

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 10-Q

(Mark One)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 25, 1993.

OR

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8703

WESTERN DIGITAL CORPORATION

-----  
(Exact name of Registrant as specified in its charter)

DELAWARE

95-2647125

-----  
(State or other jurisdiction of  
incorporation or organization)-----  
(I.R.S. Employer  
Identification No.)8105 Irvine Center Drive  
Irvine, California

92718

-----  
(Address of principal executive offices)-----  
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE (714) 932-5000

N/A

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Former name, former address and former fiscal year if changed since last report.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No \_\_\_

Number of shares outstanding of Common Stock, as of January 20, 1994 is 36,354,156.

## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

WESTERN DIGITAL CORPORATION  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE-MONTH PERIOD ENDED	
	DECEMBER 25, 1993	DECEMBER 26, 1992
Revenues, net . . . . .	\$371,072	\$343,475
Costs and expenses:		
Cost of revenues . . . . .	298,251	284,889
Research and development . . . . .	30,073	24,718
Selling, general and administrative . . . . .	26,406	22,079
Total costs and expenses . . . . .	354,730	331,686
Operating income . . . . .	16,342	11,789
Net interest expense . . . . .	2,551	4,109
Income before income taxes . . . . .	13,791	7,680
Provision for income taxes . . . . .	1,304	768
Net income . . . . .	\$ 12,487	\$ 6,912
Earnings per common and common equivalent share (Note 2):		
Primary . . . . .	\$ .32	\$ .22
Fully diluted . . . . .	\$ .32	\$ .21
Common and common equivalent shares used in computing per share amounts:		
Primary . . . . .	38,673	31,835
Fully diluted . . . . .	39,117	32,383

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SIX-MONTH PERIOD ENDED	
	DECEMBER 25, 1993	DECEMBER 26, 1992
Revenues, net . . . . .	\$656,570	\$614,616
Costs and expenses:		
Cost of revenues . . . . .	537,330	505,656
Research and development . . . . .	56,425	46,870
Selling, general and administrative . . . . .	48,518	41,762
Total costs and expenses . . . . .	642,273	594,288
Operating income . . . . .	14,297	20,328
Net interest expense . . . . .	5,604	8,017
Income before income taxes . . . . .	8,693	12,311
Provision for income taxes . . . . .	1,304	1,231
Net income . . . . .	\$ 7,389	\$ 11,080
	=====	=====
Earnings per common and common equivalent share (Note 2):		
Primary . . . . .	\$ .20	\$ .36
Fully diluted . . . . .	\$ .19	\$ .34
	=====	=====
Common and common equivalent shares used in computing per share amounts:		
Primary . . . . .	37,020	31,211
Fully diluted . . . . .	38,984	32,350
	=====	=====

The accompanying notes are an integral part of these financial statements.

## WESTERN DIGITAL CORPORATION

## CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	DECEMBER 25, 1993 -----	JUNE 30, 1993 -----
ASSETS		
Current assets:		
Cash and cash equivalents . . . . .	\$ 84,846	\$ 33,837
Accounts receivable, less allowance for doubtful accounts of \$10,701 and \$9,340 . . . . .	177,210	159,478
Inventories (Notes 3 and 4) . . . . .	87,418	112,516
Prepaid expenses . . . . .	12,127	12,626
	-----	-----
Total current assets . . . . .	361,601	318,457
Property and equipment, at cost, less accumulated depreciation and amortization (Note 4) . . . . .	84,540	181,030
Intangible and other assets, net (Note 4) . . . . .	36,983	31,684
	-----	-----
Total assets . . . . .	\$483,124	\$531,171
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable . . . . .	\$136,084	\$128,538
Accrued expenses (Note 4) . . . . .	98,947	54,911
Current portion of long-term debt (Notes 4 and 5) . . . . .	12,707	23,460
	-----	-----
Total current liabilities . . . . .	247,738	206,909
Long-term debt, less current portion (Notes 4 and 5) . . . . .	85,332	182,561
Deferred income taxes . . . . .	9,622	10,751
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, \$.10 par value; Authorized: 5,000 shares Outstanding: None . . . . .	--	--
Common stock, \$.10 par value; Authorized: 95,000 shares Outstanding: 35,848 shares at December 25 and 35,338 shares at June 30 . . . . .	3,585	3,534
Additional paid-in capital . . . . .	202,320	200,278
Accumulated deficit . . . . .	(65,473)	(72,862)
	-----	-----
Total shareholders' equity . . . . .	140,432	130,950
	-----	-----
Total liabilities and shareholders' equity . . . . .	\$483,124	\$531,171
	=====	=====

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (IN THOUSANDS)

	SIX MONTH PERIOD ENDED	
	DECEMBER 25, 1993	DECEMBER 26, 1992
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income . . . . .	\$ 7,389	\$ 11,080
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization . . . . .	26,382	26,255
Changes in current assets and liabilities, net of effects from the sale of facility (Note 4):		
Accounts receivable . . . . .	(17,732)	(32,867)
Inventories . . . . .	15,950	9,234
Prepaid expenses . . . . .	(1,340)	(1,478)
Accounts payable and accrued expenses . . . . .	32,397	19,579
Other assets . . . . .	(505)	(174)
Deferred income taxes . . . . .	(1,129)	(43)
	-----	-----
Net cash provided by operating activities . . . . .	61,412	31,586
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures, net . . . . .	(9,131)	(19,591)
Proceeds from the sale of facility (Note 4) . . . . .	103,942	--
	-----	-----
Net cash provided by (used for) investing activities . . . . .	94,811	(19,591)
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of debt . . . . .	(107,307)	(13,260)
Exercise of stock options and warrants . . . . .	2,093	773
	-----	-----
Net cash used for financing activities . . . . .	(105,214)	(12,487)
	-----	-----
Net increase (decrease) in cash and cash equivalents . . . . .	51,009	(492)
Cash and cash equivalents, beginning of period . . . . .	33,837	33,815
	-----	-----
Cash and cash equivalents, end of period . . . . .	\$ 84,846	\$ 33,323
	=====	=====
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid during the period for:		
Interest . . . . .	\$ 5,619	\$ 7,356
Income taxes . . . . .	310	628

The accompanying notes are an integral part of these financial statements.

## WESTERN DIGITAL CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accounting policies followed by the Company are set forth in Note 1 of Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 1993. Quarterly information is reported on a 13 week fiscal period which ends the last Saturday of the quarter.
2. Primary earnings per share amounts are based upon the weighted average number of shares and dilutive common stock equivalents calculated using the average price of the Company's common stock for each period presented. Fully diluted earnings per share additionally reflect dilutive shares assumed to be issued upon conversion of the Company's convertible debentures.
3. Inventories comprised the following:

	December 25, 1993	June 30, 1993
	-----	-----
	(in thousands)	
Finished goods . . . . .	\$29,800	\$ 43,634
Work in process . . . . .	30,385	44,087
Raw materials and component parts .	27,233	24,795
	-----	-----
	\$87,418	\$112,516
	=====	=====

4. In December 1993, the Company sold its Irvine, California silicon wafer fabrication facility and certain tangible assets to the Semiconductor Products Sector of Motorola, Inc. ("Motorola") for approximately \$110.6 million (\$103.9 million in cash and a \$6.7 million note payable over a 60-day period after closing) plus certain other considerations, including the assumption by Motorola of equipment leases and certain other liabilities associated with the facility. Approximately \$95.0 million of the proceeds from the sale were used to reduce bank indebtedness. Concurrent with the sale, the Company entered into a supply contract with Motorola under which Motorola will supply silicon wafers to Western Digital for at least two years.  
  
The gain on the sale of the facility, which has been reduced to provide for certain additional costs necessary to conform the Company's operations to an environment without in-house wafer fabrication facilities, is not material to the financial position of the Company and is being deferred and amortized over the life of the supply contract with Motorola.
5. In January 1994, the Company entered into a \$75.0 million accounts receivable facility with certain financial institutions. The facility consists of a \$50.0 million three-year arrangement at Eurodollar or reference rates of the participating banks and a \$25.0 million one-year committed arrangement at a rate approximating commercial paper rates. This new facility is intended to serve as a source of working capital as may be needed from time to time and replaces a credit facility secured by substantially all of the Company's assets, the remaining borrowings under which were repaid on December 31, 1993.
6. In the opinion of management, all adjustments necessary to fairly state the results of operations for the three and six months ended December 25, 1993 and December 26, 1992 have been made. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(DOLLAR AMOUNTS IN MILLIONS)

RESULTS OF OPERATIONS

Net income for the second quarter of 1994 was \$12.5 million, compared with a net loss of \$5.1 million in the first quarter of fiscal 1994 and net income of \$6.9 million in the corresponding quarter of the prior year. Net income for the six months ended December 25, 1993 was \$7.4 million versus \$11.1 million for the same period of the prior year. Revenue for the three month period ended December 25, 1993 increased to \$371.1 million from \$285.5 million in the first quarter of 1994, and from \$343.5 million in the second quarter of 1993.

Gross margins for the second quarter of 1994 improved approximately three percentage points to 19.6% from 16.3% in the immediately preceding quarter primarily as a result of a 40% increase in disk drive unit shipments which reduced per unit product costs and a favorable product mix in the Company's disk drive business. For the six months ended December 25, 1993, the Company increased its revenue and gross profit margins to \$656.6 million and 18.2%, respectively, reflecting the significant increase in the volume of drives shipped and lower component costs in both the disk drive and microcomputer products ("MCP") businesses.

Revenue for disk drive products totaled \$332.8 million in the second quarter of 1994, an increase of \$90.5 million or 37% from the first quarter of 1994. This increase reflects a 40% increase in unit shipments combined with an abatement in the pricing pressures experienced in the immediately preceding quarter. Revenue for drive products for the three and six months ended December 25, 1993 increased \$34.5 million or 12% and \$52.0 million or 10%, respectively, as compared to the corresponding periods of 1993. These increases were the result of a 38% and 32% increase in the volume of drives shipped over the corresponding three and six month periods, respectively, of the prior year and a shift in the mix to higher-capacity drives.

Revenue for MCP totaled \$38.3 million in the second quarter of 1994, a decrease of \$4.9 million or 11% from the first quarter of 1994, reflecting decreases across all product lines. Revenue for MCP for the three and six months ended December 25, 1993 decreased \$7.0 million or 15% and \$10.1 million or 11%, respectively, as compared to the corresponding periods of the prior year. The decline in revenue for both periods was the result of decreases in systems solutions and imaging product revenue which was partially offset by increases in storage controller product revenue.

Disk drive gross margin for the current quarter increased approximately four percentage points to 18.3% from 13.9% in the immediately preceding quarter primarily as a result of increased unit shipments which reduced per unit product costs and a favorable product mix and was relatively flat as compared to the second quarter of the prior year. Disk drive gross margin for the six months ended December 25, 1993 decreased approximately three percentage points from 19.4% in the corresponding period of the prior year due to the pricing pressures experienced in the first half of the current fiscal year.

MCP gross margin for the second quarter of 1994 increased approximately two percentage points to 31.2% from 29.6% in the immediately preceding quarter as a result of lower component costs. MCP gross margin for the three and six month periods for the current fiscal year increased approximately 29 and 22 percentage points, respectively, from 1.8% and 8.2% in the three and six month periods of the prior year. These increases in MCP gross margin were primarily the result of continued improvements in manufacturing efficiencies which reduced product costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(DOLLAR AMOUNTS IN MILLIONS)

Research and development expense ("R&D") for the second quarter of 1994 increased approximately \$3.7 million or 14% as compared to the first quarter of 1994 as a result of continued increases in new product introduction expenses. R&D expense for the three and six months ended December 25, 1993 increased \$5.4 million or 22% and \$9.6 million or 20%, respectively, as compared to the corresponding periods of the prior year. These increases were primarily attributable to planned expenditures to support new product introductions for the current fiscal year.

Selling, general and administrative ("SG&A") expense for the three months ended December 25, 1993 increased \$4.3 million or 19% from the preceding quarter and \$4.3 million or 20% from the same period a year ago as a result of increased selling and marketing expenses. As compared to the first six months of 1993, SG&A expense increased \$6.8 million or 16% primarily as a result of increases in selling expenses and increased reserves for bad debt expense in support of the higher revenues.

Net interest expense decreased \$.5 million in the second quarter of 1994 as compared with the prior quarter due to reductions in outstanding debt. Net interest expense decreased \$1.6 million from the second quarter of 1993 and \$2.4 million from the first six months of 1993, primarily due to lower interest rates and significantly lower levels of debt outstanding during 1994 as compared to the prior periods.

FINANCIAL CONDITION

Cash and cash equivalents increased to \$84.8 million at December 25, 1993 as compared to \$33.8 million at June 30, 1993. This \$51.0 million increase in cash and cash equivalents resulted primarily from increased cash flows from operations, which totalled \$61.4 million for the six months ended December 25, 1993. Cash flows from operations, along with approximately \$95.0 million of proceeds from the sale of the Company's wafer fabrication facility (see Note 4) were used to reduce long-term debt by \$107.3 million and to fund capital expenditures of \$9.1 million. Capital expenditures were incurred primarily for increased disk drive manufacturing and wafer testing capacity.

In January 1994, the Company entered into a \$75.0 million accounts receivable facility with certain financial institutions. The facility consists of a \$50.0 million three-year arrangement at Eurodollar or reference rates of the participating banks and a \$25.0 million one-year committed arrangement at a rate approximating commercial paper rates. This new facility is intended to serve as a source of working capital as may be needed from time to time and replaces a credit facility secured by substantially all of the Company's assets, the remaining borrowings under which were repaid on December 31, 1993.

Notwithstanding the improvements in financial position realized over the past six months, the ability of the Company to sustain its improved working capital management and to continue operating profitably is dependent upon a number of factors including competitive conditions in the marketplace, general economic conditions, the efficiency of the Company's manufacturing operations and the timely development and introduction of new products which address market needs.

## PART II. OTHER INFORMATION

## ITEM 1. Legal Proceedings

The Company was sued on September 17, 1991, in the United States District Court for the Central District of California by Amstrad plc, a British computer maker. The suit alleged that disk drives furnished to Amstrad in 1988 and 1989 were defective. Amstrad claimed damages of approximately \$3.0 million for asserted losses in out-of-pocket expenses, \$38.0 million in lost profits and \$100.0 million for injury to Amstrad's reputation and loss of goodwill. The Company filed a counterclaim against Amstrad. This federal action was dismissed without prejudice and Amstrad has filed a similar complaint in Orange County, California Superior Court but raised the claim for damages to \$186.0 million. The Company again filed a counterclaim for \$3.0 million in actual damages plus exemplary damages in an unspecified amount and intends to vigorously defend itself against the Amstrad claims.

## ITEM 4. Submission of Matters to Vote of Security Holders

The annual meeting of shareholders was held on November 18, 1993. The shareholders approved the following proposal:

		Number of Votes	
		----- For -----	Against* -----
1.	To approve the Western Digital Corporation 1993 Employee Stock Purchase Plan under which employees may purchase shares of the Company's common stock pursuant to the provisions of the regulations relating to Section 423 of the Internal Revenue Code.	23,193,359	4,116,135

\* includes abstentions

At the annual meeting of shareholders the entire slate of director nominees was elected, with each nominee receiving at least 27,090,977 votes in favor of election.

## ITEM 5. Other Information

The Company currently has a cross-license with IBM Corporation ("IBM") which became effective January 1, 1990. Pursuant to this agreement, the Company has licensed IBM under certain Western Digital patents for the life of such patents, and has obtained from IBM a patent license which expires December 31, 1994 covering certain Western Digital products. Although the license granted to Western Digital extends to certain components within Western Digital disk drives, disk drives as such are not expressly covered. In calendar 1993, IBM initiated further discussions with the Company for the purpose of determining whether the Company's disk drives are covered by specified IBM patents. The Company is currently reviewing these patents. Based on its prior dealings with IBM, the Company expects to work toward a supplemental agreement with IBM which will address the disk drive issues and extend the term of the license, with the goal of reaching agreement prior to the expiration of the term of the current license agreement. This supplemental agreement, if finalized, may involve payment of higher royalties to IBM than are presently paid. No assurance can be given that such an agreement can be reached upon terms acceptable to the Company. Failure to reach an acceptable agreement could have a material adverse impact on the Company's business.

## PART II. OTHER INFORMATION

## ITEM 6. Exhibits and reports on Form 8-K.

## (a) Exhibits:

10.17.1 Manufacturing Building lease between Wan Tien Realty Pte LTD and Western Digital (Singapore) Pte Ltd dated as of November 9, 1993.

## (b) Reports on Form 8-K:

On January 5, 1994 the Company filed a Current Report on Form 8-K with the Securities and Exchange Commission reporting the sale of its Irvine, California silicon wafer fabrication facility to the Semiconductor Products Sector of Motorola, Inc. for approximately \$110.6 million (\$103.9 million in cash and a \$6.7 million note payable over the 60-day period after closing).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTERN DIGITAL CORPORATION

-----  
Registrant

/s/Scott Mercer

-----  
D. Scott Mercer  
Executive Vice President,  
Chief Financial and Administrative Officer

Date: January 24, 1994

Western Digital (Singapore) Pte Ltd  
36 Robinson Road #18-01  
City House  
Singapore 0106

Dear Sirs

750B CHAI CHEE ROAD  
2ND, 4TH AND 5TH STOREY  
CHAI CHEE INDUSTRIAL PARK

1. We refer to the Sub-lease Agreement dated this 9th day of November 1993 between WAN TIEN REALTY (PTE) LTD as Sub-lessor and WESTERN DIGITAL (SINGAPORE) PTE LTD as Sub-lessee for the above mentioned premises.

2. Further to the clauses referred to in the above mentioned Sub-lease Agreement, we confirm the following:

- (a) In addition to the rent payable, all direct operating costs for the supply of air-conditioning to the demised premises are payable by the Sub-lessee to the Sub-lessor as apportioned by the Sub-lessor.
- (b) Without prejudice to the provisions of Clause 2(a) of the Sub-lease Agreement, the Sub-lessor has agreed, strictly as an indulgence, to allow the Sub-lessee to pay the annual rent in advance and clear of all deductions by monthly payments respectively on the 1st day of each month with effect from the 1st day of September 1993. The Sub-lessor reserves the right to withdraw this indulgence at any time and revert to strict adherence to the terms of the Sub-lease Agreement.

3. In addition, the following terms and conditions imposed by the Housing & Development Board (hereinafter referred to as "the HDB") shall apply :
- (a) The Sub-lessee shall not assign, sublet or part with or share the possession of the sublet premises or any part thereof or permit any other party or person by way of a license or otherwise to occupy the sublet premises or any part thereof at any time during the subletting terms.
  - (b) The Sub-lessee shall permit the HDB and/or the Sub-lessor or their respective servants or agents with or without workmen, tools and equipment during the subletting term at all reasonable times to enter upon the sublet premises and every part thereof to examine the state and condition of the same and of defects decays and wants of reparation and of all breaches of covenants there found.
  - (c) The Sub-lessee shall not cause or do or suffer to be done any act or thing which may as between the Sub-lessor and the HDB constitute or cause a breach by the Sub-lessor of any of the terms, covenants, conditions or stipulations on the part of the Sub-lessor to be observed or performed by virtue of the lease or sublease between the Sub-lessor and the HDB herein before mentioned but shall do or permit to be done any act or thing to comply with or to prevent a breach of any of such terms, covenants, conditions or stipulations with no liability on the part of the HDB for any inconvenience, loss, damages, costs, expenses or compensation whatsoever in the event that the HDB or its servants or authorized agents with or without workman, tools and equipment should enter upon the Sub-lessor's premises or the sublet premises to do any act or thing which the HDB is entitled to do by virtue of the said lease or sublease or of any laws, by-laws, rules or regulations.
  - (d) The Sub-lessor shall for the purpose of the Sub-clause (c) aforesaid acquaint the Sub-lessee with the terms, covenants, conditions and stipulations of the lease or sublease between the Sub-lessor and the HDB and any variations or amendments thereto.

- (e) In the event that the HDB at any time before the expiry of the subletting term gives three (3) months' notice in writing requiring that this subletting be terminated or becomes entitled to and re-enters the Sub-lessor's premises or any part thereof in the name of the whole the subletting term shall upon the expiry of the said notice or upon the said re-entry absolutely determine without prejudice to any rights and/or remedies which have accrued to either party against the other under this Agreement and without the HDB being liable for any inconvenience, loss, damages, compensation, costs or expenses whatsoever.

4. Please confirm your acceptance of the above by signing and returning the duplicate of this letter.

Dated this 9th day of November 1993.

Yours faithfully,

TAN AH BAH  
for and on behalf of  
WAN TIEN REALTY (PTE) LTD  
acting under a Power of Attorney  
dated 6th day of August 1992

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A C K N O W L E D G E M E N T

I/We, Yew Ah Ming, for and on behalf of WESTERN DIGITAL (SINGAPORE) PTE LTD, hereby unconditionally confirm my/our acceptance of the above.

November 9, 1993

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AUTHORIZED SIGNATORY/IES  
COMPANY STAMP

DATED THIS 9TH DAY OF NOVEMBER 1993

BETWEEN

WAN TIEN REALTY (PTE) LTD

AND

WESTERN DIGITAL (SINGAPORE) PTE LTD  
(2ND, 4TH & 5TH STOREY)

\*\*\*\*\*  
SUB - LEASE  
\*\*\*\*\*

THIS Sub-lease is made the 9th day of November One thousand nine hundred and ninety-three between WAN TIEN REALTY (PTE) LTD, a company incorporated in the Republic of Singapore and its registered office at 68 Orchard Road, Singapura Singapore (hereinafter referred to as "the Sub-lessor") of the one part and WESTERN DIGITAL (SINGAPORE) PTE LTD, a company incorporated in the Republic of Singapore and having its registered office at 36 Robinson Road #18-01, City House, Singapore 0106 Parties

(hereinafter referred to as "the Sub-lessee") of the other part.

WITNESSETH as follows:

1. IN CONSIDERATION of the rents and the Sub-lessee's covenants hereinafter reserved and contained the Sub-lessor hereby demises unto the Sub-lessee ALL THAT premises more particularly described in the First Schedule hereto (hereinafter called "the Demised Premises") being a part of the Industrial Park known as "CHAI CHEE INDUSTRIAL PARK", Chai Chee Road, Singapore (hereinafter called "the Industrial Park") Together with (but to the exclusion of all other liberties easements rights or advantages): Demise
- (a) The right for the Sub-lessee and others duly authorized by the Sub-lessee of ingress and egress to and from the Demised Premises in over and along all the usual entrances landings lifts and passage ways leading thereto in common with the Sub-lessor and all others so authorized by the Sub-lessor and all other persons entitled thereto, such rights being only so far as is necessary and as the Sub-lessor can lawfully grant.
  - (b) The right to the free and uninterrupted use of all electric, telephone and other pipes, wires and cables upon through or under adjacent premises in the Industrial Park all such rights to be so far as is necessary for the enjoyment of the Demised Premises and in common with the Sub-lessor and all others so authorized by the Sub-lessor and all other persons entitled thereto.
  - (c) The right for the Sub-lessee and all others authorized by the Sub-lessee to the use and benefit of the air-conditioning

system installed in the Industrial Park in common with the Sub-lessor and all others so authorized by the Sub-lessor and all other persons entitled thereto

- (d) The right for the Sub-lessee and others authorized by the Sub-lessee to the use of such sufficient toilet facilities in the Industrial Park as shall be provided by the Sub-lessor but such use shall be in common with the Sub-lessor and all others so authorized by the Sub-lessor and all other persons entitled thereto.

EXCEPTING AND RESERVING unto the Sub-lessor the free uninterrupted use of all gas water and other pipes, electric telephone and other wires conduits flues and drains in through or under the Demised Premises TO HOLD the Demised Premises unto the Sub-Lessee for the term of two ( 2 ) years from the 1st day of September 1993 (hereinafter called the 'Date of Commencement') YIELDING AND PAYING THEREFOR during the term hereby created the rent calculated at the rate specified in the Second Schedule hereto, and the rent shall be paid in advance and clear of all deductions by three-monthly payments respectively on the 1st day of January, April July and October in each year (hereinafter called the "Payment Dates") Provided that on or before the Date of Commencement the Sub-lessee shall pay to the Sub-lessor the rent calculated from the Date of Commencement up to the day immediately before the next Payment Date and thereafter the rent shall be paid on the Payment Dates.

Annual  
Rent

2. The Sub-lessee hereby covenants with the Sub-lessor as follows:

Sub-lessee's  
Covenants

- (a) To pay the said rent on the Payment Dates and in the manner aforesaid.
- (b) To pay to the Sub-lessor on or before the execution of this Sub-lease the sum of Dollars Five Hundred Seventy-One Thousand Three Hundred and Sixty-Eight Only

Rent

Deposit

(\$571,368.00)

equivalent to three (3) months' rent to be held by the Sub-lessor as security for the due observance and performance by the Sub-lessee of all and singular the several covenants conditions

stipulations and agreements on the part of the Sub-lessee herein contained, which sum shall be maintained at this figure during the term hereby created and shall not be deemed to be or treated as payment of the rent and the same shall be refunded to the Sub-lessee without interest on the expiration of the term hereby created less such sum as may be due to the Sub-lessor.

Provided that in lieu of payment of the said sum of Dollars, the Sub-lessee may obtain and deliver to the Sub-lessor a guarantee in writing or an irrevocable letter of credit issued by a bank acceptable to the Sub-Lessor undertaking to pay the said sum on demand by the Sub-lessor which guarantee or irrevocable letter of credit shall be on terms and conditions acceptable to the Sub-lessor.

- |        |   |                              |
|--------|---|------------------------------|
| (c)    | To pay to HDB all Sub-letting fees and impositions whatsoever which are now or which at any time hereafter during the term hereby created may be imposed or charged in respect of the Sub-letting of the Demised Premises to the Sub-lessee.  | Sub-letting Fees             |
| (d)(i) | During the term hereby created to pay any increase of property tax or other imposition of a like nature by whatever name called whether by way of an increase in the rate of tax or imposition or an increase in the annual value not being the first increase in the annual value brought about by the erection and construction of the Industrial Park over and above the amount of such property tax or imposition levied or imposed as at the Date of Commencement where such increase is due or attributable to an increase in the rate of property tax payable or an increase in the annual value aforesaid and to pay any new imposition (including surcharge on property tax) by whatever name called which may hereafter be levied or imposed on the Demised Premises. In the event of the Demised Premises not being separately assessed but the Industrial Park being assessed as a whole then for the purpose of ascertaining the additional or other amount payable by the Sub-lessee under this Clause any such increase in property tax or outgoing or any new imposition shall be | Property Tax and Other Taxes |

apportioned and the Sub-lessee shall pay such proportion thereof as the floor area of the Demised Premises bears to the total area of the rentable floor space in the Industrial Park.

- (d)(ii) It is hereby agreed that the rent and other sums payable by the Sub-lessee under this Sub-lease (hereinafter collectively called the Agreed Sum) shall, as between the Sub-lessor and the Sub-lessee, be exclusive of any applicable goods and services tax, imposition, duty and levy whatsoever (hereinafter collectively called Taxes) which may from time to time be imposed or charged before, on or after the commencement of this Sub-lease (including any subsequent revisions thereto) by any government, quasi-government, statutory or tax authority (hereinafter called the Authorities ) on or calculated by reference to the amount of the Agreed Sum (or any part thereof) and the Sub-lessee shall pay all such Taxes or reimburse the Sub-lessor for the payment of such Taxes, as the case may be, in such manner and within such period as to comply or enable the Sub-lessor to comply with any applicable orders or directives of the Authorities and the relevant laws and regulations.

If the Sub-lessor or the Sub-lessee (or any person on their behalf) is required by law to make any deduction or withholding or to make any payment, on account of such Taxes, from or calculated by reference to the Agreed Sum (or any part thereof):

- (aa) the Sub-lessee shall pay, without requiring any notice from the Sub-lessor all such Taxes for its own account (if the liability to pay is imposed on the Sub-lessee), or on behalf of and in the name of the Sub-lessor (if the liability to pay is imposed on the Sub-lessor) on receipt of written notice from the Sub-lessor, and without prejudice to the foregoing, if the law requires the Sub-lessor to collect and to account for such Taxes, the Sub-lessee shall pay such Taxes to the Sub-lessor (which shall be in addition to the Sub-lessee's liability to pay the Agreed Sum) on receipt of written notice from the Sub-lessor; and
- (bb) the sum payable by the Sub-lessee in respect of which the relevant deduction, withholding or payment is required on account such Taxes, shall be increased to the extent necessary to ensure that after the making of the aforesaid deduction, withholding or payment, the Sub-lessor or any person or persons to whom such sum is to be paid, receives on due date and retains (free from any liability in respect of any such deduction, withholding or Taxes) a net sum equal to what would have been received and retained had no such deduction, withholding or payment been required or made.

The rights of the Sub-lessor under this clause shall be in addition and without prejudice to any other rights or powers of the Sub-lessor under any applicable order or directive of the Authorities or any relevant law or regulation, to recover from the Sub-lessee the amount of such Taxes which may be or is to be paid or borne by the Sub-lessor.

The Sub-lessee shall indemnify and hold harmless the Sub-lessor from any losses, damages, claims, demands, proceedings, actions, costs, expenses, interests and penalties suffered or incurred by the Sub-lessor arising from any claim, demand, proceeding or action that may be made or instituted by the Authorities in respect of such Taxes and resulting from any failure or delay on the part of the Sub-lessee in the payment and discharge of any such Taxes.



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| (e) | To pay all stamp duty and all the Sub-lessor's legal costs charges and expenses of and incidental to the preparation completion stamping and registration of this Sub-lease and or any surrender or other termination thereof otherwise then by affluxion of time and in case of default by the Sub-lessee in performing or observing any covenants herein contained or implied the Sub-lessee shall pay to the Sub-lessor all legal and other costs, charges and expenses for which the Sub-lessor shall become liable in consequence of or in connection with any default within seven (7) days of the Sub-lessor requesting him so to do.  | Legal and<br>Other<br>Costs |
| (f) | To pay all rates charges and the like (including taxes) for services supplied and metered separately to the Demised Premises and charged by the Public Utilities Board or other authority(ies) or undertaking and in the event of such services not being supplied and metered separately to the Demised Premises to pay to the Sub-lessor a proportionate part of the cost thereof, such cost to be calculated by the Sub-lessor and notified to the Sub-lessee in writing and such notification shall be accepted by the Sub-lessee as final and conclusive as to the amount thereof and in the event of the Public Utilities Board or other authority(ies) or undertaking responsible for the supply of services supplied and used in the Industrial Park increasing the charges therefore the Sub-lessee shall pay to the Sub-lessor a proportionate part of such increased costs as calculated by the Sub-lessor and notified to the Sub-lessee in writing which notification shall be accepted by the Sub-lessee as final and conclusive as to the amount thereof. Subject to the approval of HDB, the Sub-lessor may cause to be installed in the Industrial Park at the expense of the Sub-lessee separate meters to measure the consumption of the | PUB and<br>Other<br>Charges |

said services by the Sub-lessee. Provided Always that nothing herein shall render it obligatory on the part of the Sub-lessor to supply or cause to be supplied such services to the Demised Premises, unless expressly agreed to by the Sub-lessor.

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| (g) | Subject to all approvals being obtained by the Sub-lessee from the HDB and the relevant authorities, to install at the Sub-lessee's own cost and expense all electrical or other appliances including telephones and teleprinters (as the Sub-lessee may require) in such a manner that the wires shall not run across the floor or ceiling or along the walls of the Demised Premises so as to be visible in the Demised Premises but shall be concealed in metal conduits and if running along the floor shall be concealed in the ducts in the underfloor trunking. | Electrical<br>and Other<br>Appliances |
| (h) | Without prejudice to Clause 2(n) hereof to give notice forthwith to the Sub-lessor of any damage that may occur to the Demised Premises and of any accident to or defect in the water pipes gas pipes electrical wiring air-conditioning ducts or any other fittings and/or fixtures therein.  | Notice of<br>Damage                   |
| (i) | Subject to the prior written consent of the Sub-lessor and to all approvals being obtained by the Sub-lessee from the relevant authorities to carry out within the Demised Premises at the Sub-lessee's own cost and expense all fittings and works which are not provided by the Sub-lessor including all or any of the following as may be necessary:  | Internal<br>Fittings<br>and Works     |
|     | (i) partitioning within the Demised Premises;  |                                       |
|     | (ii) installation of all necessary<br>air-conditioning distribution ducts<br>connecting the same to the main<br>air-conditioning ducts of the Industrial<br>Park;  |                                       |

- (iii) installation of all necessary electrical wiring conduits fittings and fixtures;
- (iv) provision of interior plaster or other materials or rendering on walls floors and ceiling; and
- (v) where water or gas is to be supplied to the Demised Premises, installation water and other pipes apparatus fittings fixtures and all necessary plumbing.

All debris and waste materials of whatever nature resulting from the aforesaid works shall be disposed by the Sub-lessee in a manner prescribed by the Sub-lessor failing which the Sub-lessor reserves the right (without being under any obligation to do so) to dispose of the same and all costs and expenses incurred by the Sub-lessor in this respect shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof.

- (j) To use for carrying out the works referred to in Clause 2(i) above materials of such standards as to type quality and size as the Sub-lessor shall determine and cause such partitions installations and other works to be carried out in the Demised Premises in accordance with plans and specifications that shall have received the prior written approval of the Sub-lessor and the relevant authorities. Such works shall only be effected by a contractor approved by the Sub-lessor and in accordance with approved plans and specifications under the supervision of an architect or engineer approved by the Sub-lessor and the completion thereof shall be subject to approval by the Sub-lessor and the Sub-lessee shall not make any additions, alterations or renovations to the said works except with the prior approval in writing of the Sub-lessor.

Installations and Partitions

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| (k) | Not to make or permit to be made any works alterations in or additions to the Demised Premises or any part thereof or the fixtures and fittings therein without having first obtained the written consent of the Sub-lessor and the relevant authorities and in the event of such consent being given to carry out at the Sub-lessee's own cost and expense such alterations or additions with such materials and in such manner and at such time(s) as shall be designated by the Sub-lessor.  | Alterations<br>and<br>Additions            |
| (l) | The fees of any architect engineer or other consultant employed by the Sub-lessor for the purpose of considering and approving any plans specifications materials and all works carried out by the Sub-lessee and all other costs, charges and expenses incurred by the Sub-lessor in connection therewith shall be a debt due from the Sub-lessee to the Sub-lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. No delay in carrying out and completing all or any of the said works (including installations of telephones and teleprinters) in at or about the Demised Premises, whether caused by any governmental and/or statutory authorities or otherwise, shall be a ground for postponing the commencement of the term hereby created or relieve in any way the Sub-lessee from the performance and observance of the covenants conditions and stipulations herein contained and on his part to be performed and observed. | Fees of<br>Architects<br>Engineers<br>etc. |
| (m) | Not to use or permit the Demised Premises for purposes other than for the manufacture and assembly of computer peripherals and related activities.  | Permitted<br>Use of<br>Demised<br>Premises |
| (n) | To permit the Sub-lessor and its agents with or without workmen and others and with or without appliances and/or materials from time to time at all reasonable times to enter upon the Demised Premises or any part thereof and to view, inspect and test the condition thereof, or make such   | Access to<br>Demised<br>Premises           |

investigations as the Sub-lessor may deem necessary, and to do such works and things as may be required for any repairs rectifications alterations or improvements to the Demised Premises or any part or parts of the Industrial Park, and forthwith to repair amend and make good in proper and workmanlike manner any defects for which the Sub-lessee is liable and of which a written notice shall be given to the Sub-lessee or left on the Demised Premises and to pay the Sub-lessor's cost of survey or otherwise in respect of the preparation of any such notice and if the Sub-lessee shall not within such period of time as required by the Sub-lessor proceed diligently with the execution of such repairs rectifications or works then the Sub-lessor may enter upon the Demised Premises and execute such repairs rectifications or works and the cost thereof shall be a debt due from the Sub-lessee to the Sub-lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof.

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| (o) | <p>At all times to keep the interior of the Demised Premises the flooring and interior plaster and other surface materials or rendering on walls and ceilings and fixtures thereon and therein including doors windows glass locks fastening electric wires and installations and fittings for light and power in a clean and good state of tenantable repair and decorative order and condition (fair wear and tear excepted) and to replace or repair any part of the Demised Premises and the fixtures and fittings therein which shall be broken or damaged and further if any damage is caused to the Sub-lessor or to any person whomsoever directly or indirectly through the said damaged condition of any part of the interior of the Demised Premises the flooring and interior plaster and other surface materials or rendering on walls and ceilings and fixtures thereon and therein including doors windows glass locks fastenings electric wires and installation and fittings for light and power the Sub-lessee shall be wholly responsible</p> | <p>Tenantable<br/>Repair</p> |
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therefore and shall fully indemnify the Sub-lessor against all claims demands actions and legal proceedings whatsoever.

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| (p)    | To keep the Demised Premises and every part thereof clean and in the fullest possible hygienic condition and to keep all pipes drains basins sinks and water closets if any in the Demised Premises clean and unlocked. Any cleaners employed by the Sub-lessee for the purposes hereof shall be at the sole expense and responsibility of the Sub-lessee and shall be subject to the prior written approval of the Sub-lessor. In addition all debris and waste materials of whatever nature shall be disposed of by the Sub-lessee, daily, in a manner prescribed by the Sub-lessor failing which the Sub-lessor reserves the right (without being under any obligation to do so) to dispose of the same and all costs and expenses incurred by the Sub-lessor in this respect shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. | Cleaning of<br>Demised<br>Premises |
| (q)(i) | Not to affix erect attach paint or exhibit or permit or suffer so to be upon any part of the exterior of the Demised Premises any placard poster notice advertisement name or sign or television or wireless mast or aerial whatsoever save and except such as shall have been previously approved in writing by the Sub-lessor.   | Signs,<br>Unsightly<br>Objects     |
| (ii)   | To keep the windows of the Demised Premises closed at all times so as to maintain an efficient air-conditioning system and not to erect or install thereon or on any glass panel any sign, device, furnishing ornament or object which is visible from outside the Demised Premises and which, in the opinion of the Sub-lessor, is incongruous or unsightly or may detract from the general appearance of the building.   |                                    |

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| (r) | Not to use or permit the Demised Premises to be used for any unlawful or immoral purpose and not to do or permit to be done any act or thing which in the opinion of the Sub-lessor may become a nuisance disturbance or cause or likely to cause damage to the Sub-lessor or its Sub-lessees or other persons occupying or using the Industrial Park or any part thereof.  | Noise/<br>Nuisance                                 |
| (s) | Not to obstruct litter or make untidy any parts of the Industrial Park.   | Obstruction<br>and<br>Littering                    |
| (t) | Not to block up darken or obstruct any of the windows or light belonging to the Demised Premises or to any part of the Industrial Park.   | Obstruction<br>of Light                            |
| (u) | Not to place or take into the passenger lifts any baggage furniture parcels sacks bags heavy articles or other goods or merchandise without the prior approval of the Sub-lessor save only such light articles as brief-cases, attache cases and handbags.  | Use of<br>Lifts                                    |
| (v) | To use the service lift(s) provided for the Industrial Park in a manner prescribed by the Sub-lessor.   |  |
| (w) | At all times during the term hereby created to comply with promptly and at the Sub-lessee's expense all such requirements as may be imposed on the occupier of the Demised Premises by any statute now or hereafter in force and any bye-laws orders rules regulations requirements and notices thereunder and to indemnify and keep the Sub-lessor fully indemnified against all costs claims liabilities fines or other expenses whatsoever which may fall upon the Sub-lessor by reason of any non-compliance thereof. In addition and without prejudice to the foregoing if the Sub-lessee is a sole proprietorship or partnership the Sub-lessee shall submit to the Sub-lessor evidence of his/their registration with the Registrar of Business Names or any subsequent renewal thereof. | Compliance<br>with<br>Statutes,<br>By-Laws<br>etc. |

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| (x)  | Not to bring or allow to be brought on to the Demised Premises or any part of the Industrial Park used in common with the Sub-lessor and other Sub-lessees any machines or machinery save and except typewriters and such equipment as are required for the business of the Sub-lessee subject to the other provisions herein contained.   | Machinery  |
| (y)  | Subject to Clause 4(j) hereof not to load or permit or suffer to be loaded on any part of the floors of the Demised Premises to a weight greater than as specified in the Third Schedule hereto except otherwise approved in writing by the Sub-lessor and shall when required by the Sub-lessor distribute any load on any part of the floor of the Demised Premises in accordance with the directions and requirements of the Sub-lessor and in the interpretation and application of the provisions of this Clause the decision of the surveyor architect or engineer of the Sub-lessor shall be final and binding on the Sub-lessee. | Excess Load  |
| (z)  | Not without the prior written consent of the Sub-lessor to permit any vendors of food or drink or the servants or agents of such vendors to bring on to the Demised Premises or any part thereof or on to the Industrial Park or any part thereof food or drink for the consumption by the occupiers of the Demised Premises save and except contractors who have been given the right by the Sub-lessor to provide food and drink service for the occupiers of the Industrial Park.   | Food and Drink                                       |
| (aa) | Not to store in or bring upon any part of the Demised Premises or the Industrial Park any arms ammunition or unlawful goods or any explosive, toxic or combustible substance or any substance of a dangerous nature or to use the Demised Premises or any part thereof for the storage or cooking of food or to permit or suffer anyone to sleep or reside therein or to permit any auction sale to take place therein or thereat.   | Prohibited Uses                                      |
| (ab) | Not to do or permit or suffer to be done anything whereby the policy or policies of insurance against damage or loss by fire or other risks on the Industrial Park or any part thereof may be rendered void or voidable or whereby the rate of premium   | Avoidance of Insurance Policy and Additional Premium |

thereon may be increased and to make good all damage suffered by the Sub-lessor and to repay to the Sub-lessor all sums paid by way of increased premium and all expenses incurred by the Sub-lessor in or about the renewal of such policy or policies rendered necessary by the breach or non-observance of this covenant without prejudice to any other rights of the Sub-lessor.

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| (ac) | Not to assign sublet license or in any way dispose of or part with possession of the Demised Premises or any part thereof or either by way of Sub-letting sharing or other means whereby any company person or persons not a party to this Sub-lease obtains the use or possession of the Demised Premises or any part thereof irrespective of whether or not any rental or other consideration is given for such use or possession and in the event of such transfer or sharing this Sub-lease shall at the option of the Sub-lessor forthwith be determined and the Sub-lessee shall forthwith surrender the Demised Premises to the Sub-lessor with vacant possession. For the purposes hereof any amalgamation and/or reconstruction effected by the Sub-lessee (if a company) shall be deemed an assignment of this Sub-lease. | Subletting<br>and<br>Assignment |
| (ad) | That the Sub-lessee shall indemnify and keep indemnified the Sub-lessor in full from and against:   | Indemnity                       |
| (i)  | all claims demands actions suits proceedings orders damages costs losses and expenses of any nature whatsoever which the Sub-lessor may suffer or incur in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrences in, upon or at the Demised Premises or the use of the Demised Premises or any part thereof by the Sub-lessee;   |                                 |
| (ii) | all loss and damage to the Demised Premises the Industrial Park and to all property therein caused directly or indirectly by the Sub-lessee and in particular but without limiting the generality of the foregoing caused directly or indirectly by the use or misuse, waste or abuse of water gas or electricity or faulty fittings or fixtures of the Sub-lessee.   |                                 |

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| (ae) | <p>To observe and perform and to cause all his employees independent contractors agents invitees and licensees to observe and perform all the rules and regulations made by the Sub-lessor under Clause 4(1) hereof for the proper management of the Industrial Park and notified in writing by the Sub-lessor to the Sub-lessee from time to time.</p> <p>Provided Always that the Sub-lessor shall not be liable to the Sub-lessee in any way for violation of the rules and regulations by any persons including other Sub-lessees of the Industrial Park or the employees independent contractors agents visitors invitees or licensees thereof.</p> | Rules and Regulations       |
| (af) | <p>Subject to Clause 2(ai) hereof, not to remove at or prior to the expiration or sooner determination of the term hereby created unless required by the Sub-lessor any electrical wiring installation or fixtures air-conditioning ducts conduits water and other pipes ceilings partitions and flooring installed or fixed by the Sub-lessee in at or about the Demised Premises.</p>  | Prohibition Against Removal |
| (ag) | <p>Immediately upon the expiration or sooner determination of the term hereby created to yield up to the Sub-lessor the Demised Premises with the fixtures and fittings thereto (including such Sub-lessee's fixtures as are required by the Sub-lessor pursuant to the foregoing) in good clean tidy and tenantable repair and condition (fair wear and tear only excepted).</p>  | Yielding up of Premises     |
| (ah) | <p>In addition to the foregoing and immediately prior to the expiration or sooner determination of the term hereby created and as instructed by the Sub-lessor to restore the Demised Premises to its original state and condition to the satisfaction of the Sub-lessor and if the Sub-lessee shall fail to restore the Demised Premises as aforesaid the Sub-lessor may restore the same and recover from the Sub-lessee the costs of such restoration together with all rent and other amounts which the</p>  | Restoration                 |

Sub-lessor would have been entitled to receive from the Sub-lessee had the period within which such restoration is effected by the Sub-lessor been added to the term hereby created provided that such period to be added by the Sub-lessor shall not exceed fifteen (15) days.

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| (ai) | In complying with Clause 2(ah) hereof and if so required by the Sub-lessor, the Sub-lessee shall remove all such internal partitions and/or fixtures and installations of the Sub-lessee or any part thereof as are not required by the Sub-lessor pursuant to Clause 2(af) hereof from all portions of the Demised Premises vacated by the Sub-lessee immediately upon or prior to the expiration or sooner determination of the term hereby created and in default thereof the Sub-lessor may remove and dispose of the same. All damage done to the Demised Premises by such removal shall be made good by the Sub-lessee immediately upon or prior to the expiration or sooner determination of the term hereby created and if the Sub-lessee fails to do so the Sub-lessor may make good all such damage. All costs incurred by the Sub-lessor in such removal or disposal or in making good such damage shall be a debt due from the Sub-lessee to the Sub-lessor and shall be paid by the Sub-lessee to the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount hereof. | Removal of Internal Fittings and Works     |
| (aj) | Not to use the Demised Premises for tin-smelting or the production of tin by other processes including electrolysis.   | Tin Smelting                               |
| (ak) | Not to utilize the Demised Premises before obtaining clearance on the use of the Demised Premises from the Pollution Control Department.   | Approval from Pollution Control Department |
| (al) | Not to utilize the Demised Premises before submitting details of trade effluent discharge to the Sewerage Department for consideration.  | Approval from Sewerage Department          |

3.	The Sub-lessor hereby covenants with the Sub-lessee as follows:	Sub-Lessor's Covenants
(a)	To pay all rates taxes and assessments imposed upon or in respect of the Industrial Park or any part thereof save and except those which the Sub-lessee has covenanted to pay.	Payment of Rates, Taxes etc.
(b)	That the Sub-lessee duly paying the rent hereby reserved and observing and performing the several covenants and obligations herein before contained shall peaceably hold and enjoy the Demised Premises during the term hereby created without any disturbance by the Sub-lessor or any person lawfully claiming under or in trust for the Sub-lessor.	Quiet Enjoyment
(c)	So far as practicable but subject always to Clause 4 hereof to provide:	Air-Conditioning Electricity and Water
	(i) Air-conditioning services;	
	(ii) Electricity for the lighting of the passages corridors toilets and other parts of the Industrial Park used by the Sub-lessee in common with others;	
	(iii) Water for the common toilets (except those within the Demised Premises) in the Industrial Park.	
(d)	To keep the roof main drains and pipes all external walls and all common areas of the Industrial Park including the entrances corridors passages stairways landings car-park lifts common toilets clean and in good repair including repainting and redecorating of the same or any part thereof at such times and in such manner as the Sub-lessor in its absolute discretion may consider necessary. Provided Always that the Sub-lessor shall not be liable for any loss or injury sustained by the Sub-lessee through the neglect default negligence or misconduct of the Sub-lessor's cleaning contractors agents servants and/or licensees.	Common Areas
(e)	To keep the lifts staircases landings and such common parts as aforesaid well and sufficiently cleaned and lighted and to keep the lifts in proper working order and	Lighting and Watchmen

to employ a watchman or watchmen for the protection at night of the Industrial Park (but not so as to render the Sub-lessor liable for any loss sustained by the Sub-lessee through the neglect default negligence or misconduct of such watchman or watchmen).

- (f) At all times throughout the term hereby created to insure and keep insured the Industrial Park (excluding the Sub-lessee's fittings and fixtures) against loss or damage by fire. Insurance

4. PROVIDED ALWAYS and it is hereby agreed and declared as follows:

- (a) If the rent hereby reserved or any part thereof shall at any time be unpaid for fourteen (14) days after becoming payable (whether any formal or legal demand therefore shall have been made or not) or if any covenant on the Sub-lessee's part herein contained shall not be performed or observed or if the Sub-lessee being a company shall be struck off the Register of Companies or shall go into liquidation whether voluntary (except for the purpose of amalgamation or reconstruction) or compulsory or a receiver shall be appointed of its undertaking, property or assets or any part thereof, or being a sole proprietorship or partnership shall fail to renew its Certificate of registration, or being an individual shall have a receiving order or an adjudicating order made against him or if the Sub-lessee shall make any assignment for the benefit of his creditors or enter into an agreement or make any arrangement with his creditors for liquidation of his debts by composition or otherwise or suffer any distress or execution to be levied on his goods property or assets then and in any one of the said cases it shall be lawful for the Sub-lessor at any time thereafter to re-enter upon the Demised Premises or any part thereof in the name of the whole and thereupon the term hereby Re-entry of Sub-lessor

created shall forthwith and absolutely cease and determine but without prejudice at any time to any right of action of the Sub-lessor in respect of unpaid rent or any antecedent breach of the Sub-lessee's covenants herein contained.

- (b) In addition and without prejudice to any other right power or remedy of the Sub-lessor if the rent hereby reserved or any other moneys payable by the Sub-lessee to the Sub-lessor thereunder or any part thereof shall at any time remain unpaid for fourteen (14) days after the same shall have become due (whether any formal or legal demand therefor shall have been made or not) then the Sub-lessee shall pay to the Sub-lessor interest thereon calculated from the date on which such moneys fall due for payment to the date on which such moneys are paid to or recovered in full by the Sub-lessor as the case may be. The Sub-lessor shall be entitled to recover such interest from the Sub-lessee as if such interest were rent in arrears. Such interest shall be calculated from day to day;
- (i) at the rate of twelve per centum (12%) per annum, or
- (ii) at the rate per annum of three per centum (3%) over and above the prime interest rate for the time being prescribed by The Development Bank of Singapore Limited,
- whichever is the greater.
- (c) In the event of the Demised Premises or any part thereof or the Industrial Park or any part thereof at any time during the term hereby created being so damaged or destroyed by fire act of God or other cause beyond the control of the Sub-lessor as to render the Demised Premises unfit for use or access thereto impossible for a period of more than one (1) month (except where such damage or destruction has been caused by the default or negligence of the Sub-lessee or his servants or agents) the rent hereby covenanted to be paid or a fair
- Interest  
on Arrears
- Untenanti-  
bility

proportion thereof according to the nature and extent of the damage sustained shall be suspended until the Demised Premises shall again be rendered fit for occupation and use or until access thereto may be obtained as the case may be, and any dispute concerning this Clause shall be referred to arbitration in accordance with the Arbitration Act (Cap 10).

- (d) If the unfitness of the Demised Premises or the inaccessibility thereto as aforesaid shall continue for a period of more than three (3) months either the Sub-lessor or the Sub-lessee shall be at liberty by notice in writing to determine the term hereby created and upon such notice being given the term hereby granted shall absolutely cease and determine but without prejudice to any right of action of the Sub-lessor or the Sub-lessee in respect of any antecedent breach of this Sub-lease by the Sub-lessee or the Sub-lessor as the case may be. Holding Over
- (e) Notwithstanding anything herein contained the Sub-lessor shall be under no liability either to the Sub-lessee or to others who may be permitted to enter or use the Industrial Park or any part thereof for accidents happenings or injuries sustained or for loss of or damage to property goods or chattels in the Industrial Park or in any part thereof whether arising from the negligence of the Sub-lessor or that of any servant or agent of the Sub-lessor or otherwise. Sub-lessor  
Not Liable
- (f) Notwithstanding anything herein contained the Sub-lessor shall not be liable to the Sub-lessee nor shall the Sub-lessee have any claim against the Sub-lessor in respect of: No Claim by  
Sub-lessee
- (i) any interruption in any of the services herein mentioned by reason of necessary repair or maintenance of any installations or apparatus or damage thereto or destruction thereof by fire water riot act of God or other cause beyond the Sub-lessor's control or by reason of mechanical or other defect

or breakdown or other inclement conditions or unavoidable shortage of manpower fuel materials electricity or water or labor disputes;

- (ii) any act omission default misconduct or negligence of any porter attendant or other servant or employee of the Sub-lessor in or about the performance or purported performance of any duty relating to the provision of the said services or any of them;
- (iii) any damage injury or loss arising out of leakage of the piping wiring and sprinkler system in the Demised Premises or the Industrial Park and/or out of any defect in the structure of the Demised Premises or the Industrial Park.

- (g) Subject to the approval of HDB, the Sub-lessor shall at the written request of the Sub-lessee made not less than six (6) months before the expiration of the term hereby created and if there shall not at the time of such request be any existing breach or non-observance of any of the covenants on the part of the Sub-lessee herein contained and at the Sub-lessee's expense grant to the Sub-lessee a further term of the Demised Premises the Sub-lease for which must be signed by the Sub-lessee at a date not less than one (1) month before the expiration of the term hereby created. The renewed term shall be for a period of two (2) years commencing from the date immediately following the expiration of the term hereby created at a revised rent, and upon terms and conditions as shall be imposed by the Sub-lessor. Provided Always that within two (2) weeks of the receipt of the Sub-lessor's notification of the revised rent, terms and conditions, the Sub-lessee shall in writing inform the Sub-lessor whether the revised rent, terms and conditions are acceptable or otherwise. In the event that the revised rent, terms and conditions are not acceptable to the Sub-lessee and/or if the Sub-lessee shall fail to sign the Sub-lease for the renewed term by the date stipulated above then this option shall lapse and the Sub-lessor shall be free of all obligations whatsoever to grant to the Sub-lessee any further term.

Option to  
Renew

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| (h) | The Sub-lessor shall be entitled to close the outer doors of the Industrial Park and keep the same closed and locked after the hour of 12 midnight and before the hour of 6 a.m. on Mondays to Saturdays except on Sundays and gazetted Public Holidays when the Sub-lessor may keep the outer doors closed all day. The Sub-lessee will not without obtaining special permission from the Sub-lessor enter the Demised Premises on Sundays or gazetted Public Holidays or before 6 a.m. or after 12 midnight on Mondays to Saturdays.   | Outer Doors<br>of Building |
| (i) | All loading and unloading carried out by the Sub-lessee shall only be effected at such location(s) and at such times as the Sub-lessor may from time to time prescribe.  | Loading and<br>Unloading   |
| (j) | The Sub-lessor shall in all cases retain and have the power to prescribe the weight and proper position of all iron or steel safes and other heavy equipment articles or goods whatsoever and any or all damage caused to the Industrial Park or any part thereof or to the common areas by the Sub-lessee or anyone on his behalf by taking in or putting out a safe furniture goods or other articles or during the time such are in the Industrial Park shall be made good by the Sub-lessee or by the Sub-lessor at the sole expense of the Sub-lessee. The Sub-lessee shall pay to the Sub-lessor the amount of such damage made good by the Sub-lessor within seven (7) days of the Sub-lessor notifying the Sub-lessee of the amount thereof. | Weights and<br>Stresses    |
| (k) | No consent or waiver expressed or implied by the Sub-lessor to or of any breach of any covenant condition or duty of the Sub-lessee shall be construed as a consent or waiver to or of any other breach of the same or any other covenant condition or duty and shall not prejudice in any way the rights powers and remedies of the Sub-lessor herein contained. Any acceptance of rent hereby reserved by the Sub-lessor shall not be deemed to operate  | Waiver of Defaults         |

as a waiver by the Sub-lessor of any right to proceed against the Sub-lessee in respect of a breach by the Sub-lessee of any of his obligations hereunder.

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| (l) | The Sub-lessor shall have the right at any time and from time to time to make add to amend cancel or suspend any rules and regulations in respect of the Industrial Park as in the judgment of the Sub-lessor may from time to time be required for the management safety care or cleanliness of the Industrial Park or for the preservation of good order therein or for the convenience of Sub-lessees and all such rules and regulations shall bind the Sub-lessee upon and from the date on which notice in writing thereof is given to him by the Sub-lessor. If there shall be any inconsistency between the provisions of this Sub-lease and the provisions of such rules and regulations then the provisions of this Sub-lease shall prevail. | Sub-lessor's<br>Right to<br>make Rules<br>and<br>Regulations |
| (m) | Any notice or other documents or writing required to be served delivered or given hereunder shall be sufficiently served if left addressed to the Sub-lessee on the Demised Premises or sent to the Sub-lessee by registered post addressed to the Sub-lessee's registered office in Singapore or left at his last known address in Singapore and any notice document or writing to the Sub-lessor shall be sufficiently served if sent by registered post to the Sub-lessor's registered office in Singapore.  | Service of<br>Notice   |
| (n) | The covenants provisions terms and agreements herein cover and comprise the whole of the agreement between the parties thereto or their appointed agents and the parties hereto expressly agree and declare that no further or other covenants agreements provisions or terms whether in respect of the Demised Premises or otherwise shall be deemed to be implied herein or to arise between the parties hereto by way of collateral or other   | Exclusion of<br>Implied<br>Terms etc.                        |

agreement by reason of any promise representation warranty or undertaking given or made by either party hereto to the other on or prior to the execution hereof and the existence of any such implication or collateral or other agreement is hereby negated.

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| (o)    | In the event that pursuant to HDB's condition for its consent to this Sub-lease of the Demised Premises to the Sub-lessee, HDB gives 3 months' notice in writing requiring this Sub-lease and the term hereby created to be terminated, the term hereby created shall upon the expiry of HDB's notice absolute cease and determine, without prejudice to any rights of action of the Sub-lessor in respect of unpaid rent or any antecedent breach of the Sub-lessee's covenants herein contained, but without the Sub-lessor being liable for any inconvenience, loss, damages, compensation, costs or expenses whatsoever in respect of such termination. | HDB's Notice of Termination |
| 5. (a) | The headings and marginal notes appearing in this Sub-lease are inserted only as a matter of convenience and in no way define limit construe or describe the scope or intent of the section or clauses of this Sub-lease nor in any way affect this Sub-lease.  | Marginal Notes              |
| (b)    | In the interpretation of this Sub-lease except to the extent that such interpretation shall be excluded by or be repugnant to the context when used herein:   | Interpre-<br>tation         |
|        | (i) "the Sub-lessor" shall include its successors in title assigns employees agents representatives person or company for the time being entitled to the reversion immediately expectant on the term hereby created and where the context so admits the Sub-lessor's employees agents and representatives.  |                             |
|        | (ii) "person" shall be deemed to include a corporation.   |                             |

- (iii) "restoration" used in the context hereof shall mean the restoration of the Demised Premises to its original state and condition including:
- (a) the making good of any damage or disfigurement caused to walls doors windows or any part of the Demised Premises;
  - (b) the washing down of the whole of the interior of the Demised Premises;
  - (c) the painting with two coats of oil paint or emulsion paint or other appropriate treatment of all of the internal parts of the Demised Premises previously so treated respectively;
  - (d) the re-polishing of all the internal parts previously polished;
  - (e) the graining and varnishing of all the internal parts previously grained and varnished;
  - (f) the replacing of all floor tiles which in the opinion of the Sub-lessor are worn or damaged and in need of replacement;
  - (g) the removal and clearance of all waste rubbish and other unwanted material from the Demised Premises;
  - (h) the surrender of all keys giving access to all parts of the Demised Premises held by the Sub-lessee or any of the Sub-lessee's employees or agents irrespective of whether or not the same have been supplied by the Sub-lessor.
- (iv) "the Sub-lessee" shall include if the Sub-lessee is an individual, his personal representative and permitted assigns, or if the Sub-lessee is a company, its permitted assigns and successors in title and in either case where the context admits the Sub-lessee's employees agents licensees invitees visitors independent contractors and servants.

- (v) "HDB" shall mean the Housing and Development Board.
- (vi) words importing the singular or plural number shall be deemed to include the plural or singular number respectively and words importing the masculine gender only shall include the feminine or neuter gender as the case may require, and
- (vii) where two or more persons are included in the term "the Sub-lessee" all covenants, agreements, terms, conditions and restrictions shall be binding on them jointly and each of them severally and shall also be binding on their personal representatives and permitted assigns respectively jointly and severally.

IN WITNESS WHEREOF the parties hereto have executed this Sub-lease the day and year first above written.

THE FIRST SCHEDULE ABOVE REFERRED TO

ALL THAT premises estimated to contain an area of approximately 10,024.0 square meters on the building known as 750B Chai Chee Road, 2nd, 4th and 5th Storey erected on the land marked on the Government Resurvey Map as Mukim 27 Lot 3997 pt comprised in the District of Bedok Singapore as outlined in red on the plan annexed hereto.

THE SECOND SCHEDULE ABOVE REFERRED TO

The rent of the Demised Premises shall be as follows:

Dollars Nineteen (\$19.00) per square meter per month.

THE THIRD SCHEDULE ABOVE REFERRED TO

Storey -----	Allowable live load (KN/m <sup>2</sup> ) -----
Second	10
Fourth	10

SIGNED SEALED AND DELIVERED by the )  
Sub-lessor by its Attorney TAN AH BAH )  
acting under a Power of Attorney )  
dated the 6th day of August 1992 )  
(a copy of which was deposited in )  
the Registry, Supreme Court, Singapore )  
on the 2nd day of September 1992 )  
registered as No. 4214 of 1992) )  
in the presence of: )

SIGNED SEALED AND DELIVERED by )  
)  
)  
(the Sub-lessee) )  
in the presence of: )

OR

THE COMMON SEAL of WESTERN DIGITAL )  
(SINGAPORE) PTE LTD )  
)  
(the Sub-lessee) )  
was hereunto affixed in the presence of: )

- Director

- Director

OR

SIGNED SEALED AND DELIVERED by the )  
Sub-lessee by its Attorney )  
)  
acting under a Power of Attorney )  
dated the \_\_\_ day of \_\_\_\_\_ 19\_\_ )  
(a copy of which was deposited in )  
the Registry, Supreme Court, Singapore )  
on the \_\_\_ day of \_\_\_\_\_ 19\_\_ and )  
registered as No. \_\_\_\_\_ of 19\_\_) )  
in the presence of: )

Figure 1

Figure 2

Figure 3

Figure 1 \* Second Story Floor Plan -  
750B Chai Chee Road  
Chai Chee Industrial Park

Figure 2 \* Fourth Story Floor Plan -  
750B Chai Chee Road  
Chai Chee Industrial Park

Figure 3 \* Fifth Story Floor Plan -  
750B Chai Chee Road  
Chai Chee Industrial Park