

FLEXTRONICS INTERNATIONAL LTD

Form PRER14A

August 22, 2003

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**SCHEDULE 14A  
(AMENDMENT NO. 3)  
(RULE 14A-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [X] Preliminary Proxy Statement
- [ ] Definitive Proxy Statement
- [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Pursuant to Rule 14a-12

**FLEXTRONICS INTERNATIONAL LTD.  
(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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**FLEXTRONICS INTERNATIONAL LTD.**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS  
To Be Held on September 30, 2003**

To our shareholders:

You are cordially invited to attend and NOTICE IS HEREBY GIVEN of the Annual General Meeting of FLEXTRONICS INTERNATIONAL LTD. which will be held at our principal U.S. offices located at 2090 Fortune Drive, San Jose, California, 95131, at 9:00 a.m., Pacific Daylight Time (PDT), on September 30, 2003 for the following purposes:

**As Ordinary Business**

1. To re-elect Mr. Richard L. Sharp, who will retire pursuant to Article 95 of our Articles of Association, to the Board of Directors.
2. To re-elect the following Directors, who will cease to hold office pursuant to Article 101 of our Articles of Association, to the Board of Directors:
  - (a) Mr. James A. Davidson; and
  - (b) Mr. Lip-Bu Tan.
3. To consider and, if thought fit, to pass the following resolution:

RESOLVED THAT, pursuant to Section 153(6) of the Companies Act, Cap. 50. Mr. Patrick Foley be and hereby is re-appointed as a Director to the Board of Directors, to hold such office from the date of this Annual General Meeting until our next Annual General Meeting.

4. To consider and vote upon a proposal to appoint Deloitte & Touche LLP as our independent auditors for the fiscal year ending March 31, 2004, and to authorize the Board of Directors to fix their remuneration.

**As Special Business**

5. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT approval be and is hereby given for the amendment of our 1997 Employee Share Purchase Plan, which we refer to as the Share Purchase Plan, to increase the maximum number of ordinary shares authorized for issuance under the Share Purchase Plan from 3,400,000 ordinary shares to 4,400,000 ordinary shares and that an additional 1,000,000 ordinary shares be reserved for issuance under the Share Purchase Plan, and that such ordinary shares, when issued and paid for in accordance with the terms of the Share Purchase Plan, shall be validly issued, fully paid and nonassessable ordinary shares in our capital.

6. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT, pursuant to the provisions of Section 161 of the Companies Act, Cap. 50, and notwithstanding the provisions of Article 46 of our Articles of Association but subject otherwise to the provisions of that Act and our Articles of Association, authority be and is hereby given to our Directors to:

- (a) (i) allot and issue ordinary shares in our capital; and/or
- (ii) make or grant offers, agreements or options that might or would require ordinary shares in our capital to be allotted and issued whether after the expiration of this authority or otherwise (including but not limited to the

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creation and issue of warrants, debentures or other instruments convertible into ordinary shares in our capital),

at any time to and/or with such persons and upon such terms and conditions and for such purposes as our Directors may in their absolute discretion deem fit, and with such rights or restrictions as our Directors may think fit to impose and as are set forth in our Articles of Association aforesaid; and

(b)(notwithstanding the authority conferred by this resolution may have ceased to be in force) allot and issue ordinary shares in our capital in pursuance of any offer, agreement or option made or granted by our Directors while this resolution was in force,

and that such authority shall continue in force until the conclusion of our next Annual General Meeting or the expiration of the period within which our next Annual General Meeting is required by law to be held, whichever is the earlier.

7. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT approval be and is hereby given for us to provide to each of our non-employee directors annual cash compensation for services rendered as a director.

8. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the exercise by our Directors of all our powers to purchase or otherwise acquire issued ordinary shares of S\$0.01 each fully paid in our capital, not exceeding in aggregate the number of issued ordinary shares representing 10% of our issued ordinary share capital as at the date of the passing of this resolution, at such price or prices as may be determined by our Directors from time to time up to the maximum purchase price described in paragraph (c) below, whether by way of:
  - (i) market purchases on the NASDAQ National Market or any other stock exchange on which our ordinary shares may for the time being be listed and quoted; and/or
  - (ii) off-market purchases (if effected other than on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted) in accordance with any equal access scheme(s) as may be determined or formulated by our Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, Cap. 50;

and otherwise in accordance with all other laws and regulations and rules of the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted as may for the time being be applicable, be and is hereby authorized and approved generally and unconditionally;

- (b) unless varied or revoked by us in a general meeting, the authority conferred on our Directors pursuant to the mandate contained in paragraph (a) above may be exercised by our Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:
  - (i) the date on which our next Annual General Meeting is held; or
  - (ii) the date by which our next Annual General Meeting is required by law to be held;
- (c) the maximum purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which may be paid for an ordinary share purchased or acquired by us pursuant to the mandate contained in paragraph (a) above shall not exceed:
  - (i) in the case of a market purchase of an ordinary share, one hundred and five percent (105%) of the Average Closing Price of our ordinary shares; and
  - (ii) in the case of an off-market purchase pursuant to an equal access scheme, one hundred and ten percent (110%) of the Average Closing Price of our ordinary shares,



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and for the above purposes, the term Average Closing Price means the average of the last dealt prices of an ordinary share for the five consecutive trading days on which our ordinary shares are transacted on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, immediately preceding the date of the market purchase by us or, as the case may be, the date of the making of the offer pursuant to the off-market purchase. The date of the making of the offer refers to the date on which we announce our intention to make an offer for the purchase or acquisition of our ordinary shares from holders of our ordinary shares, stating therein the purchase price (which shall not be more than the maximum purchase price calculated on the foregoing basis) for each ordinary share and the relevant terms of the equal access scheme for effecting the off-market purchase; and

- (d) our Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this resolution.

**As Ordinary Business**

9. To transact any other business as may properly be transacted at any Annual General Meeting.

At the Annual General Meeting, our shareholders shall have the opportunity to discuss and ask any questions that they may have regarding our Singapore audited accounts for the fiscal year ended March 31, 2003, together with the reports of the Directors and Auditors thereon, in compliance with Singapore law. Shareholder approval of our audited accounts is not being sought by this Proxy Statement and will not be sought at the Annual General Meeting. The Board of Directors has fixed the close of business on August 7, 2003 as the record date for determining those shareholders who will be entitled to receive copies of this Notice and accompanying proxy statement. However, shareholders of record on September 30, 2003 will be entitled to vote at the Annual General Meeting. A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not also be a shareholder. Representation of at least 33 1/3% of all outstanding ordinary shares of Flextronics International Ltd. is required to constitute a quorum. Accordingly, it is important that your shares be represented at the meeting. **Whether or not you plan to attend the meeting, please complete, date and sign the enclosed proxy card and return it in the enclosed envelope.** An instrument appointing a proxy must be left at ADP Investor Communications Services, 51 Mercedes Way, Edgewood, NY 11717, United States of America, not less than 48 hours before the time appointed for holding the meeting. Your proxy may be revoked at any time prior to the time it is voted.

Only funds legally available for purchasing or acquiring our issued ordinary shares in accordance with our Articles of Association and the applicable laws of Singapore will be utilized for the purchase or acquisition by us of our own issued ordinary shares pursuant to the proposed share purchase mandate referred to in Proposal No. 8 above. We intend to use our internal sources of funds to finance the purchase or acquisition of our issued ordinary shares. The amount of financing required for us to purchase or acquire our issued ordinary shares, and the impact on our financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares are purchased or acquired. Our net tangible assets and the consolidated net tangible assets of us and our subsidiaries will be reduced by the dollar value of the ordinary shares purchased or acquired. The purchase or acquisition of 10% of our issued ordinary shares as at the date of the Annual General Meeting will not have any material impact on our consolidated earnings for the current financial year.

By Order of the Board of Directors,

Bernard Liew Jin Yang  
Yap Lune Teng  
Joint Secretaries

Singapore  
August , 2003

**Shareholders should read this entire proxy statement  
carefully prior to returning their proxies.**

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*The information contained under the captions Compensation Committee Report on Executive Compensation, Audit Committee Report and Stock Price Performance Graph shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 except to the extent that we specifically incorporate this information by reference into such filing.*

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**PROXY STATEMENT FOR  
ANNUAL GENERAL MEETING OF  
SHAREHOLDERS OF  
FLEXTRONICS INTERNATIONAL LTD.**

**To Be Held on September 30, 2003**

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Flextronics International Ltd. of proxies to be voted at the Annual General Meeting, which will be held at 9:00 a.m., Pacific Daylight Time (PDT), on September 30, 2003 at our principal U.S. offices located at 2090 Fortune Drive, San Jose, California, 95131 or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual General Meeting. This proxy statement and the included proxy card were first mailed to shareholders of record on or about August 1, 2003. The entire cost of soliciting proxies will be borne by us. Following the original mailing of the proxies and other soliciting materials, we and/or our agents may also solicit proxies by mail, telephone, telegraph or in person. Following the original mailing of the proxies and other soliciting materials, we will request that brokers, custodians, nominees and other record holders of our ordinary shares forward copies of the proxy and other soliciting materials to persons for whom they hold ordinary shares and request authority for the exercise of proxies. In these cases, we will reimburse the record holders for their reasonable expenses if they ask us to do so. We have retained Georgeson Shareholder, an independent proxy solicitation firm, to assist in soliciting proxies at an estimated fee of \$6,500 plus reimbursement of reasonable expenses.

**VOTING RIGHTS AND SOLICITATION OF PROXIES**

The close of business on August 7, 2003 was the record date for shareholders entitled to notice of the Annual General Meeting. As of that date, we had 522,697,332 ordinary shares, \$0.01 par value per share, issued and outstanding. All of the ordinary shares issued and outstanding on September 30, 2003 are entitled to vote at the Annual General Meeting, and shareholders of record on September 30, 2003 entitled to vote at the meeting will on a poll have one vote for each ordinary share so held on the matters to be voted upon.

Ordinary shares represented by proxies in the accompanying form which are properly executed and returned to us will be voted at the Annual General Meeting in accordance with the shareholders' instructions contained therein. Representation of at least 33 1/3% of all issued and outstanding ordinary shares is required to constitute a quorum. The affirmative vote by a show of hands of a majority of the shareholders present and voting at the Annual General Meeting, or if a poll is demanded by the chair or by any 10% or greater shareholder in accordance with our Articles of Association, a majority of the shares voting at the Annual General Meeting, is required to re-elect and re-appoint the Directors nominated pursuant to Proposals No. 1 through 3, to approve Proposal No. 4, and to approve the ordinary resolutions in Proposals No. 6 through 8. The affirmative vote of a majority of the issued and outstanding ordinary shares voting in person or by proxy at the Annual General Meeting is required to approve Proposal No. 5.

If a shareholder abstains from voting, including brokers holding their customers' shares of record who cause abstentions to be recorded, these shares are considered present and entitled to vote at the Annual General Meeting. These shares will count toward determining whether or not a quorum is present. However, these shares will not be counted in the tabulation of the votes cast on proposals presented to shareholders. If a shareholder does not give a proxy to its broker with instructions as to how to vote the shares, the broker has authority under New York Stock Exchange rules to vote those shares for or against certain routine matters, such as all of the proposals to be voted on at the Annual General Meeting. If a broker votes shares that are unvoted by its clients for or against a proposal, these shares are considered present and entitled to vote at the Annual General Meeting. These shares will count toward determining whether or not a quorum is present. However, these shares will not be counted in the tabulation of the votes cast on proposals presented to shareholders.

In the absence of contrary instructions, shares represented by proxies will be voted FOR the Board of Directors nominees in Proposals No. 1 through 3 and FOR Proposals No. 4 through 8. Management does not know of any matters to be presented at this Annual General Meeting other than those set forth in this proxy statement and in the Notice accompanying this proxy statement. If other matters should properly come before the meeting, the proxy holders will vote on such matters in accordance with their best judgment. Any shareholder of record has the right to revoke his or her proxy at any time prior to voting at the Annual General Meeting by submitting a subsequently dated proxy or by attending the meeting and voting in person. To be effective, a proxy must be deposited at ADP Investor Communications Services, 51 Mercedes Way, Edgewood, NY 11717, United States of America, at least 48 hours before the time set for the Annual General Meeting.

We have prepared, in accordance with Singapore law, Singapore statutory financial statements, which are enclosed with this proxy statement. Except as otherwise stated herein, all monetary amounts in this proxy statement have been presented in U.S. dollars.



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**PROPOSALS NO. 1, 2 AND 3:**

**RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS**

Under Article 95 of our Articles of Association, at each Annual General Meeting, at least one-third of the Directors, or, if their number is not a multiple of three, then the number nearest to but not less than one-third of the Directors, are required to retire from office. The Directors required to retire in each year are those who have been in office longest since their last re-election or appointment. As between persons who became or were last re-elected Directors on the same day, those required to retire are (unless they otherwise agree among themselves) determined by lot. Retiring Directors are eligible for re-election. Mr. Sharp is the member of the Board of Directors who will retire by rotation in the manner stated above. He is eligible for re-election and has been nominated to stand for re-election at the 2003 Annual General Meeting.

Mr. Davidson and Mr. Tan were appointed as Directors by the Board of Directors in March 2003 and April 2003, respectively. Under Article 101 of our Articles of Association, any person appointed as a Director by the Board of Directors shall hold office only until the next Annual General Meeting and shall then be eligible for re-election. However, these directors shall not be taken into account in determining the number of Directors who are to retire by rotation at the Annual General Meeting in the manner stated above. Mr. Davidson and Mr. Tan will each hold office until the 2003 Annual General Meeting. They are eligible for re-election and have been nominated to stand for re-election at the 2003 Annual General Meeting.

Under Section 153(2) of the Companies Act, Cap. 50, the office of a director of a public company or of a subsidiary of a public company becomes vacant at the conclusion of the Annual General Meeting commencing after such director attains the age of 70 years. However, under Section 153(6), a person of or over the age of 70 years may, by ordinary resolution be appointed or re-appointed as a director of that company to hold office until the next annual general meeting of the company or be authorized to continue in office as a director until the next annual general meeting of the company. Mr. Foley turned 71 in February 2003, and, under Singapore law, his office as a Director will therefore become vacant at the conclusion of the 2003 Annual General Meeting. It is accordingly proposed that a resolution be passed at the 2003 Annual General Meeting, pursuant to Section 153(6) of the Companies Act, Cap. 50, to re-appoint Mr. Foley as a Director to hold office from the date of the 2003 Annual General Meeting until the 2004 Annual General Meeting.

The proxy holders intend to vote all proxies received by them in the accompanying form for the nominees for Directors listed below. In the event any nominee is unable or declines to serve as a Director at the time of the Annual General Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors, in accordance with Article 100 of our Articles of Association, to fill the vacancy. In the event that additional persons are nominated for election as Directors, in accordance with Article 100 of our Articles of Association, the proxy holders intend to vote all proxies received by them for the nominees listed below. As of the date of this proxy statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as a Director.

**Nominees to Board of Directors**

*Richard L. Sharp* (age 56) Mr. Sharp has served as a member of our Board of Directors since July 1993 and as Chairman of our Board since January 2003. Mr. Sharp served in various positions with Circuit City Stores, Inc., a consumer electronics and personal computer retailer, from 1982 to 2002, most recently, as President from 1984 to 1997, Chief Executive Officer from 1986 to 2000 and Chairman of the Board from 1994 to 2002.

*James A. Davidson* (age 43) Mr. Davidson has served as a member of our Board of Directors since March 2003. He is a founder and principal of Silver Lake Partners, a private equity investment firm. From June 1990 to November 1998, he was an investment banker with Hambrecht & Quist, most recently serving as Managing Director and Head of Technology Investment Banking. From 1984 to 1990, Mr. Davidson was a corporate and securities lawyer with Pillsbury, Madison & Sutro. Currently, Mr. Davidson serves on the boards of Enterasys Networks, Inc. and Seagate Technology. He received a B.S. from the University of Nebraska and J.D. from the University of Michigan.

*Lip-Bu Tan* (age 43) Mr. Tan has served as a member of our Board of Directors since April 2003. In 1987, he founded and since that time has served as Chairman of Walden International, a venture capital fund. Mr. Tan currently serves on the boards of Centillium Communications, Creative Technology, Integrated Silicon Solution, SINA.com and Semiconductor Manufacturing International Corporation. Mr. Tan received a M.S. in Nuclear Engineering from the Massachusetts Institute of Technology, a MBA from the University of San Francisco, and a B.S. from Nanyang University in Singapore.

*Patrick Foley* (age 71) Mr. Foley has served as a member of our Board of Directors since October 1997. Mr. Foley served in



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various positions with DHL Corporation, Inc. and its major subsidiary, DHL Airways, Inc., a global document, package and airfreight delivery company from September 1988 to 2001, most recently as its Chairman, President and Chief Executive Officer. He also serves as a director of Continental Airlines, Inc., Del Monte Corporation, Foundation Health Systems, Inc., and Glenborough Realty Trust, Inc.

### **Directors Not Standing for Re-Election**

*Michael E. Marks* (age 52) Mr. Marks has served as our Chief Executive Officer since January 1994. He has served as a member of our Board of Directors since December 1991 and as Chairman of our Board from July 1993 to January 2003. He received a B.A. and M.A. from Oberlin College and a M.B.A. from Harvard Business School.

*Michael J. Moritz* (age 48) Mr. Moritz has served as a member of our Board of Directors since July 1993. Since 1988, he has been a General Partner of Sequoia Capital, a venture capital firm. Mr. Moritz also serves as a director of Saba Software and several privately-held companies.

### **Alternate Director**

*Goh Thiam Poh Tommie* (age 52) Mr. Goh served as a member of our Board of Directors from December 2000 to April 2003. Mr. Goh tendered his resignation from our Board of Directors on April 3, 2003, and our Board accepted his resignation as of that date. In accordance with Article 102 of our Articles of Association, following his resignation, Mr. Marks appointed Mr. Goh to be his Alternate Director. As the Alternate Director for Mr. Marks, Mr. Goh may attend and vote at meetings of our board only if Mr. Marks is not present at such meetings. Mr. Marks may revoke this appointment at any time.

### **The Board recommends a vote FOR the re-election of Mr. Sharp, Mr. Davidson and Mr. Tan, and the re-appointment of Mr. Foley to the Board of Directors.**

## **Board and Committee Meetings**

Our Board of Directors held a total of 37 administrative meetings and four regularly scheduled meetings during fiscal 2003. During the period for which each current director was a director or a committee member, all directors attended at least 75% of the aggregate of the total number of regularly scheduled meetings of the Board together with the total number of meetings held by all committees of the Board on which he served. Only Mr. Marks and Mr. Moritz attended 75% of the aggregate of the total number of administrative meetings of the board.

The Board of Directors has an Audit Committee, a Compensation Committee, a Corporate Governance and Nominations Committee, and a Finance Committee.

*Audit Committee.* The Audit Committee is currently composed of Mr. Foley, Mr. Moritz and Mr. Davidson. Our audit committee reviews and monitors our financial statements and accounting practices, makes recommendations to our board regarding the selection of independent auditors and reviews the results and scope of audits and other services provided by our independent auditors. The Audit Committee held four meetings in fiscal 2003.

*Compensation Committee.* The Compensation Committee is currently composed of Mr. Sharp and Mr. Moritz. The Compensation Committee recommends to our board compensation for our key employees and administers the employee share option plans. The Compensation Committee held four meetings in fiscal 2003.

*Corporate Governance and Nominations Committee.* The Corporate Governance and Nominations Committee is currently composed of Mr. Foley and Mr. Tan. The Corporate Governance and Nominations Committee recommends to our board, candidates for appointment or election and corporate governance guidelines for our company. Our board will only consider such nominees as are recommended by the Corporate Governance and Nominations Committee. The Corporate Governance and Nominations Committee held three meetings in fiscal 2003.

*Finance Committee.* The Finance Committee is currently composed of Mr. Marks and Mr. Moritz. The Finance Committee reviews and approves various financial matters that are not reserved to the Board of Directors. The Finance Committee held three meetings in fiscal 2003.



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**Director Compensation**

Each individual who first becomes a non-employee Board member is granted a stock option to purchase 25,000 ordinary shares, pursuant to the automatic option grant provisions of our 2001 Equity Incentive Plan. Pursuant to this program, in fiscal 2003, each of Mr. Davidson and Mr. Tan received a stock option to purchase 25,000 ordinary shares at the time of his appointment to our board. After this initial grant, pursuant to the terms of the automatic option grant provisions of the 2001 Plan, on the date of each Annual General Meeting, each individual who is at that time serving as a non-employee director receives a stock option to purchase 12,500 ordinary shares. Pursuant to this program, in fiscal 2003, Mr. Foley, Mr. Goh, Mr. Moritz and Mr. Sharp each received a stock option to purchase 12,500 ordinary shares in fiscal 2003. Also, under the terms of the discretionary option grant provisions of the 2001 Plan, non-employee directors are eligible to receive stock options granted at the discretion of the board. Pursuant to this program, in fiscal 2003 Mr. Foley, Mr. Goh, Mr. Moritz and Mr. Sharp each received stock options to purchase 10,000 ordinary shares in fiscal 2003. The maximum number of ordinary shares that may be received by each non-employee director under this program is 100,000 ordinary shares per year.

Each non-employee director receives annual cash compensation of \$37,200 for services rendered as a director. In addition, each director receives \$700 for each quarterly meeting of the Board of Directors that he attends. In addition, all directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with meetings of the Board of Directors. No director who is our employee receives compensation for services rendered as a director.

**Compensation Committee Interlocks and Insider Participation**

The members of the Compensation Committee of our Board of Directors during fiscal 2003 were Mr. Sharp and Mr. Moritz. None of our executive officers serve on our Compensation Committee. No interlocking relationships exist between our Board of Directors or Compensation Committee and the board of directors or compensation committee of any other company.

**PROPOSAL NO. 4:**

**APPOINTMENT OF INDEPENDENT AUDITORS AND  
AUTHORIZATION OF BOARD TO FIX THEIR REMUNERATION**

The Board of Directors intends to engage Deloitte & Touche LLP as independent auditors to audit our accounts and records for the fiscal year ending March 31, 2004, and to perform other appropriate services. We expect that a representative from Deloitte & Touche LLP will be present at the 2003 Annual General Meeting. Such representative will have the opportunity to make a statement if he so desires and is expected to be available to respond to appropriate questions.



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On May 3, 2002, the Audit Committee of our Board of Directors determined that it would replace Arthur Andersen LLP as our independent auditors and resolved, subject to the approval of our shareholders for Singapore statutory purposes, to appoint Deloitte & Touche LLP as our independent auditors for the fiscal year ended March 31, 2003 in place of Arthur Andersen LLP. On August 29, 2002, our shareholders approved the appointment of Deloitte & Touche LLP as our independent auditors for the fiscal year ended March 31, 2003 in place of Arthur Andersen LLP.

The report of Arthur Andersen LLP for the fiscal years ended March 31, 2002 and March 31, 2001, did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended March 31, 2002 and March 31, 2001, and the interim period from April 1, 2002 through May 3, 2002, there were no disagreements between us and Arthur Andersen LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of Arthur Andersen LLP would have caused it to make reference to the subject matter of the disagreement in connection with its report. No reportable event, as described in Item 304(a)(1)(v) of Regulation S-K, has occurred within our fiscal years ended March 31, 2002 and March 31, 2001, or the interim period from April 1, 2002 through May 3, 2002.

During the fiscal years ended March 31, 2002 and March 31, 2001 and the interim period from April 1, 2002 through May 3, 2002, we did not consult with Deloitte & Touche LLP on (i) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that Deloitte & Touche LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) the subject of any disagreement, as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions, or reportable event.

**The Board recommends a vote FOR the  
appointment of Deloitte & Touche LLP as independent  
auditors for fiscal year 2004 and authorization for the Board to fix their remuneration.**

### **PROPOSAL NO. 5:**

#### **ORDINARY RESOLUTION TO APPROVE THE INCREASE IN THE NUMBER OF ORDINARY SHARES AUTHORIZED FOR ISSUANCE UNDER THE 1997 EMPLOYEE SHARE PURCHASE PLAN**

Our shareholders are being asked to approve an amendment to our 1997 Employee Share Purchase Plan, which was adopted by the Board of Directors and approved by the shareholders in 1997, and which we refer to as the Share Purchase Plan, to increase the number of our ordinary shares authorized for issuance under the Share Purchase Plan by 1,000,000 ordinary shares, from 3,400,000 ordinary shares to 4,400,000 ordinary shares.

As of June 30, 2003, there were 325,659 ordinary shares available for issuance under the Share Purchase Plan and if this Proposal No. 5 is approved, 1,325,659 ordinary shares will be available for issuance under the Share Purchase Plan. The Board believes the share increase is necessary for us to continue to have a sufficient reserve of ordinary shares available under the Share Purchase Plan to attract and retain the services of key employees and other qualified personnel essential to our long-term success and to effectively compete for qualified personnel in our markets.

#### **Share Purchase Plan History**

The Board of Directors adopted the Share Purchase Plan in September 1997 and our shareholders approved the adoption in October 1997. Our shareholders approved amendments to the Share Purchase Plan in August 1999, September 2000 and August 2002. The purpose of the Share Purchase Plan is to provide our employees and employees of our subsidiaries and parent as designated by the Board of Directors as eligible to participate in the Share Purchase Plan with a convenient means to acquire an equity interest in us through payroll deductions and to provide an incentive for continued employment. We intend that the Share Purchase Plan will qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended.

#### **Ordinary Shares Subject to the Share Purchase Plan**

The ordinary shares subject to issuance under the Share Purchase Plan consist of our authorized but unissued ordinary shares. A total of 3,400,000 ordinary shares has been reserved for issuance by the Board under the Share Purchase Plan. This number of ordinary shares is subject to proportional adjustment to reflect stock splits, bonus issues and other similar events.



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### **Administration**

The Share Purchase Plan will be administered by the Board of Directors or a committee of at least two members of the Board, which we refer to in this section as the Committee. The interpretation or construction by the Committee of any provisions of the Share Purchase Plan will be final and binding on all employees.

### **Eligibility**

All of our employees and those of any of our subsidiaries and parent are eligible to participate in an Offering Period, as defined below, under the Share Purchase Plan, except (a) employees who are not employed by us or, as the case may be, by a subsidiary or parent, one month before the beginning of such Offering Period; (b) employees who are customarily employed for 20 hours or less per week; (c) employees who are customarily employed for five months or less in a calendar year; (d) employees who own shares or hold options to purchase shares or who, as a result of participation in the Share Purchase Plan, would own shares or hold options to purchase shares, possessing 5% or more of the total combined voting power or value of all classes of our shares or any of our subsidiaries and parent; and (e) individuals who provide services to us as independent contractors who are reclassified as common law employees for any purpose other than federal income and employment tax purposes.

As of June 30, 2003, approximately 9,000 persons were eligible to participate in the Share Purchase Plan and 3,074,341 shares had been issued pursuant to the Share Purchase Plan.

Employees participate in the Share Purchase Plan through payroll deductions. An employee sets the rate of such payroll deductions, which may not be less than 2% nor more than 10% of the employee's compensation, including base salary, commissions, bonuses and shift premiums before any deductions from the employee's salary pursuant to Sections 125 or 401(k) of the Internal Revenue Code. No employee is permitted to purchase shares under the Share Purchase Plan at a rate which, when aggregated with such employee's rights to purchase stock under all of our similar purchase plans, exceeds \$25,000 in fair market value determined as of the Offering Date for each calendar year.

### **Transferability**

In general, rights under the Share Purchase Plan may not be transferred in any manner other than by will or by the laws of descent and distribution.

### **Offering Periods**

Each offering of ordinary shares under the Share Purchase Plan is for a period of six months, which we refer to as an Offering Period. Offering Periods are planned to commence on December 1 and June 1 of each year and end on May 31 and November 30 of each year, respectively. Each Offering Period consists of one six-month Purchase Period during which payroll deductions of the employees are accumulated under the Share Purchase Plan. The Board of Directors has the power to set the beginning of any Offering Period and to change the date or the duration of Offering Periods or Purchase Periods without shareholder approval, including adopting 24-month Offering Periods consisting of four six-month Purchase Periods, if such change is announced at least 15 days before the scheduled beginning of the first Offering Period or Purchase Period to be affected. The first day of each Offering Period is the Offering Date for such Offering Period and the last business day of each Purchase Period is the Purchase Date for such Purchase Period.

Employees will participate in the Share Purchase Plan during each Offering Period through regular payroll deductions as described above. Employees may elect to participate in any Offering Period by enrolling as provided under the terms of the Share Purchase Plan. Once enrolled, an employee will automatically participate in each succeeding Offering Period unless the employee withdraws from the Offering Period or the Share Purchase Plan is terminated. After the rate of payroll deductions for an Offering Period has been set by an employee, that rate will continue to be effective for the remainder of the Offering Period (and for all subsequent Offering Periods in which the employee is automatically enrolled) unless otherwise changed by the employee. The employee may increase or lower the rate of payroll deductions for any subsequent Offering Period, but may only lower the rate of payroll deductions for an ongoing Offering Period. No more than one change may be made during a single Offering Period.

### **Purchase Price**

The purchase price of ordinary shares that may be acquired in any Purchase Period under the Share Purchase Plan is 85% of the lesser of: (a) the fair market value of the ordinary shares on the Offering Date; or (b) the fair market value of the ordinary shares on the Purchase Date. In no event may the purchase price be less than the par value of the ordinary shares. The fair market value of our ordinary shares is deemed to be the closing price of our ordinary shares on the NASDAQ National Market on the date of



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determination as reported in The Wall Street Journal. As of June 30, 2003, the closing price of our ordinary shares on the NASDAQ National Market was \$10.43 per share.

### **Purchase of Shares Under the Share Purchase Plan**

The number of whole shares an employee may purchase in any Purchase Period will be determined by dividing the total payroll amount withheld from the employee during the Purchase Period pursuant to the Share Purchase Plan by the purchase price for each share determined as described above, rounded down to the nearest whole number. The purchase will take place automatically on the Purchase Date of such Purchase Period.

### **Withdrawal**

An employee may withdraw from any Offering Period. Upon withdrawal, the accumulated payroll deductions will be returned to the withdrawn employee, without interest, provided that the withdrawal occurs at least 15 days before the related Purchase Date. If the withdrawal occurs less than 15 days before such Purchase Date, payroll deductions will continue for the remainder of that Purchase Period. No further payroll deductions for the purchase of shares will be made for the succeeding Offering Period unless the employee enrolls in the new Offering Period at least 15 days before the Offering Date.

### **Amendment and Termination of the Share Purchase Plan**

The Board of Directors may at any time amend, terminate or extend the term of the Share Purchase Plan, except that any such termination cannot affect the terms of subscription rights previously granted under the Share Purchase Plan, nor may any amendment make any change to the terms of subscription rights previously granted which would adversely affect the right of any participant, nor may any amendment be made without shareholder approval if such amendment would:

increase the number of shares that may be issued under the Share Purchase Plan; or

change the designation of the employees, or class of employees, eligible for participation in the Share Purchase Plan.

### **Term of the Share Purchase Plan**

The Share Purchase Plan will continue until the earlier to occur of: (a) termination of the Share Purchase Plan by the Board of Directors; (b) the issuance of all the ordinary shares reserved for issuance under the Share Purchase Plan; or (c) September 2007, ten years after the date the Share Purchase Plan was adopted by the Board of Directors.

### **Federal Income Tax Information**

**The following is a general summary as of the date of this proxy statement of the United States Federal Income Tax Consequences to us and employees participating in the share purchase plan. Federal tax laws may change and the federal, state and local tax consequences for any participating employee will depend upon his or her individual circumstances. Each participating employee has been and is encouraged to seek the advice of a qualified tax adviser regarding the tax consequences of participation in the share purchase plan. The following discussion does not purport to describe state or local income tax consequences or tax consequences for participants in countries other than the United States.**

The Share Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code.

*Tax Treatment for Employees.* Employees will not recognize income for federal income tax purposes either upon enrollment in the Share Purchase Plan or upon the purchase of shares. All tax consequences are deferred until an employee sells the shares, disposes of the shares by gift or dies. Payroll deductions, however, remain fully taxable as ordinary income at the time the deduction is taken, and there is no deferral of the ordinary income accessed on these amounts.

If ordinary shares are held for more than one year after the date of purchase and more than two years from the beginning of the applicable Offering Period, or if the employee dies while owning the shares, the employee realizes ordinary income on a sale, or a disposition by way of gift or upon death, to the extent of the lesser of: (a) 15% of the fair market value of ordinary shares at the beginning of the Offering Period; or (b) the actual gain, the amount by which the fair market value of the ordinary shares on the date of sale, gift or death exceeds the purchase price. All additional gain upon the sale of shares is treated as capital gain. If the shares are sold and the sale price is less than the purchase price, there is no ordinary income and the employee has a capital loss for the difference between the sale price and the purchase price.



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If the ordinary shares are sold or are otherwise disposed of including by way of gift, but not death, bequest or inheritance, (in any case, a disqualifying disposition ) within either the one-year or the two-year holding periods described above, the employee realizes ordinary income at the time of sale or other disposition, taxable to the extent that the fair market value of the ordinary shares at the date of purchase is greater than the purchase price. This excess will constitute ordinary income, not currently subject to withholding, in the year of the sale or other disposition even if no gain is realized on the sale or if a gratuitous transfer is made. The difference, if any, between the proceeds of sale and the aggregate fair market value of the ordinary shares at the date of purchase is a capital gain or loss. Capital gains may be offset by capital losses, and up to \$3,000 of capital losses may be used annually against ordinary income.

*Tax Treatment for Flextronics.* We will be entitled to a deduction in connection with the disposition of shares acquired under the Share Purchase Plan only to the extent that the employee recognizes ordinary income on a disqualifying disposition of the shares. We will treat any transfer of record ownership of shares as a disposition, unless we are notified to the contrary. In order to enable us to learn of disqualifying dispositions and ascertain the amount of the deductions to which it is entitled, employees will be required to notify us in writing of the date and terms of any disposition of shares purchased under the Share Purchase Plan.

*ERISA.* The Share Purchase Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974 nor is it qualified under Section 401(a) of the Internal Revenue Code.

**History of Share Purchases Under the Plan**

Our Chief Executive Officer and four other most highly compensated executive officers who were serving as executive officers as of March 31, 2003, our current executive officers as a group, our current non-employee directors as a group and our current employees (excluding executive officers and directors) as a group exercised purchase rights to purchase shares under the 1997 Plan, over the life of the plan, through June 30, 2003, as follows:

Name and Position	Number of Securities Purchased
Michael E. Marks Chief Executive Officer	5,722
Ronny Nilsson President, Flextronics Network Services	
Michael McNamara Chief Operating Officer	10,126
Robert R.B. Dykes President, Systems Group and Chief Financial Officer	10,750
Ronald R. Snyder President, Flextronics Design Services	1,633
All current executive officers as a group (6 persons)	28,231
All current non-employee directors as a group (5 persons)	
All current employees, including officers who are not executive officers, as a group	3,046,110

**The Board recommends a vote FOR the approval  
of the increase in the number of ordinary shares authorized  
for issuance under the 1997 Employee Share Purchase Plan.**

**PROPOSAL NO. 6:****ORDINARY RESOLUTION TO AUTHORIZE  
ORDINARY SHARE ISSUANCES**

We are incorporated in the Republic of Singapore. Under Singapore law, our Directors may only issue ordinary shares and to make or grant offers, agreements or options that might or would require the issue of ordinary shares, with the prior approval of our shareholders. If this proposal is approved, the authorization would be effective from the date of 2003 Annual General Meeting until the earlier of (i) the conclusion of the 2004 Annual General Meeting or (ii) the expiration of the period within which the 2004 Annual General Meeting is required by law to be

held. The 2004 Annual General Meeting is required to be held no later than 15 months after the date of the 2003 Annual General Meeting and no later than 6 months after the date of our fiscal year end.

The Board believes that it is advisable and in our best interest for our shareholders to authorize the Directors to issue ordinary shares and to make or grant offers, agreements or options that might or would require the issue of ordinary shares. In the past, the Board has issued shares or made agreements that would require the issue of new ordinary shares in connection with strategic transactions and acquisitions, pursuant to public offerings of our ordinary shares as well as instruments convertible into our ordinary shares and in connection with our equity compensation plans. Notwithstanding this general authorization to issue our ordinary shares, we will be required to seek shareholder approval with respect to future issuances of ordinary shares where required under the rules of the Nasdaq National Market, such as where we intend to issue ordinary shares that will result in a change in our control or in connection with a transaction involving the issuance of ordinary shares representing 20% or more of our outstanding ordinary shares. As of the date of the Proxy Statement, we have no agreements or commitments with respect to any material strategic transactions or acquisitions. On August 14, 2003, we entered into an agreement to acquire the Microcell Group. The purchase price is payable in cash, however, in certain limited circumstances, shareholders have the right to elect that a portion of the purchase price be paid in our ordinary shares, subject to applicable securities laws. We do not believe that a material number of our ordinary shares would become issuable in connection with the closing of this transaction. The Board expects that we will continue to issue shares in the future under circumstances similar to those in the past. Having additional ordinary shares authorized for issuance gives us greater flexibility to pursue these corporate opportunities.

At the 2000 Annual General Meeting, our shareholders approved an increase in our authorized share capital to 1,500,000,000 ordinary shares, par value S\$0.01 per share. As of July 31, 2003, 522,691,007 ordinary shares were issued and outstanding. Further, as of that date, we had 50,895,355 ordinary shares reserved for issuance upon exercise of outstanding options and other awards under our equity compensation plans and 18,072,759 ordinary shares available for grant pursuant to options and other awards under our equity compensation plans (which number does not give effect to Proposal No. 5, which seeks shareholder approval of an increase in 1,000,000 ordinary shares available for grant pursuant to our 1997 Employee Share Purchase Plan). If this Proposal is approved, our Directors would be authorized to issue, during the period described above, all remaining ordinary shares out of our authorized but unissued ordinary share capital, subject to applicable Singapore laws and the rules of the Nasdaq National Market, although we currently do not intend to do so. The issuance of a large number of ordinary shares could be dilutive to existing shareholders or reduce the trading price of our ordinary shares on the Nasdaq National Market.

We are submitting this Proposal because we are required to do so under Singapore law before we can issue ordinary shares in connection with strategic transactions, public offerings and in connection with our equity compensation plans. We are not submitting this Proposal in response to a threatened takeover. In the event of a hostile attempt to acquire control of us, we could seek to impede the attempt by issuing ordinary shares, which may dilute the voting power of our existing shareholders. This could also have the effect of impeding the efforts of our shareholders to remove an incumbent Director and replace him with a new Director of their choice. These potential effects could limit the opportunity for our shareholders to dispose of their ordinary shares at the premium that may be available in takeover attempts.

The following agreements, which are not affected by approval of this Proposal, may have anti-takeover effects:

Our Articles of Association permit the Chairman of the Annual General Meeting and certain shareholders representing not less than one-tenth of the total voting rights at that meeting to demand that votes at the Annual General Meeting be decided by a poll (where each one ordinary share is entitled to one vote), rather than by a show of hands (where each shareholder is entitled to one vote, irrespective of the number of shares held by that shareholder).

Our option agreements with each executive officer provide that if the executive officer is terminated without cause or leaves for good reason within the first 12 months following a change in control, the vesting of any unvested portion of the option will be accelerated in full. If the executive officer is still employed upon the first year anniversary of such a change of control, the vesting of any unvested portion of the option will be accelerated in full. Each option includes a limited stock appreciation right pursuant to which the option will automatically be canceled upon the occurrence of certain hostile tender offers, in return for a cash distribution from us based on the tender offer price per share.

Our 1% Convertible Subordinated Notes due August 1, 2010, of which we sold \$500.0 million aggregate principal amount in August 2003, require that we repurchase all of the outstanding notes at 100% of the principal amount, plus accrued and unpaid interest, upon the occurrence of certain change of control events.

Further, under Singapore law, the Singapore Code on Take-overs and Mergers prescribes that (a) any person who acquires whether by a series of transactions over a period of time or not, shares which carry 30% or more of our voting rights (taken together with shares held or acquired by persons acting in concert with him); or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of our voting rights and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of our voting rights, must, extend a mandatory take-over offer immediately for our remaining shares which carry voting rights. We have no current plans or proposals to enter into any arrangement that could have material anti-takeover consequences.





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**The Board recommends a vote FOR the resolution  
relating to ordinary share issuances.**

**PROPOSAL NO. 7:**

**ORDINARY RESOLUTION TO APPROVE  
ANNUAL DIRECTOR COMPENSATION**

Under Singapore law, we may only provide cash compensation to our directors for services rendered in their capacity as directors with the prior approval of our shareholders at a general meeting. We and our Board believe that it is advisable and in our best interest for our shareholders to authorize us to provide each of our non-employee directors annual cash compensation of \$37,200 for services rendered as a director. We believe that this authorization will benefit our shareholders by enabling us to attract and retain qualified individuals to serve as members of our board of directors and to continue to provide leadership for our company.

**PROPOSAL NO. 8:**

**ORDINARY RESOLUTION TO APPROVE THE PROPOSED  
RENEWAL OF THE SHARE PURCHASE MANDATE**

**The Proposed Renewal of the Share Purchase Mandate**

Our purchases or acquisitions of our ordinary shares must be made in accordance with, and in the manner prescribed by, the Companies Act, Cap. 50, the listing rules of the NASDAQ National Market and such other laws and regulations as may for the time being be applicable.

It is a requirement that a company that wishes to purchase or otherwise acquire its own shares should obtain the approval of its shareholders to do so at a general meeting of its shareholders. At our 2002 Annual General Meeting, our shareholders approved the general and unconditional mandate, which we refer to as the Share Purchase Mandate, for the purchase or acquisition by us of our issued ordinary shares, although we did not purchase any of our issued ordinary shares under the Share Purchase Mandate. We are now seeking the approval of our shareholders at the Annual General Meeting for the renewal of the Share Purchase Mandate. Accordingly, this resolution will be proposed as an Ordinary Resolution pursuant to which the Share Purchase Mandate will be given to the Directors to exercise all our powers to purchase or otherwise acquire our issued ordinary shares on the terms of the Share Purchase Mandate.

If renewed by shareholders at the Annual General Meeting, the authority conferred by the Share Purchase Mandate will, unless varied or revoked by our shareholders at a general meeting continue in force until the earlier of the date of our next Annual General Meeting or the date by which our next Annual General Meeting is required by law to be held.

The authority and limitations placed on our share purchases or acquisitions under the proposed Share Purchase Mandate, if renewed at the 2003 Annual General Meeting, are substantially the same as were previously approved at our 2002 Annual General Meeting, and, for the benefit of our shareholders are summarized below:

(a) Maximum number of ordinary shares

We may purchase or acquire only ordinary shares which are issued and fully paid up. The total number of ordinary shares which we may purchase or acquire is limited to that number of ordinary shares representing not more than 10% of our issued ordinary share capital at the date of the Annual General Meeting at which the Share Purchase Mandate is approved.

Purely for illustrative purposes, on the basis of 522,697,332 issued ordinary shares as at August 7, 2003, and assuming that no further ordinary shares are issued on or prior to the Annual General Meeting, pursuant to the proposed Share Purchase Mandate, we may purchase not more than 52,269,733 issued ordinary shares (representing 10% of our issued ordinary share capital at that date).

(b) Duration of authority

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Purchases or acquisitions of ordinary shares may be made, at any time and from time to time, on and from the date of approval of the Share Purchase Mandate up to the earlier of:

- (i) the date on which our next Annual General Meeting is held or required by law to be held; or
  - (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied.
- (c) Manner of purchases or acquisitions of ordinary shares

Purchases or acquisitions of ordinary shares may be made by way of:

- (i) market purchases on the NASDAQ National Market or any other stock exchange on which our ordinary shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by us for the purpose; and/or
- (ii) off-market purchases (if effected other than on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted), in accordance with an equal access scheme.

In connection with or in relation to any equal access scheme or schemes, our Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the listing rules of the NASDAQ National Market and the Singapore Companies Act, as they consider fit in our interests. An equal access scheme must, however, satisfy all the following conditions:

- (1) offers for the purchase or acquisition of ordinary shares shall be made to every person who holds ordinary shares to purchase or acquire the same percentage of their ordinary shares;
- (2) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (3) the terms of all the offers are the same (except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to ordinary shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of ordinary shares).

- (d) Purchase price

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for an ordinary share will be determined by our Directors. The maximum purchase price to be paid for the ordinary shares as determined by our Directors must not exceed:

- (i) in the case of a market purchase, 105% of the Average Closing Price of our ordinary shares; and
- (ii) in the case of an off-market purchase pursuant to an equal access scheme, 110% of the Average Closing Price of our ordinary shares,

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes, the term Average Closing Price means the average of the last dealt prices of an ordinary share for the five consecutive trading days on which our ordinary shares are transacted on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, immediately preceding the date of the market purchase by us or, as the case may be, the date of the making of the offer pursuant to the off-market purchase. The date of the making of the offer refers to the date on which we announce our intention to make an offer for the purchase or acquisition of ordinary shares from holders of ordinary shares, stating the purchase price (which shall not be more than the maximum purchase price calculated on the foregoing basis) for each ordinary share and the relevant terms of the equal access scheme for effecting the off-market purchase.

**Sources of Funds**

Only funds legally available for purchasing or acquiring ordinary shares in accordance with our Articles of Association and applicable

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laws of Singapore, shall be utilized. We intend to use our internal sources of funds to finance our purchase or acquisition of ordinary shares. We do not intend to obtain or incur any borrowings to finance our purchase or acquisition of ordinary shares. Our Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that our working capital requirements and those of our subsidiaries and us would be materially affected.

Any purchases and acquisitions of ordinary shares must be made out of our distributable profits which are available for payment as dividends, excluding any amount in our share premium account and capital redemption reserve fund.

### **Status of Purchased or Acquired Ordinary Shares**

Any ordinary share we purchase or acquire is deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that ordinary share will expire on cancellation.

We will cancel and destroy certificates in respect of purchased or acquired ordinary shares as soon as reasonably practicable following settlement of any purchase or acquisition of such ordinary shares.

### **Financial Effects**

The amount by which our issued share capital is diminished on cancellation of ordinary shares purchased or acquired must be transferred to a reserve called the capital redemption reserve. In the event we implement a bonus issue of shares in the future, such reserve may be applied by us in paying up any unissued shares to be allotted and issued to our shareholders as fully paid bonus shares.

Our total issued share capital will be diminished by the total nominal amount (or par value) of the ordinary shares purchased or acquired by us. The consideration paid by us for the purchase or acquisition of ordinary shares (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by us.

Our net tangible assets and the consolidated net tangible assets of our subsidiaries and us will be reduced by the dollar value of the ordinary shares purchased or acquired. The purchase or acquisition of up to 10% of our issued ordinary share capital as at the date of the Annual General Meeting will not have any material impact on our consolidated earnings for the current financial year.

### **Rationale for the Share Purchase Mandate**

We presently maintain listing status on the NASDAQ National Market. Our need to repurchase our ordinary shares reflects in part the practices of our competitors and in part the dominance of the U.S. capital markets for us. Many international companies, including those in the United States, United Kingdom and Hong Kong are permitted by their governing jurisdictions to buy back their own shares. Share repurchases are thus widely available to and utilized by many oth