 9(e) of Appendix 2.2 to the Listing Manual, our Company has adopted a set of new Articles of Association which requires a director to abstain from voting in any contract or arrangement in which he has a material personal interest.

Our Audit Committee will review all interested person transactions to ensure that they are transacted on an arm’s length basis, on normal commercial terms, and will not be prejudicial to the interests of our Shareholders. It will adopt the following procedures when reviewing interested person transactions:-

- (i) when purchasing items from or engaging the services of an interested person, two other quotations from non-interested persons will be obtained for comparison, when available and practicable, to ensure that the interests of minority Shareholders are not disadvantaged;
- (ii) when selling items or supplying services to an interested person, the price and terms of two other successful sales of a similar nature to non-interested persons will be used for comparison, when available and practicable, to ensure that the interests of minority Shareholders are not disadvantaged; and
- (iii) when renting properties from or to an interested person, our Directors shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant inquiries with landlords of similar properties and obtaining suitable reports or reviews published by property agents (as necessary). The rent payable shall be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant inquiries.

Our Audit Committee will review all interested person transactions, if any, at least quarterly to ensure that they are carried out at arm’s length and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. In the event that a member of the Audit Committee is interested in any interested person transactions, he will abstain from reviewing that particular transaction. Furthermore, if during these periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are not suitable or insufficient to ensure that the interests of minority Shareholders are not prejudiced, we will adopt new guidelines and procedures.

In addition, our Audit Committee will include the review of interested person transactions as part of its standard procedures while examining the adequacy of our internal controls. Our Board of Directors will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders’ approval if deemed necessary by the Listing Manual.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

POTENTIAL CONFLICTS OF INTERESTS

(a) BLB

BLB is in the business of distribution and sale of home entertainment and automobile audio equipment. We are a technology-driven specialist distributor of multimedia and data storage products as well as IT accessories. Our Substantial Shareholders, Teng Kin Chong and Lim Siew Eng are substantial shareholders and executive directors of BLB. Our customer base is substantially different from BLB as our focus is on identifying innovative IT products and these products are targeted at different market segments. Furthermore, the day-to-day management and operations of BLB are vested in distinct and separate management teams. Ronald Teng Woo Boon is not a director of BLB nor otherwise participates in its management while Teng Kin Chong and Lim Siew Eng do not participate in the management of our Group.

We have also in the past used the same logo as BLB in the conduct of our respective business operations. Pursuant to a deed of undertaking dated 2 February 2005, BLB has undertaken, *inter alia*, to cease the use of our logo and to renounce and relinquish all rights to the logo.

Our Directors are of the view that there is no conflict of interests between our Group and BLB as we do not compete with BLB for the above reasons. Presently, we have no intention to undertake BLB's business. In addition, to minimise any future potential conflict of interests, BLB has given an undertaking to our Group, *inter alia*, that it shall not undertake any identical or similar business which is directly or indirectly in competition with that of our Group.

(b) Chainfusion

Chainfusion is in the business of IT software development. Subsequent to the Restructuring Exercise, our Managing Director, Ronald Teng Woo Boon, has an interest of approximately 5.8% in Chainfusion. He is not a director of Chainfusion and does not participate in the management of Chainfusion.

Our Directors are of the view that there is no potential conflict of interests as Chainfusion does not compete with our Group. Presently, we have no intention to undertake Chainfusion's business. In addition, our Managing Director, Ronald Teng Woo Boon has given an undertaking to our Company that in the event that Chainfusion competes with our Group by carrying on the same or similar business, or distributing similar products as our Group, he will divest his entire interest in Chainfusion. Ronald Teng Woo Boon has also undertaken not to be a director or participate in the management of Chainfusion at any point in time so long as he is a Controlling Shareholder of our Company.

Save as disclosed above and under the section "Interest of Management and Others in Certain Transactions – Interested Person Transactions" in this Prospectus,

- (a) no Director, Substantial Shareholder or Executive Officer of our Company or their respective Associates has any interest, direct or indirect, in any material transactions to which our Company was or is to be a party;
- (b) no Director, Substantial Shareholder or Executive Officer of our Company or their respective Associates has any interest, direct or indirect, in any business which competes with the existing business of our Group; and
- (c) no Director, Substantial Shareholder or Executive Officer of our Company or their respective Associates has any interest, direct or indirect, in any enterprise or company that is our Group's customer or supplier of goods or services.

GENERAL AND STATUTORY INFORMATION

Information on Directors and Executive Officers

1. Save as disclosed below, none of our Directors or Executive Officers,

- (a) has at any time during the last 10 years, had a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner;
- (b) has at any time during the last 10 years, had a petition under any law of any jurisdiction filed against a corporation of which he was a director or key executive for the winding up of that corporation on the ground of insolvency;
- (c) has any unsatisfied judgement against him;
- (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment for three months or more, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
- (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach;
- (f) has at any time during the last 10 years, had judgement entered against him in any civil proceeding in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
- (h) has ever been disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (i) has ever been subject to any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity; and
- (j) has ever, to his knowledge been concerned in Singapore or elsewhere with the management or conduct of affairs of (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any corporation or partnership which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership.

Disclosure by Tan You Hong

Our Executive Officer, Tan You Hong was the sole proprietor of a cyber cafe, Surfers Avenue (formerly known as Net Avenue Network and Computing Solutions) which was established in 2000. As the sole proprietor, Tan You Hong was fined on two occasions between 2000 and 2001 for allowing students below the age of 16 into the cyber cafe during school hours. Tan You Hong was fined \$1,000 on the first occasion and \$2,000 on the second occasion. The day-to-day operation of the business was managed by an employee. The cyber cafe ceased business in December 2001 and the business registration licence of Surfers Avenue expired in January 2004.

GENERAL AND STATUTORY INFORMATION

Tan You Hong was also charged for failing to pay his home television licence for the year 2002 for which Tan You Hong paid a composite fine of \$200.

2. No option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries has been granted to, or was exercised by, any Director or Executive Officer of our Company or any of our subsidiaries during the last financial year.

Share Capital

3. Save as disclosed herein and in the section “Share Capital” of this Prospectus, there were no changes in the issued and paid-up share capital of our Company or our subsidiaries within the three years preceding the Latest Practicable Date.

Name of company/ Date of issue	Number of ordinary shares issued	Par value	Issue price/ Consideration	Purpose	Resultant issued share capital
<u>Ban Leong (Malaysia)</u>					
15 August 2003	3	RM1.00	At par/RM3	Incorporation	RM3
<u>Ban Leong (Thailand)</u>					
16 July 2004	10,000	THB100	At par/THB 1,000,000	Incorporation	THB 1,000,000
<u>Digital Hub</u>					
20 March 2003	2	\$1.00	At par/\$2	Incorporation	\$2
3 April 2003	99,998	\$1.00	At par/\$99,998	Working Capital	\$100,000

4. Save as disclosed above and in the section “Share Capital” of this Prospectus, no shares in, or debentures of, our Company or any of its subsidiaries have been issued or are proposed to be issued, as fully paid or partly paid-up, for cash or for a consideration other than cash, within the two years preceding the date of this Prospectus.
5. There have been no public takeover offers by any third party in respect of our Shares or by our Company in respect of shares of another corporation, which has occurred during the last and current financial year.

Articles of Association

6. The powers and objects of our Company are set out within our Memorandum of Association which is available for inspection at our registered office as stated in this section of the Prospectus under the heading “Documents Available for Inspection”.

The provisions in the Articles of Association of our Company relating to the remuneration, voting rights on proposal, arrangements or contracts in which our Directors are interested, borrowing powers of our Directors, the restrictions on the transferability of shareholdings, the voting rights of members of our Company and the appointment, retirement and removal of our Directors are set out in Appendix E: “Extracts of Memorandum and Articles of Association” of this Prospectus.

7. There is no shareholding qualification and no retirement age for our Directors under our Articles of Association. However, pursuant to section 153 of the Act, no person over the age of 70 years shall be appointed or act as a director of our Company or our subsidiaries unless he has been appointed or re-appointed to hold office or has been authorised to continue in office, as a director of the relevant company by the shareholders of the relevant company through an ordinary resolution passed at an annual general meeting of the relevant company.

GENERAL AND STATUTORY INFORMATION

Material Contracts

8. The following contracts, not being contracts entered into in the ordinary course of business of our Company and our subsidiaries have been entered into by our Company and our subsidiaries within the two years preceding the date of lodgement of this Prospectus and are or may be material:-
- (a) The sale and purchase agreement dated 18 January 2005 between our Company and Ronald Teng Woo Boon pursuant to which our Company sold all of its shareholding interest in the capital of Chainfusion to Ronald Teng Woo Boon.
 - (b) The lease agreement dated 1 January 2005 between our Company and BLB pursuant to which our Company was granted a lease for an area of approximately 16,400 sq ft at 21 Kaki Bukit Crescent for a period of two years.
 - (c) The sub-lease agreement dated 1 January 2005 between our Company and BLB pursuant to which our Company sub-leased an area of approximately 10,200 sq ft at 36 Kaki Bukit Crescent to BLB from 1 January 2005 to 14 January 2006.
 - (d) The shareholders' agreement dated 31 January 2005 between our Company and the other shareholders of Ban Leong (Thailand) which provides, *inter alia*, that the board of directors of Ban Leong (Thailand) shall consist at all times of three individuals, of which at least two must be nominated and elected by our Company.
 - (e) The Deed of Undertaking dated 2 February 2005 and executed by BLB in favour of our Company whereby BLB has undertaken, *inter alia*, to renounce and relinquish any and all rights, title and interest in and to the logo of our Company, and not to make any claim whatsoever in respect of the said logo.
 - (f) The Deed of Undertaking dated 2 February 2005 and executed by BLB in favour of our Company whereby BLB has undertaken, *inter alia*, that it shall not engage in any identical or similar business which is directly or indirectly in competition with that of our Group.
 - (g) The Deed of Undertaking dated 2 February 2005 and executed by Ronald Teng Woo Boon in favour of our Company whereby Ronald Teng Woo Boon has undertaken that (a) in the event that Chainfusion competes with our Group by carrying on the same or similar business, or distributing similar products as our Group, he will divest his entire interest in Chainfusion, and (b) that he will not be a director or participate in the management of Chainfusion at any point in time.

Litigation

9. To the best of our knowledge and belief, having made all reasonable enquiries, there are no legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had, in the last 12 months before the date of this Prospectus with the Authority, a material effect on our financial position or profitability.

Management, Underwriting and Placement Arrangements

10. (a) Pursuant to the management and underwriting agreement dated 16 June 2005 (the "Management and Underwriting Agreement"), our Company and the Vendor appointed the Manager to manage the Invitation and the Underwriter to underwrite the Offer Shares. The Manager will receive a management fee from our Company for its services rendered in connection with the Invitation.
- (b) Pursuant to the Management and Underwriting Agreement, the Underwriter has agreed to underwrite the Offer Shares for a commission of 2.5% of the Issue Price for each Offer Share, payable by our Company and the Vendor in the proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation bears to the total number of Invitation Shares (the "Agreed Proportion").

GENERAL AND STATUTORY INFORMATION

- (c) Pursuant to the placement agreement dated 16 June 2005 (the “Placement Agreement”), OCBC Bank has agreed to subscribe for and/or purchase or procure subscriptions for and/or purchasers of the Placement Shares for a placement commission of 1.75% of the Issue Price for each Placement Share, payable by our Company and the Vendor in the Agreed Proportion.
- (d) Brokerage will be paid by our Company and the Vendor in the Agreed Proportion to members of the SGX-ST, 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 0.25% of the Issue Price for each Offer Share. For the Placement Shares, the brokerage will be paid to the Placement Agent at the rate of 1.0% of the Issue Price in accordance with the Placement Agreement. Subscribers and/or purchasers of the Placement Shares (other than Reserved Shares) may be required to pay a commission of up to 1.0% of the Issue Price to the Placement Agent.
- (e) Save as aforesaid and under the section “Plan of Distribution” of this Prospectus, 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 and/or purchasing or agreeing to subscribe and/or purchase or procuring or agreeing to procure subscriptions and/or purchasers for any shares in or debentures of our Company.
- (f) The Management and Underwriting Agreement may be terminated or rescinded by OCBC Bank, at any time on or before the close of the Application List on the occurrence of certain events including:-
 - (i) any change or crisis or any development likely to lead to an adverse change or crisis in local, national, regional or international political, industrial, legal, financial, monetary or economic conditions, taxation or exchange controls (including but without limitation to conditions in the stock market, foreign exchange market, conditions with respect to interest rates and money markets, in Singapore or any other jurisdiction) or a combination of any such changes or development or crisis, or deterioration thereof;
 - (ii) any change or introduction, or any prospective change or introduction of any legislation, regulation, policy, directive, order, guideline, request or interpretation or application thereof, by any court, regulatory or government body in Singapore or elsewhere, the Securities Industry Council of Singapore, the SGX-ST or the Authority, whether or not having the force of law; and
 - (iii) any such conditions which in the opinion of OCBC Bank (exercised in good faith) would:-
 - (aa) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere; or
 - (bb) be likely to prejudice the success or the offer or subscription of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market); or
 - (cc) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement; or
 - (dd) be likely to have an adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or

GENERAL AND STATUTORY INFORMATION

- (ee) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement; or
- (ff) make it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriters in Singapore for OCBC Bank to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement.

The Management and Underwriting Agreement may also subject to the terms therein, be terminated by OCBC Bank if a stop order shall have been issued by the Authority in accordance with Section 242 of the Securities and Futures Act.

- (g) In the event that the Management and Underwriting Agreement is terminated, our Company reserves the right, at our absolute discretion, to cancel the Invitation.
 - (h) The Placement Agreement is conditional upon, amongst others, the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement.
11. Save as disclosed above, we do not have any material relationship with our Manager, Underwriter and Placement Agent.

Miscellaneous

12. At the date of this Prospectus, all the corporations listed below are, by virtue of Section 6 of the Act, deemed to be related to our Company:-

Subsidiaries

Ban Leong (Malaysia)

Ban Leong (Thailand)

Digital Hub

13. The estimated amount of expenses in relation to the issue of the New Shares and the application for listing is \$1.2 million, including underwriting and placement commission, brokerage, management fee, audit and legal fees, advertising and printing expenses, as well as fees payable to the SGX-ST and the Authority. A breakdown of these estimated expenses is as follows:-

	(\$'000)
Listing fees	26
Professional fees	750
Underwriting and placement commissions and brokerage	159
Miscellaneous expenses	265
Total	<u>1,200</u>

The underwriting commission and placement commission and brokerage will be borne by our Company and the Vendor in the Agreed Proportion. The listing fees, professional fees and miscellaneous expenses will be borne by our Company.

14. Save as disclosed in the section "Risk Factors" of 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.

GENERAL AND STATUTORY INFORMATION

15. Details, including the name, address and professional qualifications (including membership in a professional body) of the auditors of our Company for the last three financial years ended 31 December 2004 are as follows:-

Period	Name, membership and address	Professional body	Partner-in-charge/ Professional qualification
FY2002 and FY2003	HK Seah & Co. Certified Public Accountants 101 Cecil Street #09-07 Tong Eng Building Singapore 069533	Institute of Certified Public Accountants of Singapore	Mr Seah Hou Kee Certified Public Accountant
FY2004	Ernst & Young Certified Public Accountants 10 Collyer Quay #21-01 Ocean Building Singapore 049315	Institute of Certified Public Accountants of Singapore	Mr Max Loh Khum Whai Certified Public Accountant

Our Directors intend to continue with the appointment of Ernst & Young as our Group's auditors after our Company's listing on the Official List of SGX-ST.

16. No expert is engaged on a contingent basis by our Company or our subsidiaries, or has a material interest, whether direct or indirect, in our Shares, our subsidiaries or has a material economic interest, whether direct or indirect, in our Company including an interest in the success of this Invitation.
17. Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred since 31 December 2004 which may have a material effect on the financial information provided in the Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 set out in Appendix G of this Prospectus.

Directors' and Vendor's Responsibility Statement

18. This Prospectus has been seen and approved by our Directors and the Vendor and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material aspects as at the date of this Prospectus and there are no material facts the omission of which would make any statement in this Prospectus misleading and that this Prospectus constitutes full and true disclosure of all material facts about this Invitation and our Group.

Consents

19. 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 Report on Examination of Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004 and the audit report dated 14 February 2005 in respect of the Audited Financial Statements of Ban Leong Technologies Pte Ltd and subsidiaries for FY2004 in the form and context in which they appear in this Prospectus and references to their names in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

HK Seah & Co., the previous auditors of our Company, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of their audit reports dated 8 May 2003 and 8 June 2004 in respect of the Audited Financial Statements of Ban Leong Technologies Pte Ltd and subsidiaries for the year ended 31 December 2002 and 31 December 2003 respectively in the form and context in which they appear in this Prospectus and references to their names in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

GENERAL AND STATUTORY INFORMATION

20. The Manager, the Underwriter, the Placement Agent, the Solicitors to the Invitation, the Solicitors to the Manager, Underwriter and Placement Agent, the Share Registrar, the Receiving Bank and the Principal Bankers do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus or any statement upon which a statement in this Prospectus is based, and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

Documents Available for Inspection

21. Copies of the following documents may be inspected at the registered office of our Company at 21 Kaki Bukit Crescent, Kaki Bukit Techpark 1, Singapore 416252 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) Report on Examination of Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004;
 - (c) Proforma Consolidated Financial Information for FY2002, FY2003 and FY2004;
 - (d) Audited Financial Statements of Ban Leong Technologies Pte Ltd and subsidiaries for FY2002, FY2003 and FY2004;
 - (e) the material contracts referred to in paragraph 8 on page 90 of this Prospectus;
 - (f) the letters of consent referred to in paragraph 19 on pages 93 to 94 of this Prospectus; and
 - (g) the Service Agreement set out on pages 79 to 80 of this Prospectus.

APPENDIX A: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Applications are invited for the subscription and/or purchase of the Invitation Shares at the Issue Price subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES AND HIGHER INTEGRAL MULTIPLES THEREOF. APPLICATIONS FOR ANY OTHER NUMBER OF INVITATION 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 the ATMs of the Participating Banks. Applications for the Placement Shares (other than Reserved Shares) may only be made by way of Placement Shares Application Forms. Applications for Reserved Shares may only be made by way of Reserved Shares Application Forms. **APPLICANTS MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.**
3. **You are allowed to submit only one application in your own name for either the Offer Shares or the Placement Shares (other than Reserved Shares). If you are submitting 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. Such separate applications shall be deemed to be multiple applications and shall be rejected.**

If you (not being 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 will be liable to be rejected at the discretion of our Company.

If you have made an application for Placement Shares (other than Reserved Shares), you should not make any application for Offer Shares 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 will be liable to be rejected at the discretion of our Company.

Joint applications shall be rejected. Multiple applications for the Invitation Shares will be liable to be rejected at the discretion of our Company. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, 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 liable to be rejected at our discretion.

If you have made an application for Reserved Shares using the Reserved Shares Application Form, you may submit one separate application for the Offer Shares in your own name either by way of an Application Form or by way of an Electronic Application or submit one separate application for Placement Shares (other than Reserved Shares) provided that you adhere to the terms and conditions of this Prospectus. Such separate applications shall not be treated as multiple applications.

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 applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) 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/their own name(s) and without qualification. Applications made by way of an Application Form in the name(s) of an approved nominee company or approved nominee companies must comply with paragraph 6 below.

APPENDIX A: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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 persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED 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 (if your application is by way of an Application Form), or you will not be able to complete your Electronic Application (if your application is by way 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 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 and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.**
9. **We and the Vendor reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and 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 or improper form of remittance. We and the Vendor further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this Prospectus, the instructions set out in the Application Forms or the instructions for the Electronic Applications 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. We and the Vendor reserve the right to reject or accept any application or to accept any application in part, or to scale down or ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendor 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 and/or allocating the Invitation 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 Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by us. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

APPENDIX A: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

12. In the event that our Company lodges a supplementary or replacement prospectus pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued and/or sold, we will (as required by law) at our Company's sole and absolute discretion either:-

- (a) within 7 days of the lodgement of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to withdraw your application; or
- (b) deem your application as withdrawn and cancelled and (as well as on behalf of the Vendor) refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgement of the supplementary or replacement prospectus.

In the event that at any time of the lodgement, the Invitation Shares have already been issued and/or sold but trading has not commenced, we will (as required by law) at our Company's sole and absolute discretion either:-

- (a) within 7 days of the lodgement of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to return the Invitation Shares; or
- (b) deem the issue and/or sale of the Invitation Shares as void and refund your payment for the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom) within 7 days from the lodgement of the supplementary or replacement prospectus.

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement prospectus, including instructions on how you can exercise the option to withdraw your application or return the Invitation Shares allotted and/or allocated to you, may be found in such supplementary or replacement prospectus.

Where an applicant has notified us within 14 days from the date of lodgement of the supplementary or replacement prospectus of his wish to exercise his option under the Securities and Futures Act to withdraw his application or return the Invitation Shares allotted and/or allocated to him, we shall (as well as on behalf of the Vendor) pay to him all monies paid by him on account of his application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, within 7 days from the receipt of such notification.

13. By completing and delivering an Application Form and, in the case of an Electronic Application, by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM in accordance with the provisions herein, you:-

- (a) irrevocably offer to subscribe for and/or purchase the number of Invitation 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 Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and our Memorandum and Articles of Association;
- (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
- (c) agree that the aggregate Issue Price for the Invitation Shares applied for is due and payable to our Company and/or the Vendor; and
- (d) warrant the truth and accuracy of the information provided in your application.

APPENDIX A: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

14. In the event of an under-subscription for Offer Shares as at the close of the Application List, the number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

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

In the event of an over-subscription for the Offer Shares and the number of Placement Shares (including the Reserved Shares) are fully subscribed for 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 Directors, after consultation with OCBC Bank, and approved by the SGX-ST.

In the event of an under-subscription for the Offer Shares and/or Placement Shares as at the close of the Application List, the number of Offer Shares and/or Placement Shares not subscribed for and/or purchased shall be subscribed by the Underwriter and/or the Placement Agent respectively.

In all the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided by our Company and the Vendor, after consultation with OCBC Bank, and approved by the SGX-ST, in ensuring a reasonable spread of the Shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily press.

15. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to authorised operators.
16. Acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendor being satisfied that:-
- (a) permission has been granted by the SGX-ST to deal in and for quotation of all our existing Shares and the New Shares on the Official List of the SGX-ST;
 - (b) the Management and Underwriting Agreement and the Placement Agreement referred to in this Prospectus have become unconditional and have not been terminated; and
 - (c) the Authority has not served a stop order which directs that no or no further Shares to which this Prospectus relates be allotted and/or allocated.
17. In the event that a stop order in respect of the Invitation Shares is served by the Authority or other competent authority, and
- (a) the Invitation Shares have not been issued and/or sold, we will (as required by law) deem all applications as withdrawn and cancelled and we shall (as well as on behalf of the Vendor) refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or

APPENDIX A: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

- (b) the Invitation Shares have been issued and/or sold but trading has not commenced, the issue and/or sale of the Invitation Shares will (as required by law) deemed to be void; and:
 - (i) in the case where the Invitation Shares have been issued, we shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or
 - (ii) in the case where the Invitation Shares have been sold, (a) we will, on behalf of the Vendor, inform you to return such documents to our Company within 14 days from the date of the stop order; and (b) we will refund the application monies (without interest or share of revenue or other benefit arising therefrom) to you within seven days from the receipt of those documents (if applicable) or the date of the stop order, whichever is later.

This shall not apply where only an interim stop order has been served.

In the event that an interim stop order in respect of the Invitation Shares is served by the Authority or other competent authority, no Invitation Shares shall be issued and/or sold to you until the Authority revokes the interim stop order.

- 18. The Authority is not able to serve a stop order in respect of the Invitation Shares if the Invitation Shares have been issued and/or sold, listed on a securities exchange and trading in them has commenced.
- 19. No application will be held in reserve.
- 20. This Prospectus is dated 16 June 2005. No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
- 21. Additional terms and conditions for applications by way of Application Forms are set out on pages A-6 to A-9 of this Prospectus.
- 22. Additional terms and conditions for applications by way of Electronic Applications are set out on pages A-9 to A-14 of this Prospectus.
- 23. Any reference to “you” or the “applicant” in this section shall include a person applying for the Offer Shares by way of an Offer Shares Application Form or by way of an Electronic Application, a person applying for the Placement Shares by way of a Placement Shares Application Form, or a person applying for the Reserved Shares by way of a Reserved Shares Application Form.

APPENDIX A: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of an Application Form 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 this section on “TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS AND ACCEPTANCE” on pages A-1 to A-14 of this Prospectus, as well as our Memorandum and Articles of Association.

1. Your application must be made using the **WHITE** Application Form and official envelopes “A” and “B” for Offer Shares and the **BLUE** Application Form for Placement Shares (other than Reserved Shares) accompanying and forming part of this Prospectus. Applications for Reserved Shares must be made using the **PINK** Application Forms for Reserved Shares forming part of this Prospectus. Attention is drawn 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. **We reserve 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 or improper forms of 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. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual and you are completing the Application Form under the hand of an official, you 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 and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutional documents must be lodged with our Share Registrar and Share Transfer Office. We reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete page 1 and Sections A and B of the Application Forms.
 - (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 Forms, your application is liable to be rejected.
6. You (whether 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 a permanent resident of Singapore or 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% of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation (whether

APPENDIX A: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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% 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 Invitation 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 "**BAN LEONG TECH SHARE ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", with your name and address written clearly on the reverse side. WE WILL NOT ACCEPT APPLICATIONS NOT ACCOMPANIED BY ANY PAYMENT OR ACCOMPANIED BY ANY OTHER FORM OF PAYMENT. We will REJECT REMITTANCES BEARING "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement of receipt will be issued by our Company, the Vendor or the Manager for applications and application monies received.
8. Unsuccessful applications are expected to be returned to you by ordinary post (without interest or any share of revenue or other benefit arising therefrom) within 24 hours of balloting 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. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received 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 5 Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority or any competent authority, the application monies received 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 from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. In consideration of us having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 21 June 2005 or such other time or date as we may, in consultation with the Manager, decide and by completing and delivering the Application Form, you agree that:-
 - (a) your application is irrevocable;
 - (b) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (c) 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;
 - (d) in respect of the Invitation 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 us and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of us;
 - (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and

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- (f) in making your application, reliance is placed solely on the information contained in this Prospectus and neither we, the Vendor, the Manager, the Underwriter, the Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Form and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus 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 **OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514**, 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", affix adequate Singapore postage on **WHITE** envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to OCBC BANK at 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514, so as to arrive by 12.00 noon on 21 June 2005 or such other time and date as we may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.**
3. No acknowledgement of receipt will be issued for any application or remittance received.
4. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

Applications for Placement Shares (excluding the Reserved Shares)

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **BLUE** Placement Shares Application Form and your remittance in accordance with the terms and conditions of this Prospectus for the full amount payable in respect of the number of Placement Shares applied for, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage (if despatching by ordinary post) and thereafter, the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514, so as to arrive by 12.00 noon on 21 June 2005 or such other time and date as we may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.**

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3. No acknowledgement of receipt will be issued for any application or remittance received.
4. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance are liable to be rejected.

Applications for Reserved Shares

1. Your application for 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, in accordance with the terms and conditions of this Prospectus for the full amount payable in respect of the number of Reserved Shares applied for, 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 BAN LEONG TECHNOLOGIES LIMITED at 21 KAKI BUKIT CRESCENT, KAKI BUKIT TECHPARK 1, SINGAPORE 416252, so as to arrive by 12.00 noon on 21 June 2005 or such other time and date as we may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.**
3. No acknowledgement of receipt will be issued for any application or remittance received.
4. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications at ATMs of the Participating Banks are set out on the ATM screens of the relevant Participating Banks (the “Steps”). For illustration purposes, the procedures for Electronic Applications at ATMs of OCBC Bank are set out in the “Steps for Electronic Applications” appearing on pages A-13 and A-14 of this Prospectus. 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” or the “applicant” in the terms and conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM of a 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 Offer Shares at an ATM belonging to another Participating Bank. The Steps set out the actions that you must take at ATMs of OCBC Bank to complete an Electronic Application. The actions that you must take at ATMs of other Participating Banks are set out on the ATM screens of the relevant Participating Banks. Upon the completion of your Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your Electronic Application. The Transaction Record is for retention by you and should not be submitted with any printed 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 an ATM card issued in your own name or 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 Electronic Application liable to be rejected.

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An Electronic Application shall be made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under this section on “TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS AND ACCEPTANCE” on pages A-1 to A-14 of this Prospectus as well as our Memorandum and Articles of Association.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:-
 - (a) **that you have received a copy of this Prospectus and have read, understood and agreed to all the terms and conditions of application for Offer Shares in 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, CDP Securities Account number, CPF investment account number (if applicable) and share application amount (the “Relevant Particulars”) from your account with that Participating Bank to the Share Registrar, CDP, CPF, SCCS, SGX-ST, our Company, the Vendor and the Manager (the “Relevant Parties”); and**
 - (c) **that the Electronic Application made is your only application for 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 unless you press the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key in the ATM. By doing so, you shall be treated as signifying your confirmation of each of the 3 statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act, Chapter 19 of Singapore to the disclosure by that Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **By making an Electronic Application, you confirm that you are not applying for 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 shall make only one Electronic Application for the Offer Shares and shall not make any other application for the Offer Shares, whether at the ATMs of any Participating Bank or on the Application Forms. Where you have made an application for Offer Shares or Placement Shares (other than Reserved Shares) on an Application Form, you shall not make an Electronic Application for 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 on the screens of the ATM through which the Electronic Application is being made shall be rejected.**
4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that we decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate 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 “OK” or “Confirm” or “Yes” key or any other relevant key on the ATM) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by our Memorandum and Articles of Association.

APPENDIX A: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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 in Singapore dollars (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 24 hours of balloting, or if no balloting is necessary, 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 in Singapore dollars (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 unsuccessful or partially unsuccessful 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 an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you, if any, before trading the Offer Shares on the SGX-ST. Neither the SGX-ST, CDP, the SCCS, the Participating Banks, we, the Vendor, nor the Manager assume any responsibility for any loss that may be incurred as a result of your having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is made through an ATM of one of the Participating Banks and is unsuccessful, no notification will be sent by the Participating Banks.

If your Electronic Application is made through an ATM of one of the following Participating Banks, you may check the provisional results of your Electronic Application as follows:-

Bank	Telephone	Available at ATM/Internet	Operating Hours	Service expected from
OCBC Bank	1 800 363 3333	ATM	Phone Banking/ATM – 24 hours a day	Evening of the balloting day
DBS Bank	1 800 339 6666 (POSB account holders) 1 800 111 1111 (DBS account holders)	Internet Banking www.dbs.com ⁽¹⁾	24 hours a day	Evening of the balloting day
UOB Group	1 800 222 2121	ATM (Other Transactions – “IPO Enquiry”) http://www.uobgroup.com *	ATM/Phone Banking – 24 hours a day Internet Banking – 24 hours a day	Evening of the balloting day

* If you have made your Electronic Application through the ATMs of the UOB Group, you may check the results of your application through UOB Personal UniBanking, UOB Group’s ATMs or UOB PhoneBanking services.

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7. Electronic Applications shall close at 12.00 noon on 21 June 2005 or such other time and date as we may, in consultation with the Manager, decide.
8. You are deemed to have requested and authorised us to:-
 - (a) register the Offer Shares allotted and/or allocated 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 or other benefit arising therefrom) the application monies in Singapore currency, should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting; and
 - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies in Singapore currency, 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, our Company, the Vendor and the Manager and if, in any such event, we, the Vendor, the Manager and/or the relevant Participating Bank do not record or receive your Electronic Application, or data relating to your Electronic Application or the tape containing such data is lost, corrupted, destroyed 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 us, the Vendor, 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 his own name(s) and without qualification. We will reject any Electronic Application by any person acting as nominee except those made by approved nominee companies only.
11. All 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 making 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 and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.
13. In consideration of our Company making available the Electronic Application facility through the ATMs of the Participating Banks and agreeing to close the Application List at 12.00 noon on 21 June 2005 or such other time or date as our Directors may, in consultation with the Manager, decide, and by making and completing an Electronic Application, you agree that:-
 - (a) your Electronic Application is irrevocable;

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- (b) your Electronic Application, the acceptance by us and/or the Vendor, 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;
- (c) neither we, the Vendor, the Manager nor 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 us or CDP due to a breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 on page A-12 of this Prospectus or to any cause beyond their respective controls;
- (d) 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 us and not otherwise, notwithstanding any payment received by or on behalf of us;
- (e) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and
- (f) in making your application, reliance is placed solely on the information contained in this Prospectus and that neither our Company, the Vendor, the Manager, the Underwriter, the Placement Agent or any other persons involved in the Invitation shall have any liability for any information not so contained.

Steps for Electronic Applications

Instructions for Electronic Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an Electronic Application through an OCBC Bank ATM are shown below. Certain words appearing on the screen are in abbreviated form (“a/c”, “appln”, “ESA”, “no.” and “&” refer to “account”, “application”, “electronic share application”, “number” and “and” respectively). Instructions for Electronic Applications appearing on the ATM screens of the other Participating Banks may differ from those represented below.

- Step 1 : Insert your personal OCBC ATM card
- 2 : Enter your Personal Identification Number
- 3 : Select “Other Services”
- 4 : Select “Electronic Share Appln”
- 5 : Select “BANLEONG”
- 6 : For an applicant making an Electronic Application at the ATM for the first time
- (a) For non-Singaporean
Press the “Yes” key if you are a permanent resident of Singapore, otherwise, press the “No” key.
 - (b) Enter your own Securities Account number (12 digits) eg. 168101234567 and press “Yes” key to confirm that the Securities Account number you have entered is correct.
- 7 : Check your particulars appearing on the screen and press the “Correct” key to confirm that your particulars are correct.

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- 8 : Press the “Confirm” key to confirm that you have read the following messages:-
- **You have read, understood and agreed to all terms of appln & Prospectus/Document**
 - **You consent to disclose your NRIC/Passport No., address, nationality, securities a/c no., no. of shares applied for and CPF investment a/c no. to share registrar, CDP, CPF, SCCS, Issuer and the Manager**
 - **This appln is made in your own name & at your own risk**
- 9 : Press the “Confirm” key again to confirm that you have read the following messages:-
- **Where applicable, a copy of the Prospectus/Document has been lodged with and registered by the Monetary Authority of Singapore in Singapore who takes no responsibility for its contents**
 - **The Prospectus/Document are available at various Participating Banks**
- 10 : Press the “Confirm” key again to confirm that you have read the following messages:-
- **The Offer of securities will be made in, or accompanied by, a copy of the Prospectus**
 - **Anyone wishing to acquire these securities will need to make an application in the manner set out in the Prospectus**
- 11 : Select the number of Shares you wish to apply for:-
- **For fixed price ESA, this is the only application submitted**
 - **Fixed Price: \$0.22**
- 12 : Select the type of bank account to debit your application monies
- 13 : Check the details of your application appearing on the screen and press the “Confirm” key to confirm your application
- 14 : For customers with multiple bank accounts, select the bank account from which to debit your application monies

APPENDIX B: DESCRIPTION OF SINGAPORE COMPANY LAW RELATING TO SHARES

The following statements are brief summaries of the rights and privileges of Shareholders conferred by the laws of Singapore and the Articles of Association (the “Articles”) of our Company.

These statements summarise the material provisions of the Articles but are qualified in entirety by reference to the Articles.

Ordinary Shares

All of the ordinary shares are in registered form. The Company may, subject to the provisions of the Act and the rules of the SGX-ST, purchase its own ordinary shares. However, it may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of its own ordinary shares.

New Ordinary Shares

New ordinary shares may only be issued with the prior approval in a general meeting of the Shareholders of the Company. The aggregate number of shares to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of its issued share capital at the time of grant of such approval for the time being, of which the aggregate number of shares to be issued other than on a pro-rata basis to its Shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of its issued share capital at the time of grant of such approval for the time being. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted. Subject to the foregoing, the provisions of the Act and any special rights attached to any class of shares currently issued, all new ordinary shares are under the control of the Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

Shareholders

Only persons who are registered in the register of Shareholders of the Company and, in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares, are recognised as Shareholders of our Company. The Company will not, except as required by law, recognise any equitable, contingent, future or partial interest in any ordinary share or other rights for any ordinary share other than the absolute right thereto of the registered holder of that ordinary share or of the person whose name is entered in the depository register for that ordinary share. The Company may close the register of Shareholders for any time or times if it provides the Accounting and Corporate Regulatory Authority of Singapore at least 14 days’ notice and the SGX-ST at least 10 clear market days’ notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. The Company typically closes the register to determine Shareholders’ entitlement to receive dividends and other distributions.

Transfer of Ordinary Shares

There is no restriction on the transfer of fully paid ordinary shares except where required by law or the listing rules or the rules or by-laws of any stock exchange on which the Company is listed. The Board of Directors may decline to register any transfer of ordinary shares which are not fully paid shares or ordinary shares on which the Company has a lien. Ordinary shares may be transferred by a duly signed instrument of transfer in a form approved by any stock exchange on which the Company is listed. The Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. The Company will replace lost or destroyed certificates for ordinary shares if it is properly notified and if the applicant pays a fee which will not exceed \$2 and furnishes any evidence and indemnity that the Board of Directors may require.

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General Meetings of Shareholders

The Company is required to hold an annual general meeting every year. The 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 total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two or more Shareholders holding not less than 10% of the issued share capital of the Company may call a meeting. Unless otherwise required by law or by the Articles, 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 voluntary winding up, amendments to the Memorandum of Association and the Articles, a change of the corporate name and a reduction in the share capital, share premium account or capital redemption reserve fund. The company must give at least 21 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 the Company 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.

Voting Rights

A Shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a Shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement 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. Except as otherwise provided in the Articles, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under the Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by two proxies, only one of the two proxies as determined by that Shareholder or, failing such determination, by the Chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any two Shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

The Company may, by ordinary resolution of its Shareholders, declare dividends at a general meeting, but it may not pay dividends in excess of the amount recommended by the Board of Directors. The Company must pay all dividends out of its profits; however, the Company may capitalise its share premium account and apply it to pay dividends, if such dividends are satisfied by the issue of shares to Shareholders of the Company. See "Bonus and Rights Issue". The Board of Directors may also declare an interim dividend without the approval of its Shareholders. All dividends are paid pro rata among the Shareholders in proportion to the amount paid up on each Shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by the Company to CDP of any dividend payable to a Shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge the Company from any liability to that Shareholder in respect of that payment.

APPENDIX B: DESCRIPTION OF SINGAPORE COMPANY LAW RELATING TO SHARES

Bonus and Rights Issues

The Board of Directors may, with approval by the Shareholders at a general meeting, capitalise any reserves or profits (including profit or monies carried and standing to any reserve or to the share premium account) and distribute the same as bonus shares credited as paid-up to the Shareholders in proportion to their shareholdings. The Board of Directors may also issue rights to take up additional ordinary shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which the Company is listed.

Takeovers

The Securities and Futures Act and the Singapore Code on Takeovers and Mergers regulate, *inter alia*, 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 the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting shares in the Company must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Takeovers and Mergers. "Parties acting in concert" include a company and its related and associated companies, a company and its directors (including their close relatives), a company and its pension funds and employee share schemes, a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, and a financial advisor and its client in respect of shares held by the financial advisor and shares in the client held by funds managed by the financial advisor 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 six months. A mandatory takeover offer is also required to be made if a person who, either on his own or together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six months additional shares carrying more than 1% of the voting rights.

Liquidation or Other Return of Capital

If the Company liquidates or in the event of any other return of capital, holders of 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.

Indemnity

As permitted by Singapore law, the Articles provide that, subject to the Act, the Board of Directors and officers shall be entitled to be indemnified by the Company against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. The Company may not indemnify directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Company.

Limitations on Rights to Hold or Vote Shares

Except as described in "Voting Rights" and "Takeovers" above, there are no limitations imposed by Singapore law or by the Articles on the rights of non-resident Shareholders to hold or exercise the votes on ordinary shares.

APPENDIX B: DESCRIPTION OF SINGAPORE COMPANY LAW RELATING TO SHARES

Minority Rights

The rights of minority Shareholders of Singapore-incorporated companies are protected under Section 216 of the Act, which gives the Singapore courts a general power to make any order, upon application by any Shareholder of the Company, as they think fit to remedy any of the following situations:

- (a) the affairs of the Company are being conducted or the powers of the Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the Shareholders; or
- (b) the Company takes an action, or threatens to take an action, or the Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the Shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of the affairs of the Company in the future;
- (c) authorise civil proceedings to be brought in the name of, or on behalf of, the Company by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder's shares by the other Shareholders or by the Company and, in the case of a purchase of shares by the Company, a corresponding reduction of its share capital;
- (e) provide that the Memorandum of Association or the Articles be amended; or
- (f) provide that the Company be wound up.

APPENDIX C: TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of owning and disposing our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

SINGAPORE INCOME TAX

General

Singapore tax residents are subject to Singapore income tax on income that is accrued in or derived from Singapore and on foreign income received in Singapore, subject to certain exceptions.

Non-resident corporate taxpayers are subject to income tax on income that is accrued in or derived from Singapore, and on foreign income received in Singapore, subject to certain exceptions. All individuals resident and non-resident, subject to certain exceptions, are subject to income tax on the income accrued in or derived from Singapore. With effect from year of assessment 2005 (i.e. for financial /calendar year ending in 2004), all foreign-source income received in Singapore by all individuals will be exempt from Singapore tax. The latter exemption will not apply to such income received from a partnership in Singapore.

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore. An individual is tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

The corporate tax rate in Singapore is 20% with effect from the year of assessment 2005 i.e. the financial year ending in 2004. In addition, three-quarters of up to the first \$10,000 of a company's chargeable income, and one-half of up to the next \$90,000 will be exempt from corporate tax. The remaining chargeable income (after the tax exemption) will be taxed at 20%. The above tax exemption will not apply to Singapore dividends received by companies.

For a Singapore tax resident individual, the rate of tax will vary according to the individual's circumstances but is subject to a maximum rate of 22% with effect from the year of assessment 2003 i.e. calendar year 2002. It is proposed in the 2005 Budget that the maximum tax rate be reduced to 21% with effect from the year of assessment 2006 i.e. calendar year 2005 and then further reduced to 20% in the year of assessment 2007 i.e. calendar year 2006.

Dividend Distributions

Up to 31 December 2002, Singapore adopted a full imputation system. Under this system, dividends paid by a Singapore tax resident company are franked by the Singapore income tax that the company paid on its profits. These franked dividends are taxable in the hands of shareholders and they can claim the tax credits attached to the dividends as a set-off against their final tax payable in Singapore.

Singapore moved to the one-tier corporate tax system with effect from 1 January 2003. Under this system, the tax collected from corporate profits is final and all Singapore dividends paid by Singapore tax resident companies to their shareholders are exempt from tax (referred hereinafter as "one-tier tax exempt dividends".)

APPENDIX C: TAXATION

Singapore tax resident companies which have unutilised franking credits as at 31 December 2002 are, however, given a 5 year transition period from 1 January 2003 to 31 December 2007 to use these credits to frank dividends. They are allowed to continue to pay dividends under the imputation system during this period, subject to the availability of franking credits. Shareholders will continue to receive these dividends with tax credits attached.

We will continue to be in the imputation system until the credits are utilised and we will then moved into the one-tier corporate tax system. Under this system, when we distribute dividends, we will pay one-tier tax exempt dividends to our shareholders. One-tier tax exempt dividends on our Shares are tax exempt in the hands of our shareholders.

Gains on Disposal of our Shares

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be construed to be of an income nature and subject to tax especially if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade in Singapore.

Any profits from the disposal of our Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature, in which case, the disposal profit would be taxable.

Stamp Duty

There is no stamp duty payable on the subscription of our Shares.

Stamp duty is payable on the instrument of transfer of our Shares at the rate of \$2.00 for every \$1,000 market value of our Shares registered in Singapore.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or 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.

The above stamp duty is not applicable to electronic transfers of our shares through the CDP.

Estate Duty

Singapore estate duty is imposed on the value of immovable property situated in Singapore owned by individuals who are not domiciled in Singapore, subject to specific exemption limits. Movable assets of non-domiciles will be exempt from estate duty with respect to deaths occurring on or after 1 January 2002. Singapore estate duty is imposed on the value of most immovable property situated in Singapore and on most movable property, wherever it may be, owned by individuals who are domiciled in Singapore, subject to specific exemption limits. Our Shares are considered to be movable property situated in Singapore as we are a company incorporated in Singapore.

Accordingly, our Shares held by an individual domiciled in Singapore are subject to Singapore estate duty upon such individual's death. Singapore estate duty is payable to the extent that the value of our Shares aggregated with any other assets subject to Singapore estate duty exceeds \$600,000. Unless other exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond \$600,000 will be taxed at 5% of the first \$12,000,000 of the individual's Singapore chargeable assets and thereafter at 10%. It is also proposed in the 2005 Budget that for death from 1 January 2006, the government will allow the estate duty paid on the earlier death to be deducted from the estate duty payable on the same assets assessed in the beneficiaries' subsequent deaths. The relief will start at 100% if the deaths occur within 6 months of each other, graduating to the full estate duty payable if the deaths are more than 2 years apart. Individuals should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of our Shares.

APPENDIX C: TAXATION

Goods and Services Tax (“GST”)

The sale of our Shares by an investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt supply is a cost to the investor.

Where our Shares are sold by a GST-registered investor to a person belonging outside Singapore, the sale is a taxable sale subject to GST at zero-rate. Any GST incurred by the investor in the making of this sale, if the same is a supply in the course of furtherance of a business, is claimable as a refund from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 5%. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate.

APPENDIX D: GOVERNMENTAL REGULATIONS

This Appendix sets out a summary of certain aspects of the laws and regulations of Singapore, Malaysia and Thailand, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the laws and regulations of the said jurisdictions, which may differ from equivalent provisions in each jurisdictions with which interested parties may be more familiar.

SINGAPORE

In Singapore, a dealer who manufactures, imports, lets for hire, sells, offers or possesses for sale (i.e. deals with) certain telecommunication equipment must apply for and obtain a Dealer's Class Licence under the Telecommunications Act (Chapter 323) of Singapore ("TA"). The Dealer's Class Licence is conditional upon the fulfilment of certain requirements in the TA. Where a dealer deals in certain telecommunication equipment, he is deemed to have been granted a Dealer's Class licence under the TA for that purpose. The holder of this Dealer's Class Licence is required to register with the IDA. The IDA may impose certain conditions for the licence in addition to the conditions set out in the TA.

We currently sell telecommunication equipment which are governed by the TA. We are registered with the IDA as a holder of the Dealer's Class Licence. IDA has the power to suspend or revoke the Dealer's Class Licence if (a) the licensee furnishes false, misleading or inaccurate information in the application; (b) telecommunication equipment is misused; or (c) any of the provisions of the TA or Telecommunications Regulations or condition of the Dealer's Class Licence has not been complied with.

In addition, certain telecommunication equipment which we distribute require "Type Approval" certification by the IDA before they may be sold and used in Singapore. The conditions of the Type Approval Certificate state that the relevant equipment must be affixed with a "Type Approval" label and its allocated approval number must be included in all our advertisements and promotional materials. Further, under the conditions of the Type Approval Certificate, all registered equipment for sale must suit the description stated in the respective certificate and possess performance characteristics no less than the description submitted to and registered with IDA. The equipment must also be affixed with a compliance label and the registration number. The compliance label must be printed in all our advertisements and publicity material. We have obtained the relevant Type Approval Certificates for the telecommunication equipment which we distribute.

MALAYSIA

Exchange Control

Under the current Exchange Control Notices of Malaysia issued by Bank Negara Malaysia ("BNM"), there is no restriction on repatriation of capital, profit, dividends, interest and rental income by foreign investors, subject to the applicable reporting requirements. To-date, we have not experienced any difficulties in importing or exporting capital and remitting dividends, interest and other payments to and from Malaysia. Our Directors do not expect any difficulties on such repatriation or remittance in the future, unless there are changes to the present exchange controls in Malaysia.

Foreign Investment Committee ("FIC")

The Malaysian FIC regulates both foreign and local equity participation in Malaysian investments and companies. The FIC has set out certain guidelines governing the acquisition of assets or interests, mergers and takeovers of companies to ensure Malaysian participation in ownership and control, thereby deriving economic benefits to Malaysia.

Amongst others, the FIC's guidelines provide that FIC's approval is required in the event of any proposed acquisition of interest of a local company or business in Malaysia by any means which results in the transfer of ownership or control to foreign interests or any proposed acquisition of interests by any foreign interest of 15% or more of the voting rights of any local company or business in Malaysia. According to current FIC guidelines, conditions to be imposed include, among others:

- (a) companies which do not have any Bumiputra equity or having less than 30% Bumiputra equity, to increase the Bumiputra equity to at least 30% within a stipulated time-frame. The remaining equity shareholding can be held either by local interest, foreign interest or both;

APPENDIX D: GOVERNMENTAL REGULATIONS

- (b) companies owned by foreign interest with paid-up capital of less than RM250,000 will be required to increase the share capital to at least RM250,000 within 6 months from the date of FIC's approval letter; and
- (c) companies must, to the best of their ability, recruit and train Malaysians so as to reflect the country's population composition at all levels of employment.

The FIC guidelines are administrative guidelines and do not have the force of law. There are also no statutory penalties for non-compliance with these guidelines. However, non-compliance with the FIC guidelines may have practical consequences since application for approvals or licences to certain regulatory bodies in Malaysia may require the prior approval of the FIC or the FIC guidelines to be complied with. Please refer to the section "Risk Factors" of this Prospectus for further information.

THAILAND

Foreign Business Act ("FBA")

The FBA identifies the scope of foreign participation in businesses in Thailand. The FBA prohibits foreigners from carrying on certain activities including retailing or wholesaling goods in certain circumstances and carrying on service businesses, without first obtaining a foreign business permit or operation licence. Under the FBA, if a foreigner or foreigners acquire ownership in a company incorporated in Thailand of at least 50% of the total share capital of the Thailand company, the latter will be regarded as "foreigner". As less than 50% of the shares in Ban Leong (Thailand) is held by foreigners, Ban Leong (Thailand) is not deemed as a "foreigner" under the FBA and as such, is not required to obtain the said foreign business permit for the conduct of its business operations in Thailand.

Exchange Controls Act

Under Thai law, Ban Leong (Thailand), as a Thai private limited company, is required to retain 5% of its annual profits arising from the business as a legal reserve fund at each dividend distribution, and it may declare only 95% of its annual profits as dividends. However, if Ban Leong (Thailand)'s legal reserve fund is equal to 10% or more of its capital, all of its annual net profit may be declared as dividends, provided that there are no other reserve funds set aside or such net profit is required to be utilised for other purposes.

Ban Leong (Thailand) will also be subject to the Exchange Controls Act of Thailand (the "ECA") which regulates inward and outward remittances of Baht and foreign currencies and other foreign exchange transactions. The Bank of Thailand has the power to delegate certain powers to its authorised agents (being authorised banks, companies and persons) which includes commercial banks in Thailand. Certain foreign exchange transactions may be immediately approved by the authorised agent. For those beyond their authority, the Bank of Thailand's approval is still required.

Subject to certain legal procedures to be complied with, the ECA does not restrict the remittance of dividends, investment funds, profits, loan repayment and interest payment thereon out of Thailand, after settlement of all applicable taxes in Thailand. Equally, foreign currency may be remitted into Thailand, but such foreign currency must be sold or exchanged into Baht, or deposited in a foreign currency account with an authorised bank or company, within seven days from the date of receipt or entry into the country. The relevant application form together with the relevant supporting documents, if any, must be submitted to an authorised agent for each transaction involving the sale, exchange or deposit of foreign currency to establish the legitimacy of the transaction before any foreign currency is purchased.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

The description below provides, among other things, information on the principal objects of our Company as set out in our Memorandum and Articles 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 Accounting & Corporate Regulatory Authority of Singapore. Our Company registration number is 199303898C.

MEMORANDUM OF ASSOCIATION

One of principal objects as set out in our Memorandum of Association is to carry on the business of importers, exporters and dealers of computer hardware and software.

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".

EXTRACTS OF OUR ARTICLES OF ASSOCIATION

- (1) The following provisions of the Articles of Association of our Company relate to the remuneration, restrictions on voting rights and borrowing powers of the Directors. The description below is only a summary and is qualified in its entirety by reference to the Articles of Association of our Company.

(a) Directors' Remuneration

Article 101(3)

An alternate Director shall be entitled to contract and be interested in and benefit from contracts, arrangements or transactions to the same extent mutatis mutandis as if he were a Director but he shall not be entitled to receive from our Company any remuneration in respect of his appointment as alternate Director except only such part (if any) of the remuneration otherwise payable to his appointor in which event any fee paid by our Company to an alternate Director shall be deducted from the fees of the Director appointing the alternate.

Article 102(1)

The Directors shall be entitled to receive by way of fees for their services as Directors in each year such sum as shall from time to time, subject to Section 169 of the Act, be determined by our Company by resolution passed at a General Meeting, the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided amongst the Directors as they shall determine or failing agreement equally.

Article 102(2)

The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the Meeting.

Article 102(3)

The remuneration of a non-executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an executive Director may not include a commission on or a percentage of turnover.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 102(4)

The provisions of this Article are without prejudice to the power of the Directors to appoint any of their number to be employee or agent of our Company at such remuneration and upon such terms as they think fit without the approval of the Members in General Meeting provided that such remuneration may include a commission on or percentage of profits but not a commission on or percentage of turnover.

Article 102(5)

Subject to the provisions of the Statutes, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.

Article 103

If any Director, being willing and having been called upon to do so, shall hold an executive office in our Company, shall render or perform extra or special services of any kind, including services on any committee established by the Directors, or shall travel or reside abroad for any business or purposes of our Company, he shall be entitled to receive such sum as the Directors may think fit for expenses, and also such remuneration as the Directors may think fit, either as a fixed sum or as provided in Article 102(3) (but not by way of commission on or percentage of turnover) and such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive, and the same shall be charged as part of the ordinary working expenses of our Company.

Article 105(3)

A Director may hold any other office or place of profit under our Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any such other office or place of profit or as a vendor, purchaser or otherwise. Subject to this Article 105, no such contract and no contract or arrangement entered into by or on behalf of our Company in which any Director is in any way interested shall be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Article 114

The Directors shall (subject to the provisions of any contract between the Managing Director or a person holding an equivalent position and our Company) from time to time fix the remuneration of the Managing Director (or a person holding an equivalent position) which may be by way of fixed salary, commission or participation in profits (but not turnover) of our Company or by any or all of these modes.

(b) Restrictions on Voting Rights of Directors

Article 105(1)

A Director who is in any way whether directly or indirectly interested in a contract or proposed contract with our Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 156 of the Act.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 105(2)

A Director shall not vote in respect of any contract or proposed contract or arrangement with our Company in which he has directly or indirectly a personal material interest and if he shall do so his vote shall not be counted nor save as provided by Article 106 shall he be counted in the quorum present at the meeting.

Article 105(3)

A Director may hold any other office or place of profit under our Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any such other office or place of profit or as a vendor, purchaser or otherwise. Subject to this Article 105, no such contract and no contract or arrangement entered into by or on behalf of our Company in which any Director is in any way interested shall be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Article 106

Subject to Article 105(2) above, a Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under our Company or whereat the terms of any such appointment are arranged.

(c) Borrowing Powers of Directors

Article 62

The Directors may, from time to time, exercise all the powers of our Company to raise or borrow or secure the payment of any sum or sums of moneys for the purposes of our Company.

Article 63

The Directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and, in particular, by the issue of debentures or debenture stock of our Company, perpetual or otherwise, charged upon or by mortgage charge or lien of and on the undertaking of the whole or any part of the property of our Company (both present and future), including its uncalled capital for the time being, or by making, accepting, endorsing or executing any cheque, promissory note or bill of exchange.

(2) The following provisions of the Articles of Association of our Company relate to the variation of members' rights, the transfer of shares and voting rights of members:-

(a) Variation of Members' Rights

Article 9

Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not our Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of our Company shall mutatis mutandis apply but so that the necessary

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.

Article 61

Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of our Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.

(b) Transfer of Shares

Article 40

Save as provided by these Articles, there shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof by an instrument of transfer in the form approved by the Exchange. The instrument of transfer shall be left at the Office accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.

Article 41

The instrument of transfer shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.

Article 42

Shares of different classes shall not be comprised in the same instrument of transfer.

Article 43

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 44(1)

All instruments of transfer which are registered shall be retained by our Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 44(2)

Our Company shall be entitled to destroy:-

- (a) all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof;
- (b) all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof; and
- (c) all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof.

Article 44(3)

It shall be conclusively presumed in favour of our Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and that:

- (a) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;
- (b) every share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and
- (c) every other document hereinbefore mentioned so destroyed was a valid and effective document;

in accordance with the recorded particulars thereof in the books or records of our Company.

Article 44(4)

Articles 44(2) and 44(3) shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant.

Article 44(5)

Nothing contained in this Article 44 shall be construed as imposing upon our Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstance which would not attach to our Company in the absence of this Article 44, and references in this Article 44 to the destruction of any document include references to the disposal thereof in any manner.

Article 45

The Directors may decline to accept any instrument of transfer unless:-

- (a) all or any part of the stamp duty (if any) payable on each share transfer and such fee not exceeding two Singapore Dollars for each transfer or such other sum as may from time to time be prescribed by the Exchange is paid to our Company; and
- (b) such fee not exceeding two Singapore Dollars as the Directors may from time to time determine is paid to our Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 46

The Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:-

- (a) which are not fully paid up; or
- (b) on which our Company has a lien.

Article 47

If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within one month beginning with the day on which the transfer was lodged with our Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal.

Article 48

The Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that our Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.

- (c) Alteration of Capital

Article 57

The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company by the resolution authorising such increase shall direct.

Article 58(1)

Unless otherwise determined by the Company in General Meeting or except as permitted under the Exchange's listing rules, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled.

Article 58(2)

The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to our Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.

Article 59

Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 60(1)

Our Company may by Ordinary Resolution:-

- (a) consolidate and divide its capital into shares of larger amount than its existing shares; or
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; or
- (c) by subdivision of its existing shares or any of them divide its capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as our Company has power to attach to unissued or new shares; or
- (d) subject to the Statutes, convert any class of shares into any other class of shares.

Article 60(2)

Our Company may by Special Resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any requirement authorised and consent required by law.

- (d) Voting Rights of Members and General Meetings

Article 10

Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of our Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of our Company or winding up or sanctioning the sale of the undertaking of our Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

Article 13(3)

The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.

Article 66

In addition to any other meetings, a General Meeting shall be held once at least in every calendar year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings.

Article 71

Subject to the Statutes relating to the convening of meetings to pass Special Resolutions and agreements for shorter notice, at least fourteen clear days' notice in writing specifying the place, day and hour of the meeting, and in case of special business, a notice in writing setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members and the Exchange other than such as are not entitled under these Articles to receive such notices from the Company. At least fourteen days notice in writing of

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

any General Meeting shall be given and at least twenty-one days' notice in writing in the case of a Meeting to pass Special Resolution shall be given to all members and the Exchange. Every such notice shall be published in at least one English Language daily newspaper circulating in Singapore at least fourteen clear days before the meeting. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice in writing of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

Article 80

At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:-

- (a) the Chairman of the meeting; or
- (b) not less than two Members present in person or by proxy and entitled to vote; or
- (c) a Member or Members present in person or by proxy, holding or representing, as the case may be:-
 - (i) not less than one-tenth of the total voting rights of all Members entitled to vote at the meeting; or
 - (ii) shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Article 81(1)

If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Article 81(2)

No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.

Article 82

Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of our Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Article 83(1)

No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 83(2)

If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting.

Article 84

In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote.

Article 85(1)

Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of our Company:-

- (a) every Member who is present in person or by proxy shall have one vote on a show of hands, the Chairman to decide which proxy shall be entitled to vote where a Member is represented by two proxies; and
- (b) every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to our Company have been paid.

Article 85(2)

For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to our Company.

Article 86

In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.

Article 87

Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to our Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.

Article 88

A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 89

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Article 90(1)

A proxy need not be a Member.

Article 90(2)

A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, our Company shall be entitled and bound:-

- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to our Company;
- (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to our Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and
- (c) in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

Article 90(3)

In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, our Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at our Company's option to treat the instrument of proxy as invalid.

Article 91

Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of our Company or any class of Members of our Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder.

Article 92

An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:-

- (1) in the case of an individual shall be signed by the appointor or his attorney;
- (2) in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 93

Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with our Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

Article 94

The signature on an instrument of proxy need not be witnessed.

Article 95

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting.

Article 96

An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.

Article 97

Where the capital of our Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

- (3) The following provisions of the Articles of Association of our Company relate to the Dividend Rights

Article 135

The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles as to the reserve fund shall be divisible among the Members in proportion to the amount of capital paid up on the shares held by them respectively.

Article 136

The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.

Article 137

No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest.

Article 138

The declaration of the Directors as to the net profits of the Company shall be conclusive.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 139

The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months.

Article 140

The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

Article 141

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.

Article 142

Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures, or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such specific assets, or any part thereof and may determine that cash payments shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.

Article 143

The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.

Article 144

In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares.

Article 145

Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 146

Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or persons(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.

Article 147

The Depository will hold all dividend unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed.

- (4) The following provisions of the Articles of Association of our Company relate to the appointment, retirement and removal of Directors.

(a) Appointment, Retirement and Removal of Directors

Article 98

Until otherwise determined by a Special Resolution at a General Meeting, the number of Directors shall not be less than two or more than twenty. All the Directors of our Company shall be natural persons.

Article 100

A Director shall not be required to hold any share in our Company.

Article 101(1)

Any Director may at any time and from time to time appoint any other person approved by a majority of the Directors for the time being to be his alternate. An alternate Director shall be entitled (subject to his giving to our Company an address within the Republic of Singapore at which notices may be served on him) to receive notice of meetings of the Directors and to attend and vote as a Director at any such meeting at which the Director appointing him is not present, and generally at such meeting to exercise all the powers, rights, duties and authorities of the Director appointing him. Every person acting as an alternate Director shall be an officer of our Company and shall alone be responsible to our Company for his own acts and defaults and he shall not be deemed to be the agent of or for the Director appointing him. All the appointments and removals of alternate Directors made by any Director in pursuance of this Article, shall be in writing under the hand of the Director making the same and shall be sent to or left at the Office. A Director may not act as an alternate for another Director. A person may not act as an alternate Director for more than one Director of our Company.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 101(2)

An alternate Director may be removed by his appointor and the appointor (subject to the approval of the Directors) may appoint another in his place. An alternate Director may be removed from office by a resolution of the Directors, but he shall be entitled to vote on such resolution and he shall, ipso facto, cease to be an alternate Director if his appointor ceases for any reason to be a Director. The appointment of an alternate Director shall also determine on the happening of any event which, if he were a Director, would cause him to vacate such office.

Article 104(1)

The office of a Director shall be vacant if the Director:-

- (a) ceases to be a Director by virtue of the Statutes; or
- (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (c) is or becomes prohibited from being a Director by reason of any order made under the Statutes; or
- (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under any law relating to mental disorder; or
- (e) resigns from his office by notice in writing to our Company; or
- (f) for more than six months is absent without permission of the Directors from meetings of the Directors held during that period and his alternate Director (if any) shall not during such period have attended in his stead; or
- (g) is directly or indirectly interested in any contract or proposed contract with our Company and fails to declare the nature of his interest in manner required by the Statutes; or
- (h) if he is removed from office pursuant to the Statutes.

Article 104(2)

The appointment of any Director to the office of Chairman or Deputy Chairman or Managing or Joint Managing or Deputy or Assistant Director shall automatically terminate if he ceases to be a Director but without prejudice to any claim for any damage or breach of any contract of service between him and our Company.

Article 104(3)

The appointment of any Director to any other executive office shall automatically terminate if he ceases from any cause to be a Director only if the contract or resolution under which he holds office expressly so provides, in which case such termination shall be without prejudice to any claim for damages or breach of any contract of service between him and our Company.

Article 107

At the Annual General Meeting in every year one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office Provided Always that all Directors shall retire from office at least once every three years.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Article 108

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Article 109

Subject to the Statutes, a retiring Director shall be eligible for re-election at the meeting at which he retires.

(b) Nomination of Directors

Article 110

A person who is not a retiring Director shall be eligible for election to office of Director at any General Meeting if some Member intending to propose him has, at least eleven clear days before the meeting, left at the Office of our Company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him. Provided That in the case of a person recommended by the Directors for election, nine clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board of Directors shall be served on the registered holders of shares at least seven days prior to the meeting at which the election is to take place.

Article 111

Our Company by Special Resolution in General Meeting may, from time to time, increase or reduce the number of Directors, and may alter their qualification, if any.

Article 112

The Directors may from time to time appoint one or more of their body to the office of Managing Director (or person holding an equivalent position) for such period (not exceeding five years) and on such terms as they think fit, and subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A Managing Director (or a person holding an equivalent position) shall be subject to the control of the Directors. A Director so appointed shall, while holding that office be subject to retirement but his appointment shall be automatically determined if he ceases from any cause to be a Director.

Article 117

The Directors shall have power at any time and from time to time to appoint any other qualified person as a Director either to fill a casual vacancy or as an addition to the Board. But any Director so appointed shall hold office only until the next Annual General Meeting of our Company, and shall be eligible for re-election.

Article 118

Our Company may from time to time by Ordinary Resolution remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another person in his stead. The person so appointed shall continue to hold office until the next Annual General Meeting.

Article 125

The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to these Articles, the continuing Directors may, except in an emergency, act for the purpose of increasing the number of Directors to such minimum number, or of summoning a General Meeting of our Company, notwithstanding that there shall not be a quorum, but for no other purpose.

APPENDIX E: EXTRACT OF MEMORANDUM AND ARTICLES OF ASSOCIATION

(5) 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.

(6) Delaying, deferring or preventing change in control of the Company

There is no provision in our Articles of Association which could have an effect of delaying, deferring or preventing a change in control of the Company and which could operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

APPENDIX F: REPORT ON EXAMINATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

16 June 2005

The Board of Directors
Ban Leong Technologies Limited
21 Kaki Bukit Crescent
Kaki Bukit Techpark 1
Singapore 416252

Dear Sirs,

We report on the proforma consolidated financial information of Ban Leong Technologies Limited (the "Company") and its subsidiaries (the "Proforma Group") set out on pages G-1 to G-29 of the Prospectus dated 16 June 2005, which has been prepared, for illustrative purposes only and based on certain assumptions and after making certain adjustments to show what:

- (i) the financial results and changes in equity of the Proforma Group for each of the financial years ended 31 December 2002, 2003 and 2004, and cash flows of the Proforma Group for the year ended 31 December 2004 would have been if the group structure as of the date of lodgement of the Prospectus had been in place since the beginning of the periods reported on; and
- (ii) the financial position of the Proforma Group as at 31 December 2004 would have been if the group structure as of the date of lodgement of the Prospectus had been in place on that date.

The proforma consolidated financial information, because of its nature, may not give a true picture of the Proforma Group's actual financial position, results, changes in equity and cash flows.

The proforma consolidated financial information is the responsibility of the directors of the Company. Our responsibility is to express an opinion on the proforma consolidated financial information based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice: SAP 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing the proforma consolidated financial information to the financial statements of each entity in the Proforma Group, considering the evidence supporting the adjustments and discussing the proforma consolidated financial information with the directors of the Company.

**APPENDIX F: REPORT ON EXAMINATION OF PROFORMA CONSOLIDATED
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004**

In our opinion,

- (i) the proforma consolidated financial information has been properly prepared from the relevant financial statements making up the Proforma Group which were prepared in accordance with Singapore Financial Reporting Standards;
- (ii) the proforma consolidated financial information has been properly prepared in a manner consistent with the format of the financial statements and the accounting policies of the Proforma Group set out in Note 5 to the proforma consolidated financial information;
- (iii) the proforma consolidated financial information has been properly prepared on the basis of preparation stated in Note 4 to the proforma consolidated financial information; and
- (iv) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purpose of preparing such financial information.

This report has been prepared for inclusion in the Prospectus in connection with the Invitation by the Company in respect of the issue of 25,000,000 new ordinary shares and 3,800,000 vendor shares of \$0.04 each in the share capital of the Company.

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Singapore

Partner-in-charge: Max Loh Khum Whai

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.1 PROFORMA GROUP STATEMENT OF PROFIT AND LOSS

The financial results of the Proforma Group for the financial years ended 31 December 2002, 2003 and 2004 after making such adjustments as considered appropriate are set out below:

	Note	Year ended 31 December		
		2002 S\$'000	2003 S\$'000	2004 S\$'000
Revenue	6	43,394	50,407	63,219
Cost of sales		(39,094)	(44,170)	(54,693)
Gross profit		4,300	6,237	8,526
Other operating income	7	–	2	14
Selling and distribution expenses		(1,451)	(1,608)	(2,421)
General and administrative expenses		(1,101)	(1,502)	(2,198)
Other operating expenses	7	–	–	(110)
Profit from operations	8	1,748	3,129	3,811
Financial expenses	10	(17)	(12)	(39)
Financial income	10	9	3	3
Profit before tax		1,740	3,120	3,775
Income tax	11	(386)	(702)	(604)
Profit after tax		1,354	2,418	3,171
Minority interests		–	–	(10)
Net profit attributable to shareholders		1,354	2,418	3,161
Earnings per share (cents)	12	1.81	3.22	4.21

The accompanying notes on pages G-6 to G-29 form an integral part of the proforma consolidated financial information.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.2 PROFORMA GROUP BALANCE SHEET

The balance sheet of the Proforma Group as at 31 December 2004 as set out below has been prepared on the basis that the Group structure at the date of lodgment of the Prospectus had been in place on that date.

	Note	As at 31 December 2004 S\$'000
Non-current assets		
Property, plant and equipment	14	377
Deferred tax assets	15	183
Current assets		
Inventories	16	6,073
Trade receivables	17	7,676
Other receivables, deposits and prepayments	18	246
Due from related parties (trade)		1
Due from shareholders of a subsidiary (non-trade)	19	21
Fixed deposit	20	426
Cash and bank balances		3,123
		17,566
Current liabilities		
Trade payables		4,724
Bills payable to a bank (secured)	21	1,860
Other payables and accruals	22	1,763
Finance lease obligations, current portion	23	29
Due to directors (non-trade)	19	19
Provision for tax		918
		9,313
Net current assets		8,253
Non-current liability		
Finance lease obligations, non-current portion	23	95
Net assets		8,718
Proforma shareholders' equity		8,685
Minority interests		33
		8,718

The accompanying notes on pages G-6 to G-29 form an integral part of the proforma consolidated financial information.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.3 CONSOLIDATED STATEMENTS OF CHANGES IN PROFORMA SHAREHOLDERS' EQUITY

The movements in the shareholders' equity of the Proforma Group for the financial years ended 31 December 2002, 2003 and 2004 are as follows:

	Year ended 31 December		
	2002	2003	2004
	S\$'000	S\$'000	S\$'000
Balance at beginning of year	2,053	3,407	5,825
Net profit for the year	1,354	2,418	3,161
Currency translation difference	—	—	(1)
Dividend (Note 24)	—	—	(300)
	3,407	5,825	8,685
Balance at end of year	3,407	5,825	8,685

The accompanying notes on pages G-6 to G-29 form an integral part of the proforma consolidated financial information.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.4 PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows of the Proforma Group for the financial year ended 31 December 2004 is as follows:

	Note	Year ended 31 December 2004 S\$'000
Cash flows from operating activities		
Profit before tax		3,775
Adjustment for:		
Depreciation of property, plant and equipment		111
Gain on disposal of property, plant and equipment		(12)
Interest expense		39
Interest income		(3)
Translation difference		1
		<hr/>
Operating profit before working capital changes		3,911
Decrease (increase) in		
Inventories		(2,788)
Trade receivables		(2,003)
Other receivables, deposits and prepayments		49
Due from related parties (trade)		851
Due from shareholders of a subsidiary (non-trade)		(21)
(Increase) decrease in		
Trade payables		429
Bills payable to a bank (secured)		1,261
Other payables and accruals		831
Due to directors (non-trade)		(636)
		<hr/>
Cash generated from operations		1,884
Interest expense paid		(39)
Interest income received		3
Income tax paid		(572)
		<hr/>
Net cash generated from operating activities		1,276
		<hr/>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment		12
Purchase of property, plant and equipment	B	(225)
		<hr/>
Net cash used in investing activities		(213)
		<hr/>

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.4 PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

	Note	Year ended 31 December 2004 S\$'000
Cash flows from financing activities		
Cash contribution from minority shareholders of a subsidiary		23
Dividend paid		(300)
Payment of finance lease obligations		(66)
Net cash used in financing activities		(343)
Net increase in cash and cash equivalents		720
Cash and cash equivalents at the beginning of year		2,429
Cash and cash equivalents at the end of year	A	3,149

Notes to the Proforma Consolidated Statement of Cash Flows

A. Cash and cash equivalents

Cash and cash equivalents included in the proforma consolidated statement of cash flows comprise the following balance sheet amounts:

	As at 31 December 2004 S\$'000
Cash and bank balances	3,123
Fixed deposit	426
	3,549
Less: Fixed deposit pledged (Note 20)	(400)
Cash and cash equivalents	3,149

Cash and bank balances have an effective interest rate ranging from 0.05% to 0.75% per annum for the financial year ended 31 December 2004.

B. Purchase of property, plant and equipment

During the financial year ended 31 December 2004, the Proforma Group acquired property, plant and equipment with an aggregate cost of approximately S\$311,000 of which S\$86,000 was financed via finance leases. Cash payments of S\$225,000 were made to purchase property, plant and equipment.

The accompanying notes on pages G-6 to G-29 form an integral part of the proforma consolidated financial information.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

These notes are an integral part of and should be read in conjunction with the accompanying proforma consolidated financial information.

1. CORPORATE INFORMATION

The Company was incorporated in Singapore on 18 June 1993 under the Companies Act as a private company limited by shares under the name of Ban Leong Technologies Pte Ltd. On 17 May 2005, in connection with the Invitation, the Company converted to a public limited company and changed its name to Ban Leong Technologies Limited.

The Company's registered office and principal place of business is at 21 Kaki Bukit Crescent Kaki Bukit Techpark 1 Singapore 416252.

The principal activities of the Company are that of wholesale and distribution of computer peripherals, accessories and other multimedia products. The principal activities of the subsidiaries are as shown in Note 3 to the proforma consolidated financial information.

2. THE COMPANY

At an Extraordinary General Meeting held on 13 May 2005, the shareholders of the Company approved, *inter alia*, the following:

- (a) an increase in the authorised share capital of the Company from S\$1,000,000 divided into 1,000,000 ordinary shares of S\$1.00 each to S\$100,000,000 divided into 100,000,000 ordinary shares of S\$1.00 each;
- (b) the bonus issue of 2,500,000 new ordinary shares of S\$1.00 each fully paid up in the capital of the Company prior to the Invitation by way of capitalisation of S\$2,500,000 from the accumulated profits ("Bonus Issue");
- (c) the sub-division of each ordinary share of S\$1.00 each in the authorised and issued and paid-up share capital of the Company into 25 ordinary shares of S\$0.04 each;
- (d) the conversion of the Company into a public limited company and the change of its name to "BAN LEONG TECHNOLOGIES LIMITED";
- (e) the adoption of the new Articles of Association of the Company;
- (f) the issue of the New Shares pursuant to this Invitation. The New Shares, when issued and fully paid up, will rank *pari passu* in all respects with the existing issued and fully paid up Shares;

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

2. THE COMPANY (cont'd)

- (g) the authorisation to the Directors to allot and issue, in addition to the New Shares, such further shares and/or convertible securities at any time to such persons, upon terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (whether by way of rights, bonus or otherwise), provided always that the aggregate number of shares and/or convertible securities to be issued pursuant to such authorisation shall not exceed 50% of the issued share capital of the Company, and provided further that the aggregate number of shares and/or convertible securities to be issued other than on a *pro-rata* basis to Shareholders of the Company does not exceed 20% of the issued share capital of the Company. For this purpose, the percentage of issued share capital is based on the Company's post-Invitation issued share capital, after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue or vesting of share awards subsisting when the mandate is passed and any subsequent consolidation or subdivision of shares. Such a general mandate shall only remain in force until:-
 - (i) the conclusion of the next annual general meeting of the Company following the passing of the resolution by the Shareholders of the Company at which time it shall lapse, unless by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
 - (ii) the Shareholders of the Company by an ordinary resolution in a general meeting revoke or vary such general mandate, whichever is the earlier.

3. RESTRUCTURING EXERCISE

The Company implemented a restructuring exercise (the "Restructuring Exercise") in preparation for its listing on the Singapore Exchange Securities Trading Limited.

The following steps were taken in the Restructuring Exercise:

Chainfusion

The Company held 44,400 ordinary shares of S\$1.00 each representing approximately 4.3% of the total issued and paid up capital of Chainfusion Limited ("Chainfusion"). Chainfusion is engaged in the business of IT software development. Pursuant to a sale and purchase agreement dated 18 January 2005 and as part of the Restructuring Exercise, the Company sold its entire interest in Chainfusion to Mr Ronald Teng for a cash consideration of S\$42,000. The said consideration was determined based on the net tangible assets of Chainfusion as at 31 December 2004. The aforesaid disposal of equity interest in Chainfusion is in line with the Company's intention to divest non-core assets and streamline the core business and operations of the Proforma Group for purposes of the Invitation.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

3. RESTRUCTURING EXERCISE (cont'd)

Banleong Technologies (Thailand) Co., Ltd (“BLTT”)

Prior to the Restructuring Exercise, the Company held 3,800 ordinary shares of THB100 each representing 38% of the total issued and paid up share capital of BLTT while Ronald Teng held 1,100 ordinary shares of BLTT (11%). The remaining 51% of the total issued and paid up share capital of BLTT is held by five Thai shareholders who are not related to any of the Directors and Substantial Shareholders. As part of the Restructuring Exercise, Ronald Teng transferred his entire interest of 11% of the total issued and paid up share capital of BLTT at par for a cash consideration of THB110,000 to the Company on 31 January 2005. Following the said transfer, the Company holds 49% of the total issued and paid up share capital of BLTT.

Under the relevant laws of Thailand, the entire share capital of a Thai company must at all times be held by at least seven shareholders. Accordingly, to ensure compliance with the said legal requirement, Ronald Teng acquired one ordinary share in the share capital of BLTT from one of the existing shareholders, Paweena Sritrakul at par for a cash consideration of THB100 on 31 January 2005.

Upon the completion of the Restructuring Exercise, the Company has the following subsidiaries (referred to collectively with the Company as the “Proforma Group”):

Name of Subsidiary	Date and country of incorporation	Authorised share capital	Issued and paid up share capital	Equity interest %	Principal activities
Digital Hub Pte. Ltd. (“DHPL”)	20 March 2003 Singapore	S\$500,000	S\$100,000	100	Distribution of computer peripherals and accessories
Ban Leong Technologies Sdn Bhd (“BLTM”)	15 August 2003 Malaysia	RM100,000	RM3	100	Distribution of computer hardware
Banleong Technologies (Thailand) Co., Ltd (“BLTT”) ⁽¹⁾	16 July 2004 Thailand	THB1,000,000	THB1,000,000	49	Distribution of computer hardware

- (1) BLTT is deemed to be a subsidiary of the Company by virtue of the Company's control of the composition of the Board of Directors of BLTT.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

4. BASIS OF PRESENTATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION

The proforma consolidated financial information set out in this report has been prepared for illustrative purposes only. It has been prepared based on certain assumptions and after making certain adjustments to show what the financial results, changes in equity and cash flows of the Proforma Group would have been had the Group structure been in place throughout the financial years covered by this report and what the financial position of the Proforma Group as at 31 December 2004 would have been if the Proforma Group structure at the date of lodgement of the Prospectus had been in place on that date.

The proforma consolidated financial information has been prepared in accordance with the accounting policies of the Proforma Group set out in Note G.5 and Singapore Financial Reporting Standards ("FRS") as required by the Companies Act for the respective years as appropriate.

The statutory financial statements of the Company and DHPL for the financial years ended 31 December 2003 and 2004 were prepared in accordance with Singapore Financial Reporting Standards. The statutory financial statements of the Company for the financial year ended 31 December 2002 were prepared in accordance with Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS did not result in any significant change in accounting policies. The statutory financial statements of the Company and DHPL for the financial years covered by this report were audited by the following firms of Certified Public Accountants in Singapore ("CPA"), registered in accordance with the Accountants Act:

Name of Company	Auditors	Financial Year
Ban Leong Technologies Pte Ltd and Digital Hub Pte. Ltd.	Ernst & Young	For the year ended 31 December 2004
Ban Leong Technologies Pte Ltd and Digital Hub Pte. Ltd.	HK Seah & Co.	For the year ended 31 December 2003
Ban Leong Technologies Pte Ltd	HK Seah & Co.	For the year ended 31 December 2002

The statutory financial statements of BLTM for the financial years ended 31 December 2003 and 2004 were prepared under the provisions of the Malaysia Companies Act, 1965 and applicable approved accounting standards in Malaysia and were audited by Michael Ng and Associates, Chartered Accountants in Malaysia.

The statutory financial statements of BLTT for the financial year ended 31 December 2004 were prepared in accordance with accounting principles and practices generally accepted in Thailand and were audited by Thiwan Auditing Office, Certified Public Accountant in Thailand.

The auditors' reports on the financial statements of the entities making up the Proforma Group for the financial years covered under this report were unqualified.

No audited financial statements of the Company, DHPL, BLTM and BLTT have been prepared subsequent to 31 December 2004.

For the purpose of the presentation of the proforma consolidated financial information, the financial statements of BLTM and BLTT have been re-stated in accordance with Singapore Financial Reporting Standards.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

4. BASIS OF PRESENTATION OF PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

The proforma consolidated financial information, because of its nature, may not give a true picture of the Proforma Group's actual financial position, financial results, changes in equity and cash flows. It is not necessarily indicative of the results of the operations or the related effects on the financial position that would have been attained had the abovementioned Proforma Group existed earlier.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been consistently applied in preparing the proforma consolidated financial information, are as follows:

Basis of preparation

The proforma consolidated financial information has been prepared on a historical cost basis in accordance with Singapore Financial Reporting Standards ("FRS").

The accounting policies have been consistently applied by the Proforma Group in the presentation of the consolidated proforma financial information for the financial years under review.

The proforma consolidated financial information is presented in Singapore Dollars ("S\$") unless otherwise stated.

Basis of consolidation

The proforma consolidated financial information comprises the financial statements of the Company and its subsidiaries, after the elimination of all material intragroup transactions and resulting unrealised profits on the basis that the Proforma Group had been in place since 1 January 2002.

The proforma consolidated financial information is prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries

A subsidiary is a company in which the Company directly or indirectly holds more than 50% of the issued share capital or controls more than half of the voting power or controls the composition of its board of directors.

Related parties

A related party is a company, not being a subsidiary or an associate, in which the directors of the Company have an equity interest or exercise significant influence over the financial and operating policy decisions.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation

The accounting records of the companies in the Proforma Group are maintained in their respective measurement currencies.

Transactions in foreign currencies are measured in the respective measurement currencies and recorded at exchange rates approximating those ruling at transaction dates. Foreign currency monetary assets and liabilities are measured using the exchange rates ruling at balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates. All resultant exchange differences are recognised in the profit and loss account.

Assets and liabilities of foreign entities are translated into Singapore dollar equivalents at exchange rates ruling at balance sheet date. Revenues and expenses are translated at average exchange rates for the respective years, which approximate the exchange rates at the dates of the transactions. All resultant exchange differences are taken directly to equity as translation reserve. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. All items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment are as follows:

Computers	3 years
Office equipment	5 years
Furniture & fittings	5 years
Motor vehicles	5 years
Renovation	5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further depreciation charge is made in respect of these assets.

The gain or loss on disposal of property, plant and equipment recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Impairment

An assessment is made at each balance sheet date as to whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

For the purpose of the cash flows statement, cash and cash equivalents represent unrestricted cash and bank balances.

Trade and other receivables

Trade receivables, which generally have credit terms of 30 to 45 days, are recognised and carried at original invoice amount less impairment losses on any uncollectible amounts.

Receivables from related parties are recognised and carried at cost less impairment losses on any uncollectible amounts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs of the finished goods determined on a First-In First-Out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Trade and other payables

Liabilities for trade and other payables and payables to related parties are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Proforma Group.

Provisions

Provisions are recognised when the Proforma Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Leases

(i) Finance lease

Finance leases, which effectively transfer substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

(ii) Operating lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor, if any, is recognised as a reduction of operating lease expenses over the lease term on a straight-line basis.

Use of estimates

The preparation of the proforma consolidated financial information in conformity with FRS requires management to make estimates and assumptions that affect the amounts reported in the proforma consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee benefits

(i) *Pension and other post employment benefits*

The Proforma Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Proforma Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Sale of goods*

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

(ii) *Interest income*

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Income taxes

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes (cont'd)

At each balance sheet date, the Proforma Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Proforma Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Proforma Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

Segment reporting

For management purposes, the Proforma Group is organised into three major operating businesses. These businesses are the basis on which the Proforma Group reports its primary segment information.

Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other receivables and payables, and finance lease obligations. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

6. REVENUE

Revenue represents sales of goods net of goods and services tax and trade discounts.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

7. OTHER OPERATING INCOME (EXPENSES)

	Year ended 31 December		
	2002	2003	2004
	S\$'000	S\$'000	S\$'000
Government grant ⁽¹⁾	—	—	11
Others	—	2	3
Other operating income	—	2	14

- (1) This relates to a grant from the Ministry of Manpower for employing older employees who require training due to a change of job scope.

	Year ended 31 December		
	2002	2003	2004
	S\$'000	S\$'000	S\$'000
Loss on disposal of investment in associated company ⁽²⁾	—	—	(50)
Impairment loss on investment in unquoted shares ⁽³⁾	—	—	(60)
Other operating expenses	—	—	(110)

- (2) This relates to loss on disposal of unquoted shares in Direct Commerce Pte Ltd which is not part of the Proforma Group.

- (3) This relates to an impairment loss on investment in unquoted shares of Chainfusion as Chainfusion was not part of the Proforma Group and has been disposed subsequent to year end.

8. PROFIT FROM OPERATIONS

Profit from operations is determined after charging (crediting) items as shown in Note 7 and the following:

	Year ended 31 December		
	2002	2003	2004
	S\$'000	S\$'000	S\$'000
Provision for doubtful trade receivables	237	86	58
Bad trade receivables written off	4	99	129
Bad trade receivables recovered	—	—	(20)
Write-back of provision for doubtful trade receivables	—	(16)	—
Depreciation of property, plant and equipment	44	67	111
Directors' remuneration			
- directors of the Company	568	295	313
- directors of a subsidiary	—	—	21
Directors' fees	—	300	—
Foreign exchange (gain) loss, net	(49)	71	5
Operating lease expenses	265	291	283
Preliminary expenses written off	—	2	3
Gain on disposal of property, plant and equipment	—	—	(12)
Provision for inventory obsolescence	717	—	106
Write-back of provision for inventory obsolescence	—	(217)	—
Staff costs (Note 9)*	1,341	1,690	2,628

- * Staff costs include amounts shown as directors' remuneration above.

**APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION
FOR FY2002, FY2003 AND FY2004**

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

9. STAFF COSTS

	Year ended 31 December		
	2002	2003	2004
	S\$'000	S\$'000	S\$'000
Salaries and bonus	1,081	1,379	2,081
Pension contributions	122	147	226
Commission	134	154	212
Other staff costs	4	10	109
	<u>1,341</u>	<u>1,690</u>	<u>2,628</u>
Number of employees at year end	<u>25</u>	<u>50</u>	<u>74</u>

10. FINANCIAL (EXPENSES) INCOME

	Year ended 31 December		
	2002	2003	2004
	S\$'000	S\$'000	S\$'000
Interest expense			
- bills payable to a bank	(13)	(7)	(16)
- finance leases	(4)	(5)	(23)
	<u>(17)</u>	<u>(12)</u>	<u>(39)</u>
Interest income			
- fixed deposit	7	3	3
- bank balances	2	—	—
	<u>9</u>	<u>3</u>	<u>3</u>

11. INCOME TAX

Major components of income tax expense for the years ended 31 December were:

	Year ended 31 December		
	2002	2003	2004
	S\$'000	S\$'000	S\$'000
Current tax - current year			
- Singapore tax	386	701	767
- foreign tax	—	—	20
	<u>386</u>	<u>701</u>	<u>787</u>
Deferred tax - current year			
- Singapore tax	—	1	(185)
- foreign tax	—	—	2
	<u>386</u>	<u>702</u>	<u>604</u>

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

11. INCOME TAX (cont'd)

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December was as follows:

	Year ended 31 December		
	2002 S\$'000	2003 S\$'000	2004 S\$'000
Profit before tax	1,740	3,120	3,775
Tax at the domestic rates applicable to profits in the countries concerned*	394	704	752
Adjustments:			
Tax effect of expenses not deductible for tax purpose	10	20	26
Tax effect of double deduction of expenses	—	—	(1)
Deferred tax assets previously not recognised	(7)	(12)	(160)
Tax effect of Singapore statutory stepped income exemption	(12)	(12)	(12)
Others	1	2	(1)
Tax expense	386	702	604

The Company and its subsidiary company incorporated in Singapore are subject to income tax at the statutory tax rate of 22% for the financial years ended 31 December 2002 and 2003 and 20% for the financial year ended 31 December 2004.

For the financial years under review, its subsidiary company in Malaysia is subject to statutory tax rate in Malaysia of 20% on RM500,000 of assessable profit for the year and 28% on the assessable profit in excess of RM500,000.

The corporate tax rate for its subsidiary in Thailand is 15% under relevant Thailand laws for small-medium enterprises with paid up capital not exceeding THB 5 million and profits less than THB 1 million.

As at 31 December 2004, no deferred income tax liability is recognised in respect of unremitted earnings of the subsidiary companies as the Proforma Group has no liability to additional taxation should such amounts be remitted due to the availability of tax sparing relief.

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to shareholders by the pre-Invitation share capital of 75,000,000 shares of S\$0.04 each.

**APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION
FOR FY2002, FY2003 AND FY2004**

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

13. RELATED PARTY TRANSACTIONS

During the years under review, the Proforma Group had the following transactions with related parties, on terms agreed by the respective parties:

	Year ended 31 December		
	2002 S\$'000	2003 S\$'000	2004 S\$'000
Income			
Sales to related parties	96	639	1,059
Expenses			
Purchases from a related party	(36)	(20)	(21)
Consultancy fees paid to a related party	—	—	(36)
Operating lease expenses paid to a related party	(168)	(168)	(168)
Others			
Directors' remuneration and fees	(568)	(595)	(334)
Executive officers' remuneration	(162)	(236)	(105)

14. PROPERTY, PLANT AND EQUIPMENT

	Computers S\$'000	Office equipment S\$'000	Furniture & fittings S\$'000	Motor vehicles S\$'000	Renovation S\$'000	Total S\$'000
Cost						
At 1 January 2004	64	123	146	261	83	677
Additions	71	55	10	86	89	311
Disposals	—	(40)	—	(50)	(21)	(111)
Translation difference	—	—	—	(1)	(1)	(2)
At 31 December 2004	135	138	156	296	150	875
Accumulated depreciation						
At 1 January 2004	51	112	141	158	35	497
Charge for the year	25	9	2	52	23	111
Disposals	—	(40)	—	(50)	(21)	(111)
Translation difference	—	—	—	1	—	1
At 31 December 2004	76	81	143	161	37	498
Net book value						
At 31 December 2004	59	57	13	135	113	377

As at 31 December 2004, the net book value of motor vehicles under finance leases amounted to approximately S\$135,000.

**APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION
FOR FY2002, FY2003 AND FY2004**

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

15. DEFERRED TAX ASSETS

	As at 31 December 2004 S\$'000
Deferred tax liabilities	
- excess of net book value over tax written down value of property, plant and equipment	(16)
- Others	(1)
	<hr/> (17)
Deferred tax assets	
- Provision for doubtful trade receivables	79
- Provision for inventory obsolescence	121
	<hr/> 183 <hr/>
Net deferred tax assets	<hr/> 183 <hr/>

16. INVENTORIES

	As at 31 December 2004 S\$'000
At cost	
Finished goods	5,449
At net realisable value	
Finished goods	1,230
Less: provision for inventory obsolescence	(606)
	<hr/> 624 <hr/>
Total inventories at lower of cost and net realisable value	<hr/> 6,073 <hr/>
Movement in provision for inventory obsolescence during the year was as follows:	
At beginning of year	500
Provision for the year	106
	<hr/> 606 <hr/>
At end of year	<hr/> 606 <hr/>

**APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION
FOR FY2002, FY2003 AND FY2004**

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

17. TRADE RECEIVABLES

	As at 31 December 2004 S\$'000
Trade receivables	8,078
Less: provision for doubtful trade receivables	(402)
	<u>7,676</u>

Movement in provision for doubtful trade receivables during the year was as follows:

At beginning of year	344
Provision for the year	58
	<u>402</u>

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2004 S\$'000
Other receivables	168
Deposits	59
Prepayments	19
	<u>246</u>

19. DUE FROM SHAREHOLDERS OF A SUBSIDIARY / DUE TO DIRECTORS (NON-TRADE)

These balances are unsecured, interest-free and repayable on demand.

20. FIXED DEPOSIT

As at 31 December 2004, fixed deposit amounting to S\$400,000 are pledged to a bank as security for banking facilities granted.

Fixed deposit matures in February 2005 and bears interest of approximately 0.75% per annum.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

21. BILLS PAYABLE TO A BANK (SECURED)

Bills payable to a bank have repayment terms range of 3 months. Bills payable to a bank bear interest at prime rate plus 0.5%.

Bills payable to a bank are secured by the following:

- (a) Joint and several personal guarantee of S\$4.0 million by a director and a shareholder of the Company;
- (b) Letter of guarantee of S\$0.8 million from a related party;
- (c) Legal mortgage of two units of properties owned by a related party;
- (d) Pledge of the Company's fixed deposit of not less than S\$400,000; and
- (e) Existing irrevocable letter of authority by a related party.

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2004 S\$'000
Other payables	188
Accrued operating expenses	1,575
	1,763

23. FINANCE LEASE OBLIGATIONS

Future minimum lease payments under finance lease liabilities together with the present value of the net minimum lease payments are as follows:

	As at 31 December 2004	Present value of minimum lease payments S\$'000
	Total minimum lease payments S\$'000	
Within one year	33	29
After one year but not more than five years	117	95
	150	124
Total minimum lease payments	150	124
Less: amounts representing finance charges	(26)	—
	124	124
Present value of minimum lease payments	124	124

The lease terms range from 5 to 7 years with option to purchase at the end of the lease term. The average discount rates implicit in the leases range from 4.1% to 6.4% per annum. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

24. DIVIDEND

During the financial year ended 31 December 2004, the Company paid a final dividend of S\$0.75 per share, less tax at 20%, amounting to S\$300,000 in respect of the financial year ended 31 December 2003.

25. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

As at 31 December 2004, the Proforma Group has various operating lease agreements for offices and warehouses, and these leases have remaining non-cancellable lease terms ranging from 5 to 20 months with option for renewal. Lease terms do not contain restrictions on the Proforma Group's activities concerning dividends, additional debt or further leasing.

	As at 31 December 2004 S\$'000
Future minimum lease payments -	
Not later than one year	234
Two years through five years	18
	252
	252

26. SEGMENT INFORMATION

Business segments

The Proforma Group's primary format for reporting segment information is business segments, with each segment representing a product line. The Proforma Group's business segments are organised as follows:

- Multimedia
- Data Storage
- IT accessories

There are no inter-segment sales.

Segment assets and liabilities cannot be directly attributable to individual segments and it is impractical to allocate them to the business segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by business segments.

**APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION
FOR FY2002, FY2003 AND FY2004**

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

26. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

2002	Multimedia S\$'000	Data Storage S\$'000	IT accessories S\$'000	Proforma Group S\$'000
Revenue	24,789	15,213	3,392	43,394
Segment results	1,413	(2)	337	1,748
Financial expenses				(17)
Financial income				9
Profit before tax				1,740
Income tax				(386)
Net profit attributable to shareholders				1,354
Depreciation				44
Capital expenditure				6
2003	Multimedia S\$'000	Data Storage S\$'000	IT accessories S\$'000	Proforma Group S\$'000
Revenue	26,123	17,349	6,935	50,407
Segment results	1,616	446	1,067	3,129
Financial expenses				(12)
Financial income				3
Profit before tax				3,120
Income tax				(702)
Net profit attributable to shareholders				2,418
Depreciation				67
Capital expenditure				181

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

26. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

2004	Multimedia S\$'000	Data Storage S\$'000	IT accessories S\$'000	Proforma Group S\$'000
Revenue	28,724	23,673	10,822	63,219
Segment results	1,815	1,317	679	3,811
Financial expenses				(39)
Financial income				3
Profit before tax				3,775
Income tax				(604)
Profit after tax				3,171
Minority interests				(10)
Net profit attributable to shareholders				3,161
Depreciation				111
Capital expenditure				311

Geographical segments

Revenue is based on the location of customers regardless. Assets and additions to property, plant and equipment are based on the location of those assets.

	Revenue			Assets	Capital expenditure		
	2002 S\$'000	2003 S\$'000	2004 S\$'000	2004 S\$'000	2002 S\$'000	2003 S\$'000	2004 S\$'000
Singapore	30,179	38,757	44,933	14,811	6	96	238
Malaysia	—	915	7,484	3,065	—	85	41
Thailand	—	—	244	250	—	—	32
Asia ⁽¹⁾	6,512	7,484	7,275	—	—	—	—
Middle East ⁽²⁾	4,317	2,301	1,972	—	—	—	—
Others ⁽³⁾	2,386	950	1,311	—	—	—	—
	43,394	50,407	63,219	18,126	6	181	311

(1) Asia includes the People's Republic of China, Taiwan, Korea, Mongolia, Pakistan, India, Bangladesh, Nepal and Asean member countries excluding Singapore, Malaysia and Thailand.

(2) Middle East includes Saudi Arabia, United Arab Emirates, Jordan, Syria and Lebanon.

(3) Others include countries in Africa, the Americas and Europe.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

27. FINANCIAL INSTRUMENTS

Financial assets of the Proforma Group include cash and cash equivalents, trade and other receivables, deposits and prepayments. Financial liabilities of the Proforma Group include trade and other payables, accruals and financial lease obligations.

Financial risk management objectives and policies

The main risks arising from the Proforma Group's financial instruments are interest rate, foreign exchange, liquidity and credit risks. The policies for managing each of these risks are summarised below.

Interest rate risk

The Proforma Group obtains additional financing through borrowings from banks and other financial institutions. The Proforma Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Proforma Group's interest rate exposure is also disclosed in the respective notes to the financial information where applicable.

Foreign exchange risk

The foreign exchange risk of the Proforma Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The Company and its local subsidiaries also generate revenue and incur costs in foreign currencies which give rise to foreign exchange risk. The Proforma Group does not enter into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from sale and purchase transactions denominated in foreign currencies.

Liquidity risk

In the management of liquidity risk, the Proforma Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Proforma Group's operations and mitigate the effects of fluctuations in cash flows.

Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables represent the Proforma Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. The Proforma Group monitors trade and other receivables on an ongoing basis to minimise exposure to credit risks.

The Proforma Group has no significant concentration of credit risk with any single customer or counterparty.

Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to their short period to maturity.

The carrying amounts of finance lease obligations are estimated to approximate their fair value based on their nature or maturity.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. Such estimate is subjective in nature and involves uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimate.

28. SUBSEQUENT EVENTS

Subsequent to the financial year, in addition to items as disclosed in Note 2, the Company declared a final dividend of S\$2.50 per share at S\$1 each less tax of 20%, amounting to S\$1,000,000 in respect of the financial year ended 31 December 2004.

29. STATEMENT OF ADJUSTMENTS

Proforma Consolidated Statement of Profit and Loss

The following adjustments have been made in arriving at the Proforma Consolidated financial information for FY2002, FY2003 and FY2004:

	Audited financial statements of the Company ⁽¹⁾ S\$'000	Proforma adjustments S\$'000	As stated in the Proforma consolidated balance sheet S\$'000
2002			
Revenue	43,394		43,394
Cost of sales	(39,094)		(39,094)
	<hr/> 4,300		<hr/> 4,300
Gross profit			
Other operating income	53	(53) ⁽²⁾	—
Selling and distribution expenses	(1,451)		(1,451)
General and administrative expenses	(1,101)		(1,101)
	<hr/> 1,801		<hr/> 1,748
Profit from operations			
Financial expenses	(17)		(17)
Financial income	9		9
	<hr/> 1,793		<hr/> 1,740
Profit before tax			
Income tax	(386)		(386)
	<hr/> 1,407		<hr/> 1,354
Profit after tax			
Minority interests	—		—
	<hr/> 1,407		<hr/> 1,354
Net profit attributable to shareholders	<hr/> <hr/> 1,407		<hr/> <hr/> 1,354

Notes:

- (1) Certain reclassification has been made to the audited financial statements of the Company to change the form of presentation of statement of profit and loss from "nature format" to "function of expenses format".
- (2) This relates to the reversal of bad debts written back as income against beginning retained earnings as these trade debts had been collected and should not have been provided for in the previous financial year.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

29. STATEMENT OF ADJUSTMENTS (cont'd)

Proforma Consolidated Statement of Profit and Loss (cont'd)

2003	Summation of audited financial statements of companies within the Group ⁽¹⁾ S\$'000	Proforma adjustments S\$'000	As stated in the Proforma consolidated balance sheet S\$'000
Revenue	54,634	(4,227) ⁽²⁾	50,407
Cost of sales	(48,387)	4,227 ⁽²⁾ (10) ⁽³⁾	(44,170)
Gross profit	6,247		6,237
Other operating income	163	(161) ⁽⁴⁾	2
Selling and distribution expenses	(2,422)	51 ⁽⁵⁾	(1,608)
	—	763 ⁽⁶⁾	
General and administrative expenses	(1,435)	(67) ⁽⁷⁾	(1,502)
Profit from operations	2,553		3,129
Financial expenses	(12)		(12)
Financial income	3		3
Profit before tax	2,544		3,120
Income tax	(558)	(144) ⁽⁸⁾	(702)
Profit after tax	1,986		2,418
Minority interests	—		—
Net profit attributable to shareholders	1,986		2,418

Notes:

- (1) Certain reclassification has been made to the summation of audited financial statements of companies within the Proforma Group to change the form of presentation of statement of profit and loss from "nature format" to "function of expenses format".
- (2) This relates to the elimination of intercompany transactions.
- (3) This relates to the elimination of unrealised profits on closing inventories.
- (4) This relates to the reversal of bad debts written back as income against beginning retained earnings as these trade debts had been collected and should not have been provided for in the previous financial year.
- (5) This relates to the reversal of provision for doubtful debts for trade receivables from a related party as these debts had been collected and should not have been provided for in the current financial year.
- (6) This relates to the reversal of provision for doubtful trade debts for trade receivables from third parties as these debts had been collected and should not have been provided for in the current financial year.
- (7) This relates to the recognition of unrealised exchange loss arising from intercompany balances.
- (8) This relates to additional provision for tax required in connection with the reversal of provision for doubtful trade debts.

APPENDIX G: PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

G.5 NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

29. STATEMENT OF ADJUSTMENTS (cont'd)

Proforma Consolidated Statement of Profit and Loss (cont'd)

2004	Audited consolidated financial statements of BLT S\$'000	Proforma adjustments S\$'000	As stated in the Proforma consolidated balance sheet S\$'000
Revenue	52,791	10,428 ⁽¹⁾	63,219
Cost of sales	(45,020)	(9,673) ⁽¹⁾	(54,693)
Gross profit	7,771		8,526
Other operating income	158	10 ⁽¹⁾	14
	—	(154) ⁽²⁾	
Selling and distribution expenses	(2,095)	(326) ⁽¹⁾	(2,421)
General and administrative expenses	(2,021)	(177) ⁽¹⁾	(2,198)
Other operating expenses	(110)		(110)
Profit from operations	3,703		3,811
Financial expenses	(38)	(1) ⁽¹⁾	(39)
Financial income	3		3
Profit before tax	3,668		3,775
Income tax	(582)	(22) ⁽¹⁾	(604)
Profit after tax	3,086		3,171
Minority interests	(10)		(10)
Net profit attributable to shareholders	3,076		3,161

Notes:

- (1) This relates to the revenue and expenses of DHPL and BLTM for the financial year ended 31 December 2004 prior to their acquisition by BLT. For the purposes of the proforma consolidated financial statements, DHPL and BLTM are assumed to be subsidiaries for the entire financial year.
- (2) This relates to the reversal of negative goodwill taken to the profit and loss account arising from the acquisition of DHPL and BLTM on the basis that the Proforma Group is in place as of 1 January 2001.

Proforma Consolidated Balance Sheet as at 31 December 2004

As the Proforma Group was in place as of 31 December 2004, there is no material difference between the Proforma Group's balance sheet and the audited consolidated balance sheet of the Company and its subsidiaries except for short term investment in unquoted shares of Chainfusion being reclassified as other receivables as the latter is not part of the Proforma Group. Accordingly, no statement of reconciliation is shown.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

FINANCIAL STATEMENTS
31 DECEMBER 2002

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**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the company for the financial year ended 31 December 2002.

- | | |
|--|---|
| 1. DIRECTORS | <p>The directors in office at the date of this report are:</p> <p style="text-align: right;">Teng Woo Boon
Teng Kin Chong
Teng Kim Sui
Goh Kin Yang
Teo Su Ching</p> |
| 2. GENERAL
INFORMATION
& PRINCIPAL
ACTIVITIES | <p>The company is domiciled and incorporated in the Republic of Singapore as a private company limited by shares. The address of its registered office is as follow:-</p> <p style="text-align: right;">21 Kaki Bukit Crescent Kaki Bukit Techpark
Singapore 416252</p> <p>The number of employees excluding directors at the end of the financial year was 22 (2001: 17).</p> <p>The principal activities of the company are carrying on the business of wholesale and distribution of computer peripherals, accessories and other multimedia products.</p> <p>There have been no significant changes in the nature of these activities during the financial year.</p> |
| 3. ACQUISITION
OR DISPOSAL
OF SUBSIDIARY | <p>There was no acquisition or disposal of subsidiary during the financial year.</p> |
| 4. MOVEMENTS
IN CAPITAL RESERVE | <p>During the financial year under review, there was no capital reserve for the company.</p> |

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

5.

RESULTS FOR THE FINANCIAL YEAR

2002

S\$

Net Profit after taxation

1,406,697

Retained profits brought forward

1,853,067

3,259,764

Capitalisation by way of bonus issue

(300,000)

Retained profits carried forward

2,959,764

6.

TRANSFERS TO OR FROM RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

7.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the authorised capital of the company has been increased from S\$300,000 to S\$1,000,000 by a creation of 700,000 new ordinary shares of S\$1.00 each and the issued and paid-up capital of the company has been increased to S\$500,000 by an allotment of 300,000 bonus shares of S\$1.00 each in the proportion of three new ordinary shares for every two ordinary shares held by capitalising an amount of S\$300,000 out of retained profits.

8.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither during nor at the end of the financial year was the company a party to any arrangement the object of which was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

9.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

The directors holding office at the end of the financial year and their interests in the share capital of the company as recorded in the Register of Directors' Shareholdings kept by the company under Section 164 of the Companies Act, Cap. 50 were as follows:-

Shares of S\$1 each

As at

As at

Name of Directors

1.1.2002

31.12.2002

Teng Woo Boon

80,000

200,000

Teng Kin Chong

64,000

160,000

Teng Kim Sui

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Goh Kin Yang

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Teo Su Ching

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In accordance with the Articles of Association, Teng Kim Sui retires and being eligible, offers himself for re-election.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

- | | | |
|-----|------------------------|--|
| 10. | DIVIDENDS | <p>The directors do not propose that a final dividend be paid in respect of the financial year ended 31 December 2002.</p> <p>No dividends have been paid or declared since the end of the company's last financial year.</p> |
| 11. | BAD AND DOUBTFUL DEBTS | <p>(a) Before the financial statements were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off and providing for bad and doubtful debts and have satisfied themselves that all known bad debts if any have been written off and that where necessary adequate provision has been made for doubtful debts.</p> <p>(b) At the date of this report, the directors are not aware of any circumstances which would render any amounts written off or provided for bad and doubtful debts in the financial statements of the company inadequate to any substantial extent.</p> |
| 12. | CURRENT ASSETS | <p>(a) Before the financial statements were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business, had been written down to their estimated realisable values.</p> <p>(b) At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the company misleading.</p> |
| 2. | CURRENT ASSETS | <p>(a) Before the financial statements were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business, had been written down to their estimated realisable values.</p> <p>(b) At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the company misleading.</p> |

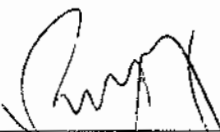
**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

13.	CHARGE ON ASSETS OR EXISTENCE OF CONTINGENT LIABILITY	As at the date of this report: (a) there does not exist any charge on the assets of the company which has arisen since the end of the financial year which secure the liabilities of any other person; and (b) there does not exist any contingent liability of the company which has arisen since the end of the financial year.
14.	CONTINGENT OR OTHER LIABILITY ARISING AFTER YEAR END	No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the company to meet its obligations as and when they fall due.
15.	OTHER CIRCUMSTANCES	At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the company which would render any amount stated in the financial statements misleading.
16.	ITEM, TRANSACTION OR EVENT OF A MATERIAL AND UNUSUAL NATURE	In the opinion of the directors, the results of the operations of the company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.
17.	SUBSEQUENT EVENTS	In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the company for the financial year in which this report is made.
18.	DIRECTORS' BENEFITS	Since the end of the company's last financial year, no director has received or has become entitled to receive benefits (other than those included as directors' emoluments in the financial statements) under a contract which is required to be disclosed under section 201(8) of the Companies Act, Cap. 50.
19.	SHARE OPTIONS GRANTED	During the financial year, no option to take up unissued shares of the company was granted.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

- | | | |
|-----|------------------------------------|--|
| 20. | SHARE
OPTIONS
EXERCISED | No shares were issued by virtue of the exercise of options granted during the financial year. |
| 21. | UNISSUED
SHARES UNDER
OPTION | There were no unissued shares under option at the end of the financial year. |
| 22. | AUDITORS | The auditors, Messrs. H K Seah & Co., have expressed their willingness to accept re-appointment. |

On behalf of the Board of Directors,



Teng Woo Boon
Director



Teng Kin Chong
Director

Singapore,
8 May 2003

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

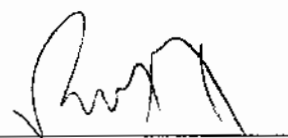
BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

STATEMENT BY DIRECTORS

We, Teng Woo Boon and Teng Kin Chong being two of the directors of BAN LEONG TECHNOLOGIES PTE LTD, do hereby state that, in the opinion of the directors:-

- (i) the financial statements together with the notes thereto, set out on pages 8 to 18 are drawn up so as to give a true and fair view of the state of affairs of the company as at 31 December 2002 and of the results of the business and changes in equity of the company for the financial year then ended; and
- (ii) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,



Teng Woo Boon
Director

Teng Kin Chong
Director

Singapore,
8 May 2003

H K SEAH & CO

Certified Public Accountants

謝孝奇會計公司

特許會計師

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BAN LEONG TECHNOLOGIES PTE LTD**

We have audited the financial statements of BAN LEONG TECHNOLOGIES PTE LTD for the financial year ended 31 December 2002 set out on pages 8 to 18. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the accompanying financial statements of the company are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 and Statements of Accounting Standard and so as to give a true and fair view of:-
 - (i) the state of affairs of the company as at 31 December 2002 and the results and changes in equity of the company for the financial year ended on that date; and
 - ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements of the company; and
- (b) the accounting and other records and the registers required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.



H K SEAH & CO.

Certified Public Accountants

Singapore,
8 May 2003

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

BALANCE SHEET AS AT 31 DECEMBER 2002

ASSETS	<u>Note</u>	<u>2002</u>	<u>2001</u>
		S\$	S\$
NON-CURRENT ASSETS			
Property, plant and equipment	1.2 & 5	67,879	105,198
Investment	1.5 & 6	100,000	100,000
Interest in associated company	1.8 & 7	350,092	-
		517,971	205,198
CURRENT ASSETS			
Inventories	1.3	607,070	187,399
Trade debtors	1.6 & 8	3,968,781	3,280,022
Other debtors, deposits & prepayments	9	67,348	27,750
Amount owing by affiliated company	1.7 & 10	722,647	170,665
Fixed deposits	11	420,413	413,902
Cash and bank balances		2,054,868	2,007,375
		7,841,127	6,087,113
TOTAL ASSETS		8,359,098	6,292,311
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	500,000	200,000
Retained profits		2,959,764	1,853,067
		3,459,764	2,053,067
NON-CURRENT LIABILITIES			
Hire purchase creditors	1.9 & 13	45,824	68,301
CURRENT LIABILITIES			
Trade creditors		3,065,976	2,594,701
Bills payable	11	246,217	429,652
Other creditors & accruals		470,941	309,599
Hire purchase creditors	1.9 & 13	22,476	22,476
Amount owing to directors	14	361,900	391,515
Provision for directors' fee		300,000	200,000
Provision for taxation	1.10 & 4	386,000	223,000
		4,853,510	4,170,943
TOTAL EQUITY AND LIABILITIES		8,359,098	6,292,311

The annexed notes form an integral part of and should
be read in conjunction with these financial statements

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> S\$	<u>2001</u> S\$
REVENUE	1.11 & 2	43,394,373	34,707,134
Other operating income		508,794	31,698
Changes in inventories of finished goods		419,671	24,173
Purchases		(39,854,782)	(31,506,556)
Cost of services		(187,591)	(205,664)
Staff costs		(1,340,648)	(1,036,673)
Depreciation expense	1.2 & 5	(43,760)	(48,615)
Other operating expenses		<u>(1,085,952)</u>	<u>(949,378)</u>
PROFIT from operations		1,810,105	1,016,119
Finance costs		<u>(17,098)</u>	<u>(31,905)</u>
NET PROFIT before taxation	3	1,793,007	984,214
Taxation	1.10 & 4	<u>(386,310)</u>	<u>(195,516)</u>
NET PROFIT after taxation		<u>1,406,697</u>	<u>788,698</u>

The annexed notes form an integral part of and should
be read in conjunction with these financial statements

AUDITORS' REPORT - PAGE 7

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002**

	<u>Note</u>	<u>2002</u> S\$	<u>2001</u> S\$
ISSUED CAPITAL			
Balance, beginning of the year		200,000	200,000
Issuance of bonus shares	12	300,000	-
Balance, end of the year		<u>500,000</u>	<u>200,000</u>
RETAINED PROFITS			
Balance, beginning of the year		1,853,067	1,064,369
Capitalisation by way of bonus issue	12	(300,000)	-
Net profit after taxation		<u>1,406,697</u>	<u>788,698</u>
Balance, end of the year		<u>2,959,764</u>	<u>1,853,067</u>
TOTAL EQUITY		<u>3,459,764</u>	<u>2,053,067</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements

AUDITORS' REPORT - PAGE 7

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2002

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements of the company expressed in Singapore dollars have been prepared on the historical cost convention in accordance with Singapore Statements of Accounting Standard and applicable requirements of Singapore law.

1.2 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation of all items of property, plant and equipment is calculated on the straight line method to write off the cost of assets over their estimated useful lives. The principal annual rates of depreciation used are as follows:-

	%
Computers	33 ¹ / ₃
Office equipment	20
Furniture & fittings	20
Motor vehicles	20
Renovation	20

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further depreciation charge is made in respect of these assets.

1.3 INVENTORIES

Inventories are stated at the lower of cost as determined on the first-in-first-out basis and net realisable value. Net realisable value is arrived at after due allowance is made for all known obsolete, damaged and slow-moving items.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

1.4 FOREIGN CURRENCIES

Monetary assets and liabilities in foreign currencies have been converted into Singapore dollars at rates of exchange ruling at the balance sheet date and transactions in foreign currencies during the year have been converted at rates approximating those prevailing on the transaction dates. Exchange differences are dealt with through the income statement.

1.5 INVESTMENTS

Unquoted investments held on a long term basis are stated at cost. Provision, if necessary, is made for permanent diminution in value of these investments.

1.6 TRADE DEBTORS

Known bad debts are written off and where necessary, specific provisions are made for amounts considered to be doubtful of collection and a general provision is made to cover accounts not specifically provided for.

1.7 AFFILIATED COMPANY

An affiliated company is defined as a company, not being a subsidiary or an associated company in which one or more of the company's directors cum shareholders can exercise control or significant influence.

1.8 ASSOCIATED COMPANIES

An associated company is defined as a company, not being a subsidiary, in which the company has a substantial interest (not less than 20% of the equity) and in whose financial and operating policy decisions the company exercises significant influence.

1.9 HIRE PURCHASE

Where assets are financed by hire purchase arrangements that give rights approximately to ownership, the assets are capitalized as if they had been purchased outright at the values equivalent to the present value of the total rental payable during the periods of the hire purchase and the corresponding hire purchase commitments are included under liabilities. The excess of the hire purchase payments over the recorded hire purchase liabilities are treated as finance charges which are allocated over each hire purchase term to give a constant rate of interest on the outstanding balance at the end of each period.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

1.10 TAXATION

The tax charge for the period is based on the results for the financial year, as adjusted for tax purposes together with a charge or credit for deferred taxation. Deferred taxation is provided under the liability method on the difference between the net book value of assets eligible for capital allowances and the tax written down value of those assets and on any other timing differences existing at the financial year end. Deferred tax benefits is recognised only when there is a reasonable chance of realisation in due course.

1.11 REVENUE RECOGNITION

Revenue from sale of goods is recognised on an accrual basis upon delivery to customers when significant risks and rewards of ownership are transferred and the total amount of revenue and costs of the transaction can be measured reliably.

Interest income from fixed interest bearing instruments and on fixed deposits are recognised on an accrual basis.

2. PRINCIPAL ACTIVITIES & REVENUE

The principal activities of the company are carrying on the business of wholesale and distribution of computer peripherals, accessories and other multimedia products. There have been no significant changes in the nature of these activities during the financial year.

Revenue represents invoiced value of trading sales and services rendered to customers.

3. NET PROFIT BEFORE TAXATION

This is determined after charging the following:-

	<u>2002</u> S\$	<u>2001</u> S\$
Auditors' remuneration	4,500	4,500
Bad and doubtful debts - trade (Note 1.6 & 9)	237,237	81,983
Bad debts written off - trade (Note 1.6)	3,884	205,023
Depreciation of fixed assets (Note 1.2 & 5)	43,760	48,615
Directors' remuneration	567,813	395,685
Hire purchase interest	4,188	4,188
L/C charges and TR interest	12,910	27,717
Loss on exchange differences:		
- realised & trade (Note 1.4)	--	5,783
- unrealised & trade (Note 1.4)	--	1,877
Preliminary expenses written off (Note 1.11)	--	3,617
	<u>=====</u>	<u>=====</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

And after crediting:-

Bad debts recovered	53,285	3,500
Bank interest received	2,321	3,722
Fixed deposit interest received	6,511	9,165
Gain on exchange differences- realised & trade (Note 1.4)	48,980	--
	<u>=====</u>	<u>=====</u>

4. TAXATION

	<u>2002</u>	<u>2001</u>
	<u>S\$</u>	<u>S\$</u>
Current year's provision	386,000	223,000
(Over)/Underprovision of prior years	310	(23,484)
Deferred taxation reversed	--	(4,000)
	<u>386,310</u>	<u>195,516</u>
	<u>=====</u>	<u>=====</u>

The current tax expense is lower than that computed by applying the statutory rate of 22% (2001: 24.5%) due to tax exemption scheme introduced for year of assessment 2003.

5. PROPERTY, PLANT AND EQUIPMENT

	<u>Computer</u>	<u>Office</u>	<u>Furniture</u>	<u>Motor</u>	<u>Renovation</u>	<u>Total</u>
	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>
Cost						
At 1.1.2002	40,804	109,621	141,213	168,642	31,661	491,941
Addition	480	4,072	--	--	1,889	6,441
At 31.12.2002	<u>41,284</u>	<u>113,693</u>	<u>141,213</u>	<u>168,642</u>	<u>33,550</u>	<u>498,382</u>
Accumulated depreciation						
At 1.1.2002	35,260	107,915	141,003	77,389	25,176	386,743
Depreciation for the year	6,024	1,399	70	33,728	2,539	43,760
At 31.12.2002	<u>41,284</u>	<u>109,314</u>	<u>141,073</u>	<u>111,117</u>	<u>27,715</u>	<u>430,503</u>
Depreciation for 2001	<u>897</u>	<u>1,004</u>	<u>849</u>	<u>849</u>	<u>465</u>	<u>4,064</u>
Net book value						
At 31.12.2002	<u>--</u>	<u>4,379</u>	<u>140</u>	<u>57,525</u>	<u>5,835</u>	<u>67,879</u>
At 31.12.2001	<u>5,544</u>	<u>1,706</u>	<u>210</u>	<u>91,253</u>	<u>6,485</u>	<u>105,198</u>

All of the motor vehicles were acquired under hire purchase arrangement.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

6. INVESTMENT

	<u>2002</u> S\$	<u>2001</u> S\$
Unquoted shares, at cost	100,000	100,000
	=====	=====

7. INTEREST IN ASSOCIATED COMPANIES

	<u>2002</u> S\$	<u>2001</u> S\$
Unquoted shares, at cost	60,000	--
Amount owing by associated companies	290,092	--
	350,092	--
	=====	=====

Significant affiliated company transactions include:-

Sales to an affiliated company	1,151,988	--
	=====	=====

<u>Associated Company</u>	<u>Principal Activities</u>	<u>Cost</u>		<u>Percentage of Equity held by the company</u>	
		<u>2002</u> S\$	<u>2001</u> S\$	<u>2002</u> %	<u>2001</u> %
Country of Incorporation & Place of Business: <u>Singapore</u>					
Direct Commerce Pte Ltd	computer hardware & accessories and computer software	60,000	--	20	--

8. TRADE DEBTORS

	<u>2002</u> S\$	<u>2001</u> S\$
Trade debtors	4,206,018	3,362,005
<u>Less: Specific provision for doubtful debts</u>	(237,237)	(81,983)
	3,968,781	3,280,022
	=====	=====

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Movement in provision for doubtful trade debts during the financial year is as follow:-

	<u>2002</u> S\$	<u>2001</u> S\$
At beginning of year	81,983	--
<u>Add:</u> Specific provision for the year	237,237	81,983
<u>Less:</u> Bad debts written off against provision	(28,698)	--
<u>Less:</u> Bad debts written off against provision	(53,285)	--
At end of year	<u>237,237</u> =====	<u>81,983</u> =====

9. OTHER DEBTORS ,DEPOSITS & PREPAYMENT

	<u>2002</u> S\$	<u>2001</u> S\$
Other debtors	47,000	18,750
Deposits	15,848	9,000
Prepayments	4,500	--
	<u>67,348</u> =====	<u>27,750</u> =====

10. AMOUNT OWING BY AFFILIATED COMPANY

	<u>2002</u> S\$	<u>2001</u> S\$
Trade	103,589	9,085
Non-trade	619,058	161,580
	<u>722,647</u> =====	<u>170,665</u> =====

Significant affiliated company transactions include:-

Sales to an affiliated company	96,334	1,233,642
Purchases from an affiliated company	35,952	57,816
Advances to an affiliated company	700,000	176,000
Rental paid to an affiliated company	168,000	168,000
Expenses paid on behalf by associated company	2,068	--
	<u>2,068</u> =====	<u>--</u> =====

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

11. BANKING FACILITIES

Banking facilities up to the limit of S\$4,000,000 (2001: S\$4,000,000) are secured by:-

- (a) Pledge of company's fixed deposits of not less than S\$400,000 (2001: S\$400,000);
- (b) Legal mortgage of properties belonging to an affiliated company;
- (c) Existing irrevocable letter of authority and earmarking by an affiliated company;
- (d) Existing letter of guarantee from an affiliated company;
- (e) Joint and several personal guarantee by two of the directors of the company.

12. SHARE CAPITAL

	<u>2002</u> S\$	<u>2001</u> S\$
<u>Authorised</u>		
1,000,000 ordinary shares of S\$1 each	1,000,000	300,000
	=====	=====
<u>Issued & Fully Paid</u>		
500,000 ordinary shares of S\$1 each	500,000	200,000
	=====	=====

During the financial year, the authorised capital of the company has been increased from S\$300,000 to S\$1,000,000 by a creation of 700,000 new ordinary shares of S\$1 each and the issued and paid-up capital of the company has been increased to S\$500,000 by an allotment of 300,000 bonus shares of S\$1 each in the proportion of three new ordinary shares for every two ordinary shares held by capitalising an amount of S\$300,000 out of retained profits.

13. HIRE PURCHASE CREDITORS	<u>2002</u> S\$	<u>2001</u> S\$
Hire purchase creditors	81,805	108,469
<u>Less:</u> Hire purchase interest suspense	(13,505)	(17,692)
	-----	-----
	68,300	90,777
	=====	=====
Payable within 1 year	22,476	22,476
Payable within 2 to 5 years	45,824	68,301
	=====	=====

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

14. AMOUNT OWING TO DIRECTORS

Amounts owing to directors are unsecured, interest-free and have no fixed terms of repayment.

15. CONTINGENT LIABILITIES

As at the balance sheet date, there exist contingent liabilities in respect of the following:-

	<u>2002</u>	<u>2001</u>
	S\$	S\$
Performance guarantee	1,373,590	1,185,100
	=====	=====

16. FUTURE COMMITMENT

At the balance sheet date, the commitments in respect of operating lease with a term of more than one year were as follows:-

	<u>2002</u>	<u>2001</u>
	S\$	S\$
Within 1 year	86,590	54,000
Within 2 to 5 years	51,648	13,500
	=====	=====

17. COMPARATIVE FIGURES

Where necessary, certain reclassifications have been made to the prior year financial statements to enhance comparability with current year's presentation.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

**BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

**FINANCIAL STATEMENTS
31 DECEMBER 2003**

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Report of the Auditors to the Members	4
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**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the company for the financial year ended 31 December 2003.

1. DIRECTORS

The directors in office at the date of this report are:

Teng Woo Boon
Teng Kin Chong
Teng Kim Sui
Goh Kin Yang
Teo Su Ching

**2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR
DEBENTURES**

Neither at the end of nor at any time during the financial year was the company a party to any arrangement the object of which was to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

3. DIRECTORS' INTEREST IN SHARES OR DEBENTURES

According to the register of directors' shareholding kept by the company under Section 164 of the Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the share capital of the company and related corporations, except as follows:

<u>Name of Directors</u>	<u>Shares of S\$1.00 each</u>	
	As at	As at
	<u>1.1.2003</u>	<u>31.12.2003</u>
Teng Woo Boon	200,000	200,000
Teng Kin Chong	160,000	160,000
Teng Kim Sui	--	--
Goh Kin Yang	--	--
Teo Su Ching	--	--

In accordance with the Articles of Association, Teo Su Ching retires and being eligible, offers herself for re-election.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or has become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

5. OPTION TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company was granted.

6. OPTION EXERCISED

During the financial year, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the company under option.

8. AUDITORS

The auditors, Messrs. H K Seah & Co., have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors



Teng Wod Boon
Director



Teng Kin Chong
Director

Singapore,
8 June 2004

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

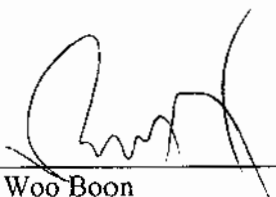
BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

STATEMENT BY DIRECTORS

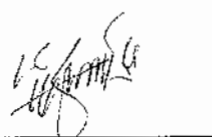
We, Teng Woo Boon and Teng Kin Chong being two of the directors of BAN LEONG TECHNOLOGIES PTE LTD, do hereby state that, in the opinion of the directors:-

- (i) the financial statements together with the notes thereto, set out on pages 5 to 23 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2003 and of the results of the business, changes in equity and cash flows of the company for the financial year then ended; and
- (ii) at the date of this statement there are reasonable grounds to believe that with the support of the shareholders of the company, the company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Teng Woo Boon
Director



Teng Kin Chong
Director

Singapore,
8 June 2004

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

H K SEAH & CO

Certified Public Accountants

謝孝奇會計公司

特許會計師

BAN LEONG TECHNOLOGIES PTE LTD

(Incorporated in the Republic of Singapore)

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BAN LEONG TECHNOLOGIES PTE LTD**

We have audited the financial statements of BAN LEONG TECHNOLOGIES PTE LTD for the financial year ended 31 December 2003 set out on pages 5 to 23. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the accompanying financial statements of the company are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the company as at 31 December 2003 and the results, changes in equity and cash flows of the company for the financial year ended on that date; and
- (b) the accounting and other records and the registers required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.



H K SEAH & CO.

Certified Public Accountants

Singapore,
8 June 2004

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

BALANCE SHEET AS AT 31 DECEMBER 2003

	<u>Note</u>	<u>2003</u> S\$	<u>2002</u> S\$
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	4	93,332	67,879
Investment in associate	5	60,000	60,000
Investment	6	100,000	100,000
		253,332	227,879
CURRENT ASSETS			
Inventories	7	2,287,744	607,070
Trade debtors	8	4,285,204	3,968,781
Other debtors, deposits & prepayments	9	84,798	67,348
Amount owing by related parties	10	2,635,342	722,647
Amount owing by associated company	11	271,203	290,092
Fixed deposits	12	423,311	420,413
Cash and bank balances	12	2,142,940	2,054,868
		12,130,542	8,131,219
TOTAL ASSETS		12,383,874	8,359,098
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	500,000	500,000
Retained profits		4,954,378	2,959,764
		5,454,378	3,459,764
NON-CURRENT LIABILITIES			
Hire purchase creditors	14	51,675	45,824
CURRENT LIABILITIES			
Trade creditors		4,288,580	3,065,976
Bills payable		599,278	246,217
Other creditors & accruals	15	750,145	470,941
Hire purchase creditors	14	27,800	22,476
Amount owing to directors	16	354,900	361,900
Provision for directors' fee		300,000	300,000
Provision for taxation	21	557,118	386,000
		6,877,821	4,853,510
TOTAL EQUITY AND LIABILITIES		12,383,874	8,359,098

The annexed notes form an integral part of and should
be read in conjunction with these financial statements

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**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>Note</u>	<u>2003</u> S\$	<u>2002</u> S\$
REVENUE	3	50,768,747	43,394,373
Other operating income		432,672	508,794
Changes in inventories of finished goods		1,680,674	419,671
Purchases		(46,434,448)	(39,723,899)
Cost of services		(235,758)	(187,591)
Staff costs	17	(1,573,002)	(1,340,648)
Depreciation expense	4	(60,114)	(43,760)
Other operating expenses		<u>(2,015,175)</u>	<u>(1,216,835)</u>
PROFIT from operations		2,563,596	1,810,105
Finance costs		<u>(11,982)</u>	<u>(17,098)</u>
NET PROFIT before taxation	19	2,551,614	1,793,007
Taxation	21	<u>(557,000)</u>	<u>(386,310)</u>
NET PROFIT after taxation		<u><u>1,994,614</u></u>	<u><u>1,406,697</u></u>

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**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>2003</u>	<u>2002</u>
	S\$	S\$
ISSUED CAPITAL		
Balance, beginning of the year	500,000	200,000
Issuance of bonus shares	<u>-</u>	<u>300,000</u>
Balance, end of the year	<u><u>500,000</u></u>	<u><u>500,000</u></u>
RETAINED PROFITS		
Balance, beginning of the year	2,959,764	1,853,067
Capitalisation by way of bonus issue	<u>-</u>	<u>(300,000)</u>
Net profit after taxation	<u>1,994,614</u>	<u>1,406,697</u>
Balance, end of the year	<u><u>4,954,378</u></u>	<u><u>2,959,764</u></u>
TOTAL EQUITY	<u><u>5,454,378</u></u>	<u><u>3,459,764</u></u>

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**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>Note</u>	<u>2003</u> S\$	<u>2002</u> S\$
<u>Cash flows from operating activities</u>			
Net Profit before taxation		2,551,614	1,793,007
Adjustments for:-			
Bank interest received		(478)	(2,321)
Fixed deposit interest received		(2,898)	(6,511)
Depreciation of fixed assets		60,114	43,760
Operating profit before working capital changes		<u>2,608,352</u>	<u>1,827,935</u>
Decrease/(Increase) in inventories		(1,680,674)	(419,671)
Decrease/(Increase) in trade debtors		(316,423)	(688,759)
Decrease/(Increase) in other debtors, deposits & prepayments		(17,450)	(39,598)
Decrease/(Increase) in amount owing by related parties		(1,912,695)	(551,982)
Decrease/(Increase) in amount owing by associated company		18,889	(290,092)
(Decrease)/Increase in trade creditors		1,222,604	471,275
(Decrease)/Increase in bills payable		353,061	(183,435)
(Decrease)/Increase in other creditors and accruals		279,204	161,342
(Decrease)/Increase in amount owing to directors		(7,000)	(29,615)
(Decrease)/Increase in provision for directors' fee		-	100,000
Cash generated from/(absorbed in) operations		<u>547,868</u>	<u>357,400</u>
Tax paid		(385,882)	(223,310)
Net cash provided/(used) by operating activities		<u>161,986</u>	<u>134,090</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>Note</u>	<u>2003</u> S\$	<u>2002</u> S\$
<u>Cash flows from investing activities</u>			
Bank interest received		478	2,321
Fixed deposit interest received		2,898	6,511
Purchase of investment		-	(60,000)
Purchase of fixed assets		(85,567)	(6,441)
Net cash provided/(used) by investing activities		<u>(82,191)</u>	<u>(57,609)</u>
<u>Cash flows from financing activities</u>			
Hire purchase raised		37,200	-
Principal repayment of hire purchase creditors		(26,025)	(22,477)
Net cash provided/(used) by financing activities		<u>11,175</u>	<u>(22,477)</u>
Net increase in cash & cash equivalents		<u>90,970</u>	<u>54,004</u>
Cash & cash equivalents at beginning of the year		<u>2,475,281</u>	<u>2,421,277</u>
Cash & cash equivalents at the end of the year	12	<u><u>2,566,251</u></u>	<u><u>2,475,281</u></u>

The annexed notes form an integral part of and should
be read in conjunction with these financial statements

AUDITORS' REPORT - PAGE 4

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

BAN LEONG TECHNOLOGIES PTE LTD
(Incorporated in the Republic of Singapore)

NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 2003

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION & PRINCIPAL ACTIVITIES

The company is incorporated and domiciled in the Republic of Singapore as a private company limited by shares. The company's registered office and principal place of business is at 21 Kaki Bukit Crescent Kaki Bukit Techpark Singapore 416252.

The number of employees of the company at the end of the financial year was 31 (2002: 22).

The principal activities of the company are carrying on the business of wholesale and distribution of computer peripherals, accessories and other multimedia products.

The financial statements for the year ended 31 December 2003 were authorised and approved by the Board of Directors for issuance on 8 June 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING

The financial statements expressed in Singapore dollars have been prepared on the historical cost convention in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act. In previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS did not result in any significant change in accounting policies.

2.2 ASSOCIATED COMPANIES

An associated company is defined as a company, not being a subsidiary, in which the company has a substantial interest (not less than 20% of the equity) and in whose financial and operating policy decisions the company exercises significant influence.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

2.3 INVESTMENTS

Unquoted investments held on a long term basis are stated at cost. Provision, if necessary, is made for permanent diminution in value of these investments.

2.4 PLANTS AND EQUIPMENT AND DEPRECIATION

Plant and equipment are stated at cost less accumulated depreciation. Depreciation of all items of plant and equipment is calculated on the straight-line method to write off the cost of assets over their estimated useful lives. The principal annual rates of depreciation used are as follows:-

	%
Computers	33 ¹ / ₃
Office equipment	20
Furniture & fittings	20
Motor vehicles	20
Renovation	20

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further depreciation charge is made in respect of these assets.

2.5 INVENTORIES

Inventories are stated at the lower of cost as determined on the first-in-first-out basis and net realisable value. Net realisable value is arrived at after due allowance is made for all known obsolete, damaged and slow-moving items.

2.6 TRADE DEBTORS AND OTHER DEBTORS

Trade and other debtors are recognised and carried at original invoiced amount less provision for doubtful debts.

Known bad debts are written off. Specific provisions are made for accounts considered to be doubtful and a general provision is made to cover accounts not specifically provided for.

2.7 RELATED PARTY

A related party is a party that has the ability to control or exercise control or significant influence over the company in making financial and operation decisions and vice versa.

2.8 CASH AND CASH EQUIVALENTS

Cash consists of cash on hand and cash with banks or financial institutions, including fixed deposits.

2.9 IMPAIRMENT OF ASSETS

Fixed assets and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement for items of fixed assets and long-term investments carried at cost. The recoverable amount is the higher of an asset's net selling price, in an arm's length transaction, and value in use.

Reversal of an impairment loss recognised in prior year is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased. The reversal is recorded in income statement.

2.10 TRADE AND OTHER CREDITORS

Trade and other creditors are carried at cost.

2.11 HIRE PURCHASE

Where assets are financed by hire purchase arrangements that give rights approximately to ownership, the assets are capitalised as if they had been purchased outright at the values equivalent to the present value of the total rental payable during the periods of the hire purchase and the corresponding hire purchase commitments are included under liabilities. The excess of the hire purchase payments over the recorded hire purchase liabilities are treated as finance charges which are allocated over each hire purchase term to give a constant rate of interest on the outstanding balance at the end of each period.

2.12 FOREIGN CURRENCIES

Monetary assets and liabilities in foreign currencies have been converted into Singapore dollars at rates of exchange ruling at the balance sheet date and transactions in foreign currencies during the year have been converted at rates approximating those prevailing on the transaction dates. Exchange differences are dealt with through the income statement.

2.13 TAXATION

The tax charge for the period is based on the results for the financial year, as adjusted for tax purposes together with a charge or credit for deferred taxation.

Deferred taxation is provided under the liability method on the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

2.14 OPERATING LEASES

Where the company has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the terms of the respective leases. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.15 EMPLOYEE BENEFITS

Defined contribution plan

As required by law, the company makes contribution to the state pension scheme, the Central Provident Fund, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to balance sheet date.

2.16 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the balance sheet include cash and bank balances, trade and other accounts receivable and payable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

2.17 REVENUE RECOGNITION

Revenue from sale of goods is recognised on an accrual basis upon delivery to customers when significant risks and rewards of ownership are transferred and the total amount of revenue and costs of the transaction can be measured reliably.

Interest income from fixed interest bearing instruments and on fixed deposits are recognised on an accrual basis.

3. REVENUE

Revenue represents invoiced trading sales to external customers.

	<u>2003</u> S\$	<u>2002</u> S\$
Sale of goods	<u>50,768,747</u>	<u>43,394,373</u>

4. PLANT AND EQUIPMENT

	<u>Computer</u>	<u>Office</u>	<u>Furniture</u>	<u>Motor</u>	<u>Renovation</u>	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$	S\$
Cost						
At 1.1.2003	41,284	113,693	141,213	168,642	33,550	498,382
Addition	6,580	--	--	59,698	19,289	85,567
At 31.12.2003	<u>47,864</u>	<u>113,693</u>	<u>141,213</u>	<u>228,340</u>	<u>52,839</u>	<u>583,949</u>
Accumulated depreciation						
At 1.1.2003	41,284	109,314	141,073	111,117	27,715	430,503
Depreciation for the year	6,580	1,399	70	45,668	6,397	60,114
At 31.12.2003	<u>47,864</u>	<u>110,713</u>	<u>141,143</u>	<u>156,785</u>	<u>34,112</u>	<u>490,617</u>
Depreciation for 2002	<u>6,024</u>	<u>1,399</u>	<u>70</u>	<u>33,728</u>	<u>2,539</u>	<u>43,760</u>
Net book value						
At 31.12.2003	<u>--</u>	<u>2,980</u>	<u>70</u>	<u>71,555</u>	<u>18,727</u>	<u>93,332</u>
At 31.12.2002	<u>--</u>	<u>4,379</u>	<u>140</u>	<u>57,525</u>	<u>5,835</u>	<u>67,879</u>

Motor vehicles with net book value of S\$56,355 (2002: S\$57,525) were acquired under hire purchase arrangement.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

5. ASSOCIATED COMPANY

		<u>2003</u>	<u>2002</u>
		S\$	S\$
Unquoted shares, at cost		<u>60,000</u>	<u>60,000</u>
<u>Name of associated company</u>	<u>Principal activities</u>	<u>Country of Incorporation</u>	<u>Effective equity interest held by the company</u>
		<u>2003</u>	<u>2002</u>
		%	%
Direct Commerce Pte. Ltd.	computer hardware & accessories and computer software	Singapore	20

The effect of equity accounting for the company's share of the associated company results is as follows:

	<u>2003</u> S\$	<u>2002</u> S\$
<u>Income Statement:</u>		
Net profit before taxation	2,255,614	1,793,007
Share of results of associated company	<u>(8,288)</u>	<u>7,612</u>
	2,543,326	1,800,619
Taxation: Company	(557,000)	(386,310)
Associated company	<u>102</u>	<u>(460)</u>
Net profit after taxation	1,986,428	1,413,849
Retained profits at beginning of year	<u>2,965,954</u>	<u>1,552,105</u>
Retained profits at end of year	<u>4,952,328</u>	<u>2,965,954</u>
<u>Retained profits at end of year, represented by:</u>		
Company	4,954,378	2,959,764
Associated company	<u>(1,996)</u>	<u>6,190</u>
	<u>4,952,328</u>	<u>2,965,954</u>
	<u>2003</u> S\$	<u>2002</u> S\$
<u>Balance Sheet:</u>		
Unquoted shares, at cost	60,000	60,000
Share of profits / losses	<u>(8,186)</u>	<u>7,152</u>
	<u>51,814</u>	<u>67,152</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

6. INVESTMENT

	<u>2003</u> S\$	<u>2002</u> S\$
Unquoted shares, at cost	100,000	100,000
	<u>=====</u>	<u>=====</u>

7. INVENTORIES

	<u>2003</u> S\$	<u>2002</u> S\$
At cost	2,287,744	607,070
At net realisable value	--	--
	<u>2,287,744</u>	<u>607,070</u>
	<u>=====</u>	<u>=====</u>

8. TRADE DEBTORS

	<u>2003</u> S\$	<u>2002</u> S\$
Trade debtors	5,134,388	4,117,595
<u>Less:</u> Specific provision for doubtful debts	(892,793)	(237,237)
GST recoverable	43,609	88,423
	<u>4,285,204</u>	<u>3,968,781</u>
	<u>=====</u>	<u>=====</u>

Movement in provision for doubtful trade debts during the financial year is as follow:-

	<u>2003</u> S\$	<u>2002</u> S\$
At beginning of year	237,237	81,983
<u>Add:</u> Specific provision for the year	849,977	237,237
<u>Less:</u> Bad debts written off against provision	(16,808)	(28,698)
<u>Less:</u> Bad debts written back	(16,441)	--
<u>Less:</u> Bad debts recover	(161,172)	(53,285)
At end of year	<u>892,793</u>	<u>237,237</u>
	<u>=====</u>	<u>=====</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

9. OTHER DEBTORS, DEPOSITS & PREPAYMENT

	<u>2003</u> S\$	<u>2002</u> S\$
Other debtors	71,550	47,000
Deposits	13,248	15,848
Prepayments	--	4,500
	<u>84,798</u>	<u>67,348</u>

10. AMOUNT OWING BY RELATED PARTIES

	<u>2003</u> S\$	<u>2002</u> S\$
Trade	2,007,268	103,589
<u>Less: Specific provision for doubtful debts</u>	(50,984)	--
	<u>1,956,284</u>	<u>103,589</u>
Non-trade	679,058	619,058
	<u>2,635,342</u>	<u>722,647</u>

Significant related parties transactions include:-

Sales to related parties	4,846,213	96,334
Purchases from related parties	33,129	35,952
Loan to related parties	679,058	700,000
Rental paid to related parties	168,000	168,000
Expenses paid on behalf by related parties	--	2,068
	<u>=====</u>	<u>=====</u>

11. AMOUNT OWING BY ASSOCIATED COMPANY

	<u>2003</u> S\$	<u>2002</u> S\$
Trade	271,203	290,092
	<u>=====</u>	<u>=====</u>

Significant associated company transactions include:-

Sales to associated company	984,756	1,151,988
Purchases from associated company	199,341	--
	<u>=====</u>	<u>=====</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

12. BANK BALANCES AND OTHER LIQUID FUNDS

	<u>2003</u> S\$	<u>2002</u> S\$
Fixed deposits	423,311	420,413
Cash and bank balances	<u>2,142,940</u>	<u>2,054,868</u>
	<u>2,566,251</u>	<u>2,475,281</u>

13. SHARE CAPITAL

	<u>2003</u> S\$	<u>2002</u> S\$
<u>Authorised</u>		
1,000,000 ordinary shares of S\$1 each	<u>1,000,000</u>	<u>1,000,000</u>
<u>Issued & Fully Paid</u>		
500,000 ordinary shares of S\$1 each	<u>500,000</u>	<u>500,000</u>

During the financial year, the company did not issue any shares of debentures.

14. HIRE PURCHASE CREDITORS

	<u>2003</u> S\$	<u>2002</u> S\$
Hire purchase creditors	96,566	81,805
<u>Less: Hire purchase interest suspense</u>	<u>(17,091)</u>	<u>(13,505)</u>
	<u>79,475</u>	<u>68,300</u>
Payable within 1 year	27,800	22,476
Payable within 2 to 5 years	44,646	45,824
Payable after 5 years	7,029	--
	<u>79,475</u>	<u>68,300</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

15. OTHER CREDITORS & ACCRUALS

	<u>2003</u>	<u>2002</u>
	S\$	S\$
Other creditors	79,753	56,209
Accruals	670,392	414,732
	<u>750,145</u>	<u>470,941</u>

16. AMOUNT OWING TO DIRECTORS

The amount owing to directors is unsecured, interest free and has no fixed terms of repayment.

17. STAFF COSTS

	<u>2003</u>	<u>2002</u>
	S\$	S\$
Salaries and bonuses #	1,285,132	1,080,546
CPF contribution, FWL & SDL	133,033	121,992
Commission - staff	145,606	133,605
Others	9,231	4,505
	<u>1,573,002</u>	<u>1,340,648</u>

Includes directors' remuneration of \$594,862 (2002: \$567,813)

18. BANKING FACILITIES

Banking facilities up to the limit of S\$4,000,000 (2002: S\$4,000,000) are secured by:-

- (a) Pledge of company's fixed deposits of not less than S\$400,000 (2002: S\$400,000);
- (b) Legal mortgage of properties belonging to related party;
- (c) Existing irrevocable letter of authority and earmarking by related party;
- (d) Existing letter of guarantee from related party;
- (e) Joint and several personal guarantee by two of the directors of the company.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

19. NET PROFIT BEFORE TAXATION

This is determined after charging the following:-

	<u>2003</u> S\$	<u>2002</u> S\$
Auditors' remuneration	5,000	4,500
Bad and doubtful debts - trade	900,961	237,237
Bad debts written off - trade	99,206	3,884
Depreciation of fixed assets	60,114	43,760
Directors' remuneration	594,862	567,813
Hire purchase interest	5,006	4,188
L/C charges and TR interest	6,976	12,910
Loss on exchange differences - unrealised	23,142	--
Rental	255,712	264,819
	<u>=====</u>	<u>=====</u>

And after crediting:-

Bad debts recovered	161,173	53,285
Provision for doubtful debts written back	16,441	--
Bank interest received	478	2,321
Fixed deposit interest received	2,898	6,511
Gain on exchange differences- realised	25,410	48,980
	<u>=====</u>	<u>=====</u>

20. CONTINGENT LIABILITIES

As at the balance sheet date, there exist contingent liabilities in respect of the following:-

	<u>2003</u> S\$	<u>2002</u> S\$
Performance guarantee	<u>1,725,200</u>	<u>1,375,590</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

21. TAXATION

	<u>2003</u> S\$	<u>2002</u> S\$
<u>Tax expense:</u>		
Current year's tax provision	557,000	386,000
Tax under provided in prior year	--	310
Deferred taxation	--	--
	<u>557,000</u>	<u>386,310</u>

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before tax due to the following factors:

	<u>2003</u> S\$	<u>2002</u> S\$
Profit / (loss) before taxation	<u>2,551,614</u>	<u>1,793,007</u>
Tax calculated at a tax rate of 22% (2002: 22%)	561,355	394,462
Expenses not deductible for tax purposes	18,316	9,627
Utilised of capital allowances	(11,466)	(6,657)
Singapore statutory stepped income exemption	(11,550)	(11,550)
Others	345	118
	<u>557,000</u>	<u>386,000</u>

Movement in provision for taxation:

Balance at beginning of the year	386,000	223,000
Income tax paid	(385,882)	(223,310)
Adjustments in respect of prior year	--	310
Current financial year's tax expense on profit	<u>557,000</u>	<u>386,000</u>
Balance at end of the year	<u>557,118</u>	<u>386,000</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

22. FUTURE COMMITMENT

At the balance sheet date, the commitments in respect of operating lease with a term of more than one year were as follows:-

	<u>2003</u> S\$	<u>2002</u> S\$
Within 1 year	45,248	86,590
Within 2 to 5 years	6,400	51,648
	<u> </u>	<u> </u>

23. FINANCIAL INSTRUMENTS

The main risks arising from the company's financial instruments are foreign exchange, liquidity and credit risks. The company's overall risk management is determined and carried out by the board of directors on an informal basis.

(a) Interest rate risk

The company manage their interest cost of interest-bearing debt obligations by using a mix of fixed and variable rate debts.

(b) Foreign exchange risk

The company incurs foreign exchange risk on sales and purchases that are primarily denominated in US Dollars. The company does not use any derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates. It mitigates the risk by conducting the transactions in the same currency, whenever possible.

(c) Liquidity risk

In the management of liquidity risk, the company monitors and maintains a level of cash deemed adequate by the directors to finance the company's operations and mitigate the effects of fluctuations in cash flows.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

23. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

The maximum amount of credit risk exposure is the carrying amount of each financial asset as stated in the balance sheet. It is the company's policy to provide credit terms only to creditworthy customers. These debts are continually monitored and therefore, the company does not expect to incur material credit losses. The company has no significant concentration of credit risk with any single customer.

Fair value of financial instruments

The carrying amounts of the company's financial assets and liabilities approximate their respective fair values.

24. COMPARATIVE FIGURES

Where necessary, certain reclassifications have been made to the prior year financial statements to enhance comparability with current year's presentation.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Co. Reg. No. 199393898C

Directors' Report and Audited Financial Statements

**BAN LEONG TECHNOLOGIES PTE LTD
AND SUBSIDIARIES**

31 December 2004

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and Subsidiaries

General Information

Directors

Teng Woo Boon
Neo Gim Kiong (appointed on 1 July 2004)

Company Secretary

Eliza Lim Bee Lian

Registered Office and Principal place of business

21 Kaki Bukit Crescent
Kaki Bukit Techpark 1
Singapore 416252
Tel: (65) 6512 9215
Fax: (65) 6741 9295
Website: www.banleong.com.sg

Bankers

United Overseas Bank Limited

Auditors

Ernst & Young

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and Subsidiaries

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Statements of Changes in Equity	8
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**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and Subsidiaries

Directors' Report

(Amounts expressed in Singapore dollars)

The directors are pleased to present their report to the members together with the audited financial statements of Ban Leong Technologies Pte Ltd (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2004.

Directors

The directors of the Company in office at the date of this report are:

Teng Woo Boon
Neo Gim Kiong (appointed on 1 July 2004)

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year
Ban Leong Technologies Pte Ltd				
<u>Ordinary shares of \$1 each</u>				
Teng Woo Boon	200,000	250,000	-	12,500 ⁽¹⁾
Neo Gim Kiong	-	-	-	50,000 ⁽²⁾

(1) Relates to shares held by Ms Teo Su Ching, spouse of Mr Teng Woo Boon.

(2) By virtue of section 7 of the Companies Act, Mr Neo Gim Kiong is deemed to be interested in the shares held by Dollar Tree Inc Pte. Ltd. in the Company.

By virtue of Section 7 of the Companies Act, Mr Teng Woo Boon is deemed to be interested in the shares held by Ban Leong Technologies Pte Ltd in all its subsidiaries.

APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004

Ban Leong Technologies Pte Ltd and Subsidiaries

Directors' Report (cont'd)

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.



Teng Woo Boon
Director



Neo Gim Kiong
Director

Singapore
14 February 2005

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and Subsidiaries

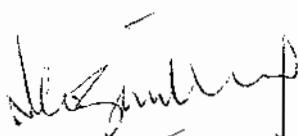
Statement by Directors

We, Teng Woo Boon and Neo Gim Kiong, being the directors of Ban Leong Technologies Pte Ltd, do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the results of the business and changes in equity of the Company and of the Group and cash flows of the Group for the year then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.



Teng Woo Boon
Director



Neo Gim Kiong
Director

Singapore
14 February 2005

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

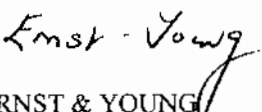
**Auditors' Report to the Members of
Ban Leong Technologies Pte Ltd**

We have audited the accompanying financial statements of Ban Leong Technologies Pte Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 36 for the year ended 31 December 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the financial year ended 31 December 2003 were audited by another firm of certified public accountants whose report dated 8 June 2004 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the results and changes in equity of the Company and of the Group and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.


ERNST & YOUNG
Certified Public Accountants

Singapore
14 February 2005

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Profit and Loss Accounts for the year ended 31 December 2004

(Amounts expressed in Singapore dollars)

	Note	Group		Company	
		2004	2003 as restated (Note 31)	2004	2003 as restated (Note 31)
		\$	\$	\$	\$
Revenue	3	52,791,390	50,768,747	62,440,348	50,768,747
Cost of sales		(45,020,276)	(44,763,260)	(55,217,031)	(44,763,260)
Gross profit		7,771,114	6,005,487	7,223,317	6,005,487
Other operating income	4	158,147	-	4,040	-
Selling and distribution expenses		(2,095,325)	(1,470,722)	(1,854,129)	(1,470,722)
General and administrative expenses		(2,020,841)	(1,321,043)	(1,685,769)	(1,321,043)
Other operating expenses	5	(110,000)	-	(110,000)	-
Profit from operations	6	3,703,095	3,213,722	3,577,459	3,213,722
Financial expenses	8	(38,090)	(11,982)	(36,600)	(11,982)
Financial income	8	3,047	3,376	2,991	3,376
Profit before tax		3,668,052	3,205,116	3,543,850	3,205,116
Income tax	9	(582,218)	(701,000)	(561,537)	(701,000)
Profit after tax		3,085,834	2,504,116	2,982,313	2,504,116
Minority interests		(9,675)	-	-	-
Net profit attributable to shareholders of the Company		3,076,159	2,504,116	2,982,313	2,504,116
Earnings per share (dollars) - basic	10	6.15	5.01		
Earnings per share (dollars) - diluted	10	6.15	5.01		

The accounting policies and explanatory notes on pages 12 to 36 form an integral part of the financial statements

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Balance Sheets as at 31 December 2004

(Amounts expressed in Singapore dollars)

		Group		Company	
	Note	2004	2003 as restated (Note 31)	2004	2003 as restated (Note 31)
		\$	\$	\$	\$
Non-current assets					
Property, plant and equipment	12	377,436	93,332	242,057	93,332
Investment in subsidiaries	13	-	-	119,181	-
Investment in associated company	14	-	60,000	-	60,000
Deferred tax assets	15	183,014	-	172,000	-
Current assets					
Short term investment	16	40,000	100,000	40,000	100,000
Inventories	17	6,072,528	2,287,744	4,549,990	2,287,744
Trade receivables	18	7,675,904	4,834,437	4,745,173	4,834,437
Other receivables, deposits and prepayments	19	205,637	84,798	122,288	84,798
Due from subsidiaries (trade)		-	-	4,314,828	-
Due from subsidiaries (non-trade)	20	-	-	73,780	-
Due from related parties (trade)		844	2,200,728	844	2,200,728
Due from related parties (non-trade)	20	-	679,058	-	679,058
Due from associated company (trade)		-	271,203	-	271,203
Due from shareholders of a subsidiary (non-trade)	20	21,446	-	-	-
Fixed deposit	21	425,971	423,311	425,971	423,311
Cash and bank balances		3,122,752	2,142,940	2,855,152	2,142,940
		17,565,082	13,024,219	17,128,026	13,024,219

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Balance Sheets as at 31 December 2004 (cont'd)

(Amounts expressed in Singapore dollars)

		Group		Company	
	Note	2004	2003 as restated (Note 31)	2004	2003 as restated (Note 31)
		\$	\$	\$	\$
Current liabilities					
Trade payables		4,724,039	4,288,580	4,713,239	4,288,580
Bills payable to a bank (secured)	22	1,859,827	599,278	1,859,827	599,278
Other payables and accruals	23	1,763,361	750,145	1,543,443	750,145
Finance lease obligations (current portion)	24	28,842	27,800	16,577	27,800
Provision for taxation		917,551	701,118	878,000	701,118
Due to related party (trade)		-	193,460	-	193,460
Due to directors (non-trade)	20	19,362	654,900	-	654,900
		<u>9,312,982</u>	<u>7,215,281</u>	<u>9,011,086</u>	<u>7,215,281</u>
Net current assets		8,252,100	5,808,938	8,116,940	5,808,938
Non-current liability					
Finance lease obligations (non-current portion)	24	94,712	51,675	57,270	51,675
Net assets		<u>8,717,838</u>	<u>5,910,595</u>	<u>8,592,908</u>	<u>5,910,595</u>
Share capital and reserves					
Share capital	25	500,000	500,000	500,000	500,000
Translation reserve		(1,461)	-	-	-
Accumulated profits		8,186,754	5,410,595	8,092,908	5,410,595
		<u>8,685,293</u>	<u>5,910,595</u>	<u>8,592,908</u>	<u>5,910,595</u>
Minority interests		32,545	-	-	-
		<u>8,717,838</u>	<u>5,910,595</u>	<u>8,592,908</u>	<u>5,910,595</u>

The accounting policies and explanatory notes on pages 12 to 36 form an integral part of the financial statements.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Statements of Changes in Equity for the year ended 31 December 2004

(Amounts expressed in Singapore dollars)

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Share capital				
Balance at beginning and end of year	500,000	500,000	500,000	500,000
Translation reserve				
Balance at beginning of year	-	-	-	-
Currency translation differences	(1,461)	-	-	-
Balance at end of year	(1,461)	-	-	-
Accumulated profits				
Balance at beginning of year, as restated	5,410,595	2,906,479	5,410,595	2,906,479
Net profit for the year, as previously report	3,076,159	1,994,614	2,982,313	1,994,614
Prior year adjustments (Note 31)	-	509,502	-	509,502
Net profit attributable to shareholders of the Company, as restated	3,076,159	2,504,116	2,982,313	2,504,116
Dividend (Note 26)	(300,000)	-	(300,000)	-
Balance at end of year	8,186,754	5,410,595	8,092,908	5,410,595
Total equity	8,685,293	5,910,595	8,592,908	5,910,595

The accounting policies and explanatory notes on pages 12 to 36 form an integral part of the financial statements.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Consolidated Cash Flow Statement for the year ended 31 December 2004

(Amounts expressed in Singapore dollars)

	Note	Group 2004 \$	2003 as restated (Note 31) \$
Cash flows from operating activities			
Profit before tax		3,668,052	3,205,116
Adjustment for:			
Depreciation of property, plant and equipment		92,200	60,114
Gain on disposal of property, plant and equipment		(11,672)	-
Impairment loss on investment in unquoted shares		60,000	-
Loss on disposal of investment in associated company		50,000	-
Negative goodwill arising from acquisition of subsidiaries		(154,107)	-
Interest expense		38,090	11,982
Interest income		(3,047)	(3,376)
Translation difference		(1,593)	-
Operating profit before working capital changes		3,737,923	3,273,836
Decrease (increase) in			
Inventories		(1,993,122)	(1,680,674)
Trade receivables		(472,087)	(918,941)
Other receivables, deposits and prepayments		(58,643)	(17,450)
Due from related parties (trade)		2,199,884	(2,097,139)
Due from related parties (non-trade)		679,058	(60,000)
Due from associated company (trade)		271,203	18,889
Due from shareholders (non-trade)		(21,446)	-
(Increase) decrease in			
Trade payables		(4,053,142)	1,222,604
Bills payable to a bank		1,260,549	353,061
Other payables and accruals		948,737	279,204
Due to related party (trade)		(193,460)	193,460
Due to directors (non-trade)		(635,538)	(7,000)
Cash generated from operations		1,669,916	559,850
Interest expense paid		(38,090)	(11,982)
Interest income received		3,047	3,376
Income tax paid		(550,199)	(385,882)
Net cash generated from operating activities		1,084,674	165,362
Cash flows from investing activities			
Purchases of property, plant and equipment	B	(209,575)	(25,869)
Proceeds from disposal of property, plant and equipment		11,672	-
Proceeds from disposal of associated company		10,000	-
Net cash used in investing activities		(187,903)	(25,869)

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Consolidated Cash Flow Statement for the year ended 31 December 2004 (cont'd)

(Amounts expressed in Singapore dollars)

	Note	Group 2004 \$	2003 \$
Cash flows from financing activities			
Net cash inflow on acquisition of subsidiaries	C	414,572	-
Cash contribution from minority shareholders of a subsidiary		22,870	-
Repayment of finance lease obligations		(51,741)	(48,523)
Dividend paid to shareholders		(300,000)	-
Net cash generated from (used in) financing activities		85,701	(48,523)
Net increase in cash and cash equivalents		982,472	90,970
Cash and cash equivalents at beginning of year	A	2,166,251	2,075,281
Cash and cash equivalents at end of year	A	3,148,723	2,166,251

Notes to the consolidated cash flow statement

A. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group 2004 \$	2003 \$
Fixed deposit	425,971	423,311
Cash and bank balances	3,122,752	2,142,940
	3,548,723	2,566,251
Less: Fixed deposit pledged (Note 21)	(400,000)	(400,000)
Cash and cash equivalents	3,148,723	2,166,251

Cash and bank balances have an effective interest rate ranging from 0.05 % to 0.75 % (2003: 0.1 %) per annum.

B. Purchase of property, plant and equipment

During the financial year ended 31 December 2004, the Group acquired property, plant and equipment with an aggregate cost of approximately \$267,387 (2003: \$85,567) of which \$57,812 (2003: \$59,698) was financed via finance leases. Cash payments of \$209,575 (2003: \$25,869) were made to purchase property, plant and equipment.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Consolidated Cash Flow Statement for the year ended 31 December 2004 (cont'd)

(Amounts expressed in Singapore dollars)

C. Summary of cash flow on acquisition of subsidiaries

The assets acquired, the liabilities assumed and the cash flow effect as a result of the acquisition are as follows:

	\$
Property, plant and equipment	108,785
Inventories	1,791,662
Trade receivables	2,369,380
Other receivables, deposits and prepayments	62,196
Cash and bank balances	514,573
Trade payables	(4,488,601)
Other payables and accruals	(64,479)
Finance lease obligations	(38,008)
Provision for taxation	(300)
Deferred tax liabilities	(1,100)
Net assets acquired	254,108
Negative goodwill arising from acquisition	(154,107)
Total purchase consideration satisfied via cash payments	100,001
Reconciliation:	
Cash and bank balances assumed	514,573
Cash paid	(100,001)
Net cash inflow on acquisition of subsidiaries	414,572

The accounting policies and explanatory notes on pages 12 to 36 form an integral part of the financial statements.

APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004

Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

(Amounts expressed in Singapore dollars unless otherwise stated)

1. Corporate information

The Company was a private limited company incorporated and domiciled in Singapore.

The registered office and principal place of business of the Company is located at 21 Kaki Bukit Crescent, Kaki Bukit Techpark 1, Singapore 416252.

The Group is principally engaged in the business of wholesale and distribution of computer peripherals, accessories and other multimedia products.

The Group operates in three countries and the Group and the Company employed 74 and 49 (2003: 34 and 34) employees as of 31 December 2004, respectively.

2. Significant accounting policies

(a) *Basis of preparation*

The consolidated financial information has been prepared on a historical cost basis in accordance with Singapore Financial Reporting Standards ("FRS").

The accounting policies have been consistently applied by the Group in the presentation of the consolidated financial information.

The consolidated financial information is presented in Singapore Dollars unless otherwise stated.

(b) *Principles of consolidation*

The consolidated financial statements comprises the financial statements of the Company and its subsidiaries, after the elimination of all material intragroup transactions and resulting unrealised profits.

The consolidated financial information is prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(c) *Subsidiaries*

A subsidiary company is a company in which the Company directly or indirectly holds more than 50% of the issued share capital or controls more than half of the voting power or controls the composition of its board of directors.

(d) *Foreign currency translation*

The accounting records of the companies in the Group are maintained in their respective measurement currencies.

APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004

Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

2. Significant accounting policies (cont'd)

(d) *Foreign currency translation (cont'd)*

Transactions in foreign currencies are measured in the respective measurement currencies and recorded at exchange rates approximating those ruling at transaction dates. Foreign currency monetary assets and liabilities are measured using the exchange rates ruling at balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates. All resultant exchange differences are recognised in the profit and loss account.

Assets and liabilities of foreign entities are translated into Singapore dollars equivalents at exchange rates ruling at balance sheet date. Revenues and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resultant exchange differences are taken directly to equity as translation reserve. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss on disposal.

(e) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. All items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment are as follows:

Computers	3 years
Office equipment	5 years
Furniture & fittings	5 years
Motor vehicles	5 years
Renovation	5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further depreciation charge is made in respect of these assets.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

2. Significant accounting policies (cont'd)

(e) *Property, plant and equipment (cont'd)*

The gain or loss on disposal of property, plant and equipment recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

(f) *Related parties*

A related party is a company, not being a subsidiary or an associate, in which the directors of the Company have an equity interest or exercise significant influence over the financial and operating policy decisions.

(g) *Goodwill*

(i) *Goodwill*

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Goodwill is amortised using the straight-line basis over a period of 5 years that benefits are expected to be received. Goodwill is stated at cost less accumulated amortisation and any impairment loss.

(ii) *Negative goodwill*

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition of a subsidiary.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

(h) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents represent unrestricted cash and bank balances.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
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Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

2. Significant accounting policies (cont'd)

(i) Trade and other receivables

Trade receivables, which generally have credit terms of 30 to 45 days, are recognised and carried at original invoice amount less impairment losses on any uncollectible amounts.

Receivables from related parties are recognised and carried at cost less impairment losses on any uncollectible amounts.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase costs of the finished goods determined on a First-In First-Out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Trade and other payables

Liabilities for trade and other payables and payables to related parties are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(l) Leases

Finance lease

Finance leases, which effectively transfer substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

Operating lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor, if any, is recognised as a reduction of operating lease expenses over the lease term on a straight-line basis.

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Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

2. Significant accounting policies (cont'd)

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(n) Employee benefits

(i) Pension and other post employment benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

(o) Impairment

An assessment is made at each balance sheet date as to whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, wherein the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

2. Significant accounting policies (cont'd)

(p) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

(ii) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(q) Income taxes

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

2. Significant accounting policies (cont'd)

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

(s) Segment reporting

For management purposes, the Group is organised into three major operating businesses. These businesses are the basis on which the Group reports its primary segment information.

(t) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other receivables and payables, and finance lease obligations. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

(u) Use of estimates

The preparation of the financial statements in conformity with FRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

3. Revenue

Revenue represents sales of goods net of goods and services tax and trade discounts during the financial year.

4. Other operating income

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Negative goodwill arising from acquisition of subsidiaries directly taken to the profit and loss account	154,107	-	-	-
Others	4,040	-	4,040	-
	<u>158,147</u>	<u>-</u>	<u>4,040</u>	<u>-</u>
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**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
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Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

5. Other operating expenses

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Loss on disposal of investment in associated company	50,000	-	50,000	-
Impairment loss on investment in unquoted shares	60,000	-	60,000	-
	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>-</u>

6. Profit from operations

This is determined after charging (crediting) items in Notes 4 and 5 and the following:

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Provision for doubtful trade receivables	8,875	86,287	8,875	86,287
Bad trade receivables written off	129,042	99,206	98,742	99,206
Write back of provision for doubtful trade receivables	-	(16,441)	-	(16,441)
Bad trade receivables recovered	(19,830)	-	(19,830)	-
Depreciation of property, plant and equipment	92,200	60,114	81,034	60,114
Directors' remuneration				
- directors of the Company	312,750	294,862	312,750	294,862
- directors of a subsidiary	21,035	-	-	-
Director's fees	-	300,000	-	300,000
Foreign exchange loss (gain), net	73,070	(2,268)	21,041	(2,268)
Operating lease expenses	245,204	255,712	168,700	255,712
Gain on disposal of property, plant and equipment	(11,672)	-	(11,672)	-
Provision for inventory obsolescence	71,000	-	71,000	-
Write-back of provision for inventory obsolescence	-	(216,827)	-	(216,827)
Staff costs (Note 7)*	2,259,336	1,573,002	2,022,713	1,573,002

* This includes the amount shown as directors' remuneration.

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

7. Staff costs

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Salaries and bonus	1,756,519	1,285,132	1,564,961	1,285,132
Pension contributions	201,356	133,033	182,627	133,033
Commission	192,694	145,606	174,641	145,606
Other staff costs	108,767	9,231	100,484	9,231
	<u>2,259,336</u>	<u>1,573,002</u>	<u>2,022,713</u>	<u>1,573,002</u>

8. Financial (expenses) income

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Interest expense				
- bills payable to a bank	(16,058)	(6,976)	(14,914)	(6,976)
- finance leases	(22,032)	(5,006)	(21,686)	(5,006)
	<u>(38,090)</u>	<u>(11,982)</u>	<u>(36,600)</u>	<u>(11,982)</u>
Interest income				
- fixed deposits	2,660	2,898	2,660	2,898
- bank balances	387	478	331	478
	<u>3,047</u>	<u>3,376</u>	<u>2,991</u>	<u>3,376</u>

9. Income tax

Major components of income tax expense for the years ended 31 December were:

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Current tax – current year				
- Singapore tax	745,984	701,000	734,000	701,000
- foreign tax	19,746	-	-	-
Overprovision in respect of prior years	(498)	-	(463)	-
	<u>765,232</u>	<u>701,000</u>	<u>733,537</u>	<u>701,000</u>
Deferred tax – current year				
- Singapore tax	(185,000)	-	(172,000)	-
- foreign tax	1,986	-	-	-
Total	<u>582,218</u>	<u>701,000</u>	<u>561,537</u>	<u>701,000</u>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

9. Income tax (cont'd)

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December was as follows:

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Profit before tax	3,668,052	3,205,116	3,543,850	3,205,116
Tax at the domestic rates applicable to profits in the countries concerned*	730,151	705,126	708,770	705,126
Adjustments:				
Tax effect of expenses not deductible for tax purpose	25,597	18,316	18,638	18,316
Tax effect of double deduction of expenses	(1,156)	-	-	-
Deferred tax assets previously not recognised	(159,079)	(11,466)	(154,835)	(11,466)
Tax effect of Singapore statutory stepped income exemption	(11,550)	(11,550)	(11,550)	(11,550)
Overprovision in respect of prior years	(498)	-	(463)	-
Others	(1,247)	574	977	574
Tax expense	582,218	701,000	561,537	701,000

* The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Company and its subsidiary company incorporated in Singapore are subject to income tax at the statutory tax rate of 22% for the financial years ended 31 December 2002 and 2003 and 20% for the financial year ended 31 December 2004.

Its subsidiary company incorporated in Malaysia is subject to statutory tax rate in Malaysia of 20% on RM500,000 of assessable profit for the year and 28% on the assessable profit in excess of RM500,000.

The corporate tax rate for its subsidiary in Thailand is 15% under relevant Thailand laws for small-medium enterprises with paid up capital not exceeding THB 5 million and profits less than THB 1 million.

As at 31 December 2004, no deferred income tax liability is recognised in respect of unremitted earnings of the subsidiary companies as the Group has no liability to additional taxation should such amounts be remitted due to the availability of tax sparing relief.

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Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

10. Earnings per share

Basic earnings per share is calculated by dividing the Group's net profit for the year of \$3,076,159 (2003: \$2,504,116) by the number of ordinary shares of 500,000 (2003: 500,000) in issue during the year.

No diluted earnings per share is presented as there are no potential dilutive shares.

11. Related party transactions

During the years under review, the Group had the following transactions with related parties, on terms agreed by the respective parties:

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Income				
Sales to related parties	11,486,354	4,866,327	11,486,354	4,866,327
Sales to subsidiaries	-	-	5,725,909	-
Expenses				
Purchases from related parties	(163,024)	(40,294)	(163,024)	(40,294)
Purchases from a subsidiary	-	-	(40,334)	-
Operating lease expenses paid to related parties	(168,000)	(168,000)	(168,000)	(168,000)
Services paid to a related party	(36,000)	-	(36,000)	-
Others				
Directors' remuneration and fees	(333,785)	(594,862)	(312,750)	(594,862)
Executive officers' remuneration	(205,122)	(235,738)	(205,122)	(235,738)

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Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

12. Property, plant and equipment

Group	Computers \$	Office equipment \$	Furniture & fittings \$	Motor vehicles \$	Renovation \$	Total \$
Cost						
At 1 January 2004	47,864	113,693	141,213	228,340	52,839	583,949
Additions	66,614	51,596	8,890	57,812	82,475	267,387
Arising from acquisition of subsidiaries	19,777	12,550	5,617	60,037	35,675	133,656
Disposals	-	(40,186)	-	(49,658)	(20,853)	(110,697)
At 31 December 2004	134,255	137,653	155,720	296,531	150,136	874,295
Accumulated depreciation						
At 1 January 2004	47,864	110,713	141,143	156,785	34,112	490,617
Charge for the year	21,345	7,608	1,388	44,293	17,566	92,200
Arising from acquisition of subsidiaries	5,879	2,187	927	9,205	6,673	24,871
Disposals	-	(40,186)	-	(49,658)	(20,853)	(110,697)
Translation differences	(23)	(10)	(6)	(60)	(33)	(132)
At 31 December 2004	75,065	80,312	143,452	160,565	37,465	496,859
Charge for 2003	6,580	1,399	70	45,668	6,397	60,114
Net book value						
At 31 December 2004	59,190	57,341	12,268	135,966	112,671	377,436
Net book value						
At 31 December 2003	-	2,980	70	71,555	18,727	93,332

As at 31 December 2004, the net book value of motor vehicles of the Group under finance lease amounted to \$135,966 (2003: \$71,555).

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
TECHNOLOGIES PTE LTD AND SUBSIDIARIES FOR FY2002, FY2003 AND FY2004**

Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

12. Property, plant and equipment (cont'd)

Company	Computers \$	Office equipment \$	Furniture & fittings \$	Motor vehicles \$	Renovation \$	Total \$
Cost						
At 1 January 2004	47,864	113,693	141,213	228,340	52,839	583,949
Additions	58,755	45,995	8,890	36,479	79,640	229,759
Disposals	-	(40,186)	-	(49,658)	(20,853)	(110,697)
At 31 December 2004	106,619	119,502	150,103	215,161	111,626	703,011
Accumulated depreciation						
At 1 January 2004	47,864	110,713	141,143	156,785	34,112	490,617
Charge for the year	16,145	6,199	1,195	41,807	15,688	81,034
Disposals	-	(40,186)	-	(49,658)	(20,853)	(110,697)
At 31 December 2004	64,009	76,726	142,338	148,934	28,947	460,954
Charge for 2003	6,580	1,399	70	45,668	6,397	60,114
Net book value						
At 31 December 2004	42,610	42,776	7,765	66,227	82,679	242,057
Net book value						
At 31 December 2003	-	2,980	70	71,555	18,727	93,332

As at 31 December 2004, the net book value of motor vehicles of the Company under finance lease amounted to \$66,227 (2003: \$71,555).

13. Investment in subsidiaries

	Company	
	2004 \$	2003 \$
Unquoted equity shares at cost:		
At beginning of year	-	-
Investment in subsidiaries during the year	119,181	-
At end of year	119,181	-

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Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

13. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation	Effective equity interest held by the Group		Cost of investment by the Company	
			2004 %	2003 %	2004 \$	2003 \$
Digital Hub Pte. Ltd. ("DHPL")	Distribution of computer peripherals and accessories	Singapore	100	-	100,000	-
Ban Leong Technologies Sdn Bhd ("BLTM")	Distribution of computer hardware	Malaysia	100	-	1	-
Banleong Technologies (Thailand) Co., Ltd ("BLTT") ⁽¹⁾	Distribution of computer hardware	Thailand	49	-	19,180	-
					<u>119,181</u>	<u>-</u>

(1) BLTT is deemed to be a subsidiary of the Company by virtue of control of the composition of the Board of Directors of BLTT.

During the financial year ended 31 December 2004,

- (a) the Company acquired 100% equity interest of DHPL comprising 100,000 ordinary shares of \$1 each for a cash consideration of \$100,000 representing the par value of the shares;
- (b) the Company acquired 100% equity interest of BLTM comprising 3 ordinary shares of RM1 each for a cash consideration of RM3 representing the par value of the shares; and
- (c) the Company incorporated BLTT together with several Thai partners. Prior to a restructuring exercise, the Company held 3,800 ordinary shares of THB100 each representing 38% of the total issued and paid up share capital of BLTT while a certain director held 1,000 ordinary shares representing 11% of the total issued and paid up share capital. The remaining 51% of the total issued and paid up share capital was held by five Thai shareholders. As part of the restructuring exercise, the director transferred his entire equity interest of 11% in the total issued and paid up share capital of BLTT at par for cash to the Company and he acquired one ordinary share in the capital of BLTT from a Thai party at par for cash on 31 January 2005. The above was to comply with the relevant laws of Thailand that the entire share capital of a Thai company must be held at all times by at least seven shareholders.

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Notes to the Financial Statements - 31 December 2004

14. Investment in associated company

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Unquoted equity shares at cost				
At beginning of the year	60,000	60,000	60,000	60,000
Disposal during the year *	(60,000)	-	(60,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	60,000	-	60,000
	<hr/>	<hr/>	<hr/>	<hr/>

* Investment in associated company, Direct Commerce Pte Ltd, was disposed of during the financial year and loss on disposal of investment of \$50,000 was recorded upon disposal.

15. Deferred tax assets

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Deferred tax liabilities				
- excess of net book value over tax written down value of property, plant and equipment	(15,842)	-	(12,712)	-
- Others	(1,273)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(17,115)	-	(12,712)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax assets				
- provision for doubtful trade debts	79,304	-	70,487	-
- provision for inventory obsolescence	120,825	-	114,225	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax assets	183,014	-	172,000	-
	<hr/>	<hr/>	<hr/>	<hr/>

**APPENDIX H : AUDITED FINANCIAL STATEMENTS OF BAN LEONG
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Ban Leong Technologies Pte Ltd and subsidiaries

Notes to the Financial Statements - 31 December 2004

16. Short term investment

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Unquoted equity shares at cost				
At beginning of the year	100,000	100,000	100,000	100,000
Impairment loss on investment in unquoted shares during the year	(60,000)	-	(60,000)	-
At end of year	<u>40,000</u>	<u>100,000</u>	<u>40,000</u>	<u>100,000</u>

17. Inventories

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<i>At cost</i>				
Finished goods	5,449,456	2,287,744	4,549,990	2,287,744
<i>At net realisable value</i>				
Finished goods	1,229,652	500,124	571,124	500,124
Less: provision for inventory obsolescence	(606,580)	(500,124)	(571,124)	(500,124)
	<u>623,072</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total inventories at lower of cost and net realisable value	<u>6,072,528</u>	<u>2,287,744</u>	<u>4,549,990</u>	<u>2,287,744</u>

Movements in provision for provision for inventory obsolescence during the year are as follows:

At beginning of year	500,124	716,951	500,124	716,951
Provision for the year	71,000	-	71,000	-
Arising from acquisition of subsidiaries	35,456	-	-	-
Write back of provision	-	(216,827)	-	(216,827)
At end of year	<u>606,580</u>	<u>500,124</u>	<u>571,124</u>	<u>500,124</u>

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18. Trade receivables

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Trade receivables	8,077,585	5,177,997	5,097,608	5,177,997
Less: provision for doubtful trade receivables	(401,681)	(343,560)	(352,435)	(343,560)
	<u>7,675,904</u>	<u>4,834,437</u>	<u>4,745,173</u>	<u>4,834,437</u>

Movements in provision for doubtful trade receivables during the year are as follows:

At beginning of year	343,560	290,522	343,560	290,522
Provision for the year	8,875	86,287	8,875	86,287
Arising from acquisition of subsidiaries	49,249	-	-	-
Write back of provision	-	(16,441)	-	(16,441)
Write-off against provision	-	(16,808)	-	(16,808)
Translation differences	(3)	-	-	-
	<u>401,681</u>	<u>343,560</u>	<u>352,435</u>	<u>343,560</u>

19. Other receivables, deposits and prepayments

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Other receivables	127,562	71,550	105,688	71,550
Deposits	59,100	13,248	16,600	13,248
Prepayments	18,975	-	-	-
	<u>205,637</u>	<u>84,798</u>	<u>122,288</u>	<u>84,798</u>

20. Due from subsidiaries/ related parties/ shareholders of a subsidiary and due to directors (non-trade)

These balances are unsecured, interest-free and repayable on demand.

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21. Fixed deposit

As at 31 December 2004, fixed deposit amounting to \$400,000 (2003: \$400,000) are pledged to a bank as security for banking facilities granted (see Note 22).

Fixed deposit matures in February 2005 and bears interest of approximately 0.75% (2003: 1.20%) per annum.

22. Bills payable to a bank (secured)

Bills payable to a bank have repayment terms of approximately 3 months. Bills payable to a bank bear interest at prime rate plus 0.5%.

Bills payable to a bank are secured by the following:

- (a) Joint and several personal guarantee of \$4.0 million by a director and a shareholder of the Company;
- (b) Letter of guarantee of \$0.8 million from a related party;
- (c) Legal mortgage of two units of properties owned by a related party;
- (d) Pledge of the Company's fixed deposit of not less than \$400,000; and
- (e) Existing irrevocable letter of authority by a related party.

23. Other payables and accruals

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Other payables	188,264	79,753	87,522	79,753
Accrued operating expenses	1,575,097	670,392	1,455,921	670,392
	<u>1,763,361</u>	<u>750,145</u>	<u>1,543,443</u>	<u>750,145</u>

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24. Finance lease obligations

Future minimum lease payments under finance lease liabilities together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	Total minimum lease payments \$	Present value of payments \$	Total minimum lease payments \$	Present value of payments \$
2004				
Within one year	32,835	28,842	20,229	16,577
After one year but not more than five years	117,215	94,712	70,407	57,270
Total minimum lease payments	150,050	123,554	90,636	73,847
Less amounts representing finance charges	(26,496)	-	(16,789)	-
Present value of minimum lease payments	123,554	123,554	73,847	73,847
2003				
Within one year	33,216	27,800	33,216	27,800
After one year but not more than five years	54,685	44,646	54,685	44,646
After five years	8,665	7,029	8,665	7,029
Total minimum lease payments	96,566	79,475	96,566	79,475
Less amounts representing finance charges	(17,091)	-	(17,091)	-
Present value of minimum lease payments	79,475	79,475	79,475	79,475

The lease terms range from 5 to 7 years with option to purchase at the end of the lease term. The average discount rates implicit in the leases range from 4.1% to 6.4% (2003: 5.9% to 6.4%) per annum. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

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25. Share capital

	Group and Company	
	2004	2003
	\$	\$
Authorised:		
At beginning and end of financial year - 1,000,000 shares of \$1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid up:		
At beginning and end of financial year - 500,000 shares of \$1 each	500,000	500,000
	<u>500,000</u>	<u>500,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

26. Dividend

During the financial year ended 31 December 2004, the Company paid a final dividend of \$0.75 per share, less tax at 20%, amounting to \$300,000 in respect of the financial year ended 31 December 2003.

27. Non-cancellable operating lease commitments

As at 31 December 2004, the Group has various operating lease agreements for offices and warehouses, and these leases have remaining non-cancellable lease terms ranging from 5 to 20 months with option for renewal. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Future minimum lease payments:				
Not later than one year	234,000	45,000	120,000	45,000
Two years through five years	18,000	6,000	5,000	6,000
	<u>252,000</u>	<u>51,000</u>	<u>125,000</u>	<u>51,000</u>

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28. Segment information

Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product line. The Group's business segments are organised as follows:

- Multimedia
- Data Storage
- IT accessories

There are no inter-segment sales.

Segment assets and liabilities cannot be directly attributable to individual segments and it is impractical to allocate them to the business segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by business segments.

2004	Multimedia	Data	IT	Total
	\$	Storage	accessories	\$
	\$	\$	\$	\$
Revenue	25,513,603	18,144,066	9,133,721	52,791,390
Segment results	1,772,780	1,250,406	679,909	3,703,095
Financial expenses				(38,090)
Financial income				3,047
Profit before tax				3,668,052
Income tax				(582,218)
Profit after tax				3,085,834
Minority interests				(9,675)
Net profit attributable to shareholders of the Company				3,076,159
Depreciation				92,200
Capital expenditure				267,387

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28. Segment information (cont'd)

Business segments

2003	Multimedia \$	Data Storage \$	IT accessories \$	Total \$
Revenue	26,816,255	16,871,549	7,080,943	50,768,747
Segment results	1,644,490	494,830	1,074,402	3,213,722
Financial expenses				(11,982)
Financial income				3,376
Profit before tax				3,205,116
Income tax				(701,000)
Net profit attributable to shareholders of the Company				2,504,116
Depreciation				60,114
Capital expenditure				85,567

Geographical segments

Revenue is based on the location of customers. Assets and additions to property, plant and equipment are based on the location of those assets.

	Revenue		Assets		Capital expenditure	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
Singapore	35,100,982	38,773,402	14,811,618	13,177,551	233,303	85,567
Malaysia	6,888,573	1,260,597	3,063,527	-	2,416	-
Thailand	244,053	-	250,387	-	31,668	-
Asia ⁽¹⁾	7,275,014	7,484,324	-	-	-	-
Middle East ⁽²⁾	1,971,608	2,300,597	-	-	-	-
Others ⁽³⁾	1,311,160	949,827	-	-	-	-
	52,791,390	50,768,747	18,125,532	13,177,551	267,387	85,567

(1) Asia includes the People's Republic of China, Taiwan, Korea, Mongolia, Pakistan, India, Bangladesh, Nepal and Asean member countries excluding Singapore, Malaysia and Thailand.

(2) Middle East includes Saudi Arabia, United Arab Emirates, Jordan, Syria and Lebanon.

(3) Others include countries in Africa, the Americas and Europe.

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29. Financial instruments

Financial assets of the Group include cash and cash equivalents, trade and other receivables, deposits and prepayments. Financial liabilities of the Group include trade and other payables, accruals and finance lease obligations.

Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate, foreign exchange, liquidity and credit risks. The policies for managing each of these risks are summarised below.

Interest rate risk

The Group obtains additional financing through borrowings from banks and other financial institutions. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the respective notes to the financial information where applicable.

Foreign exchange risk

The foreign exchange risk of the Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The Company and its local subsidiaries also generate revenue and incur costs in foreign currencies which give rise to foreign exchange risk. The Group does not enter into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from sale and purchase transactions denominated in foreign currencies.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Credit risk

The carrying amount of cash and cash equivalents, trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. The Group monitors trade and other receivables on an ongoing basis to minimise exposure to credit risks.

The Group has no significant concentration of credit risk with any single customer or counterparty.

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29. Financial instruments (cont'd)

Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to their short period to maturity.

The carrying amounts of finance lease obligations are estimated to approximate their fair value based on their nature or maturity.

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. Such estimate is subjective in nature and involves uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimate.

30. Subsequent event

Subsequent to the financial year end, pursuant to a sale and purchase agreement dated 18 January 2005 and as part of the restructuring exercise, the Company sold its entire interest in Chainfusion Limited to a director for a cash consideration of \$42,000. The said consideration was determined based on the NTA of Chainfusion Limited as at 31 December 2004.

31. Prior year adjustments and comparative figures

The financial statements for the financial year ended 31 December 2003 were audited by other auditors, whose report dated 8 June 2004 expressed an unqualified opinion on those financial statements.

In the prior financial years, the Company had inadvertently provided for trade receivables which had been collected and should not have been provided for. During the current financial year, the Company retrospectively reversed bad debts written back as income and reduced the provision for doubtful trade debts amounting to \$53,285 and \$602,518 for the financial years ended 31 December 2002 and 2003 respectively. The Company also retrospectively reversed provision for doubtful trade receivables from a related party for the financial year ended 31 December 2003 amounting to \$50,984 as these have been collected subsequently. In addition, the Company retrospectively adjusted provision for taxation arising from the write-back of provision for doubtful trade receivables amounting to \$144,000 for the financial year ended 31 December 2003.

To conform with current year's presentation, certain reclassification entries have been made to change the form of presentation of statement of profit and loss from "nature format" to "function of expenses format".

To conform with current year's presentation, the comparative figures of amounts due to related parties (trade) of \$193,460 previously classified under "due from related parties (trade)" has been reclassified to "due to related parties (trade)".

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31. Prior year adjustments and comparative figures (cont'd)

Accordingly, the prior year comparatives of the Group and the Company have been restated/ reclassified as follows:

	Group and Company	
	2003 as	2003 as
	restated	previously
	\$	stated
	\$	\$
<u>Statements of profits and loss</u>		
Profit before tax	3,205,116	2,551,614
Profit after tax	2,504,116	1,994,614
<u>Balance Sheet</u>		
Trade receivables	4,834,437	4,285,204
Due from related parties (trade)	2,200,728	1,956,284
Due to related party (trade)	(193,460)	-
Provision for taxation	(701,118)	(557,118)
Accumulated profits	(5,410,595)	(4,954,378)

32. Authorisation of financial statements

The financial statements for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 14 February 2005.