

SANTAK 

Santak Holdings Limited Annual Report 2008

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Established in 1978, the Santak Group is a manufacturing and trading group of companies with 2 divisions i.e. the Precision Engineering and Assembly Division and the Trading and Distribution Division structured under the holding company, Santak Holdings Limited.

The Precision Engineering and Assembly Division's main business is in the manufacture of precision machined components, sub-assembly, die-casting as well as mould/fixture design and fabrication, specially tailored to meet our customer's requirements. Its clientele include multi-national companies and other main contract manufacturers. Its products are mainly used in hard-disk drive, telecommunication devices, fibre-optics connectors, consumer electronic devices, mobile phones, optical instrument devices, medical equipment, connectors/contacts as well as computer peripherals.

The Trading and Distribution Division specialises in sourcing custom-made electronic, electrical and mechanical components/products. It acts as a representative for suppliers in the Asian region and facilitate the supply of these components/products based on the specifications of customers. Its focus is on die-cast & machined parts, heatsinks, printed circuit boards, solenoids, LCD modules, coils, contactless smartcards and OEM assembly of card readers.

The Group's factories are located in Singapore and the People's Republic of China. Strategic investments have been made in high precision and automated production machinery in addition to the training and development of the Group's workforce. On-going marketing efforts are supported by manufacturing and engineering expertise, built up over the past 30 years.



On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Santak Holdings Limited and its subsidiary companies (the "Group") for the Financial Year ended 30 June 2008 ("FY2008").

During FY2008, the Group recorded a turnover of S\$62.4 million, a slight increase of S\$0.1 million or 0.1% compared to previous financial year ("FY2007"). The largest contribution came from the Group's Precision Engineering and Assembly Division ("PE&A"), which contributed approximately 95% of the Group total turnover. Sales of PE&A came in at S\$59.3 million, an increase of S\$2.0 million or 3.5% as compared to last year. The higher sales in PE&A were mainly due to increase in demand for the precision-machined components and assembled products for the telecommunication and hard-disk drive sectors. The Group's Trading & Distribution Division ("T&D") registered lower sales at S\$3.1 million compared to S\$5.1 million in FY2007 arising from softer demand for the telecommunication and access control products.

The Group's profit before tax was relatively stable at S\$4.1 million in FY2008 compared to S\$4.2 million in prior year. Other operating expenses increased as a result of higher foreign exchange losses incurred in FY2008 mainly arising from the weakening of USD. Net profit after tax for the Group decreased slightly by 2.2% to S\$3.6 million in FY2008. Our basic and diluted earnings per share were

3.46 cents and 3.42 cents respectively for FY2008. The Group's net asset value per share continued to strengthen from 25.73 cents as at 30 June 2007 to 28.13 cents as at 30 June 2008.

The increase in Group's trade debtors by S\$10.5 million to S\$19.0 million as at 30 June 2008 was mainly the results of the significant increase in sales of our China operation in the last quarter of FY2008 and longer credit term requested by a major customer in China. Similarly, the increase in trade creditors by S\$8.3 million to S\$15.5 million was in line with the higher turnover in our China operation towards the end of FY2008 as well as efforts in negotiating longer credit period from our China suppliers as part of our cash flow management.

The Group's operations generated strong net operating cash inflow of approximately S\$7.1 million in FY2008, an increase of S\$0.4 million over previous year. Net cash utilised in investing activities decreased by S\$2.2 million in FY2008 mainly due to lower purchase of property, plant and equipment. Overall, cash and cash equivalent increased by S\$1.5 million during the year.

Subject to the approval of shareholders at the forthcoming Annual General Meeting ("AGM"), the Board is pleased to recommend a first and final dividend of 0.50 cents and a special dividend 0.50 cents on a tax-exempt basis for FY2008.

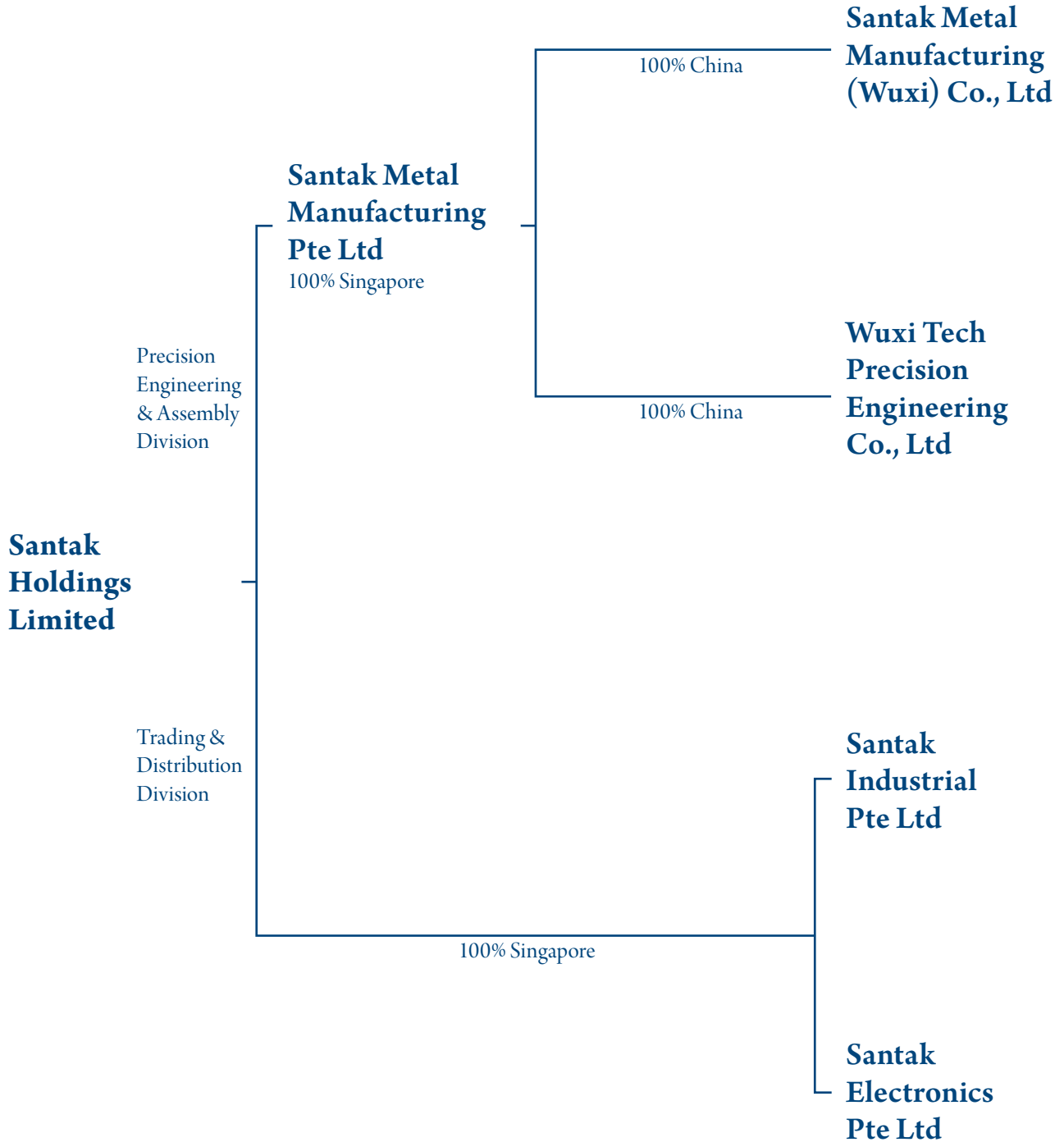
The amount of dividends proposed to be paid will be the same as those declared in prior year.

LEE KEEN WHYE
Chairman

Going forward, the markets in which the Group operates remain competitive and demanding. Barring any unforeseen circumstances, the Group is positive about its business performance for the first half of current financial year FY2009 ending 31 December 2008. However, foreign exchange volatility and cost pressures are expected to remain challenging. While we strive to manage these challenges, we will continue to further broaden our customer base and product range. We will also continue to invest in our production capability and efficiency, our technology and our people to better support our customers and any business opportunities that we are pursuing.

Let me take this opportunity to thank all our customers, business associates and shareholders for their support, confidence and trust throughout the years. I would also like to extend my gratitude to my fellow Board members for their counsel and guidance. In addition, my colleagues and I would like to thank Mr Tan Ah Wo, who is retiring and not seeking re-election at the forthcoming AGM after eight years with the Board. Last but not least, we would also like to place on record our sincere appreciation to our management and staff for their commitments and hard work in FY2008. We look forward to your continued support in FY2009.

COMPANY REGISTRATION NUMBER	200101065H
BOARD OF DIRECTORS	Lee Keen Whye (Non-Executive Chairman/ Independent Director) Ng Weng Wei (Executive Director) Tan Sin Hock (Executive Director) Tan Ah Wo (Non-Executive Director) Heng Kheng Hwai (Non-Executive Director) Ch'ng Jit Koon (Independent Director)
AUDIT COMMITTEE	Lee Keen Whye (Chairman) Ch'ng Jit Koon Heng Kheng Hwai
REMUNERATION COMMITTEE	Lee Keen Whye (Chairman) Ch'ng Jit Koon Ng Weng Wei
COMPANY SECRETARY	Lai Foon Kuen (Appointed on 30 April 2008) Sophia Lim Siew Fay (Resigned on 30 April 2008)
REGISTERED OFFICE	31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084 Tel: 6755 4788 Fax: 6754 7088/6754 7388
SHARE REGISTRAR	Boardroom Corporate & Advisory Services Pte. Ltd. 3 Church Street #08-01 Samsung Hub Singapore 049483
AUDITORS	Ernst & Young LLP Certified Public Accountants One Raffles Quay North Tower Level 18 Singapore 048583 Partner-in-charge: Vincent Toong Weng Sum (since FY 2005)



Note: The above chart shows the principal subsidiary companies of the Group.

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REPORT OF THE DIRECTORS

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(Amounts in Singapore dollars unless otherwise stated)

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Santak Holdings Limited (the “Company”) and its subsidiary companies (collectively, the “Group”) and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2008.

Directors

The Directors of the Company in office at the date of this report are:

Lee Keen Whye
Ng Weng Wei
Tan Sin Hock
Tan Ah Wo
Heng Kheng Hwai
Ch’ng Jit Koon

Arrangements to enable Directors to acquire shares and debentures

Except for the options granted to Directors pursuant to the Santak Share Option Scheme 2001 which are disclosed below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors’ interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of directors’ shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company, as stated below:

Name of Director	Direct interest as at		Deemed interest as at	
	1 July 2007	30 June 2008	1 July 2007	30 June 2008
The Company				
<i>Ordinary shares</i>				
Lee Keen Whye	200,000	200,000	–	–
Ng Weng Wei	1,018,000	1,018,000	–	–
Tan Sin Hock	6,704,100	6,704,100	–	–
Tan Ah Wo	16,776,810	16,776,810	–	–
Heng Kheng Hwai	4,667,000	4,667,000	47,858,570	47,858,570
<i>Options to subscribe for ordinary shares</i>				
Lee Keen Whye	1,400,000	1,400,000	–	–
Ch’ng Jit Koon	800,000	800,000	–	–
Ng Weng Wei	1,400,000	1,400,000	–	–

Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests between 30 June 2008 and 21 July 2008.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Heng Kheng Hwai is deemed to have interests in shares of the subsidiary companies of the Company.

Except as disclosed in this report, no Director who held office at the end of the financial year had an interest in the shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year or on 21 July 2008.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

Share options

The Santak Share Option Scheme 2001 (the "Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 12 March 2001 to enable eligible Directors and employees of the Company and of the Group, other than controlling shareholders of the Company and their associates, to participate in the equity of the Company. The Scheme is administered by the Remuneration Committee, comprising one executive Director and two independent non-executive Directors, one of whom is also the Chairman of the Committee. The members of the Remuneration Committee are:

Lee Keen Whye (Chairman)
Ch'ng Jit Koon
Ng Weng Wei

The total number of new shares over which options may be granted pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company on the date immediately preceding the offer date of the options ("Offer Date"). All options to be issued to executives of the Group and non-executive Directors of the Company will have a term no longer than 10 years and 5 years, respectively. Persons who are controlling shareholders and their associates shall not be eligible to participate in the Scheme. The exercise price of all options granted for new ordinary shares of the Company must not be less than 80% of the average of the last dealt prices of the shares of the Company for the five market days preceding the Offer Date as determined by the Remuneration Committee. Options granted at market price are exercisable after the first anniversary of the Offer Date. Options granted at a discount to market price are not exercisable before the second anniversary of the Offer Date. The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of \$1.

Share options (cont'd)

Since the commencement of the Scheme till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates;
- No participant other than those mentioned on page 11 has received 5% or more of the total options available under the Scheme;
- No participants of the Scheme are Directors or employees of the Company's parent company and its subsidiary companies, as the Company does not have any parent company;
- No options that entitle the holder to participate, by virtue of the options, in any shares issue of any other corporation have been granted; and
- No options have been granted at a discount.

Details of the share options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 30 June 2008 are as follows:

Balance as at 1 July 2007	Addition	Lapsed	Exercised	Balance as at 30 June 2008	Exercise price	Exercise period
2,310,000	–	–	–	2,310,000	\$0.145	22.6.2005 to 21.6.2014
800,000	–	–	–	800,000	\$0.145	22.6.2005 to 21.6.2009
4,260,000	–	(280,000)	–	3,980,000	\$0.239	15.9.2006 to 14.9.2015
1,400,000	–	–	–	1,400,000	\$0.239	15.9.2006 to 14.9.2010
8,770,000	–	(280,000)	–	8,490,000		

Share options (cont'd)

Details of the share options to subscribe for ordinary shares of the Company granted to Directors of the Company and participants who have received 5% or more of the total number of options available under the Scheme are as follows :

<i>Name of Directors</i>	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme to end of financial year under review	Aggregate options exercised since commencement of Scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Lee Keen Whye	–	1,400,000	–	1,400,000
Ch'ng Jit Koon	–	800,000	–	800,000
Ng Weng Wei	–	1,400,000	–	1,400,000
 <i>Name of participant</i>				
Tan Chor Tat, Steven	–	1,400,000	(200,000)	1,200,000
Total	–	5,000,000	(200,000)	4,800,000

There were no unissued shares of subsidiary companies under option at the end of the financial year.

Audit Committee

The Audit Committee (the “AC”) comprises one non-executive Director and two independent non-executive Directors, one of whom is also the Chairman of the Committee. The members of the AC are:

Lee Keen Whye (Chairman)
Ch'ng Jit Koon
Heng Kheng Hwai

The AC performs the functions set out in the Singapore Companies Act. In performing those functions, the Audit Committee reviewed the overall plan and scope of the external audit and the assistance given by the Company's officers to the auditors. The AC met with the external auditors to discuss the results of their audit and their evaluation of the systems of internal accounting controls. The AC also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2008, as well as the external auditor's report thereon. The AC has reviewed the non-audit services provided by the auditors and is of the view that such services would not affect the independence of the auditors.

The AC has recommended to the Board of Directors that Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors,

Lee Keen Whye
Director

Ng Weng Wei
Director

Singapore
18 September 2008

We, Lee Keen Whye and Ng Weng Wei, being two of the Directors of Santak Holdings Limited, do hereby state that, in the opinion of the Directors,

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2008, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Lee Keen Whye
Director

Ng Weng Wei
Director

Singapore
18 September 2008

To the members of Santak Holdings Limited

We have audited the accompanying financial statements of Santak Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2008, the statements of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and Certified Public Accountants
Singapore
18 September 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

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for the year ended 30 June 2008
(Amounts in Singapore dollars)

	Note	2008 \$	2007 \$
Revenue	3	62,397,385	62,342,433
Cost of sales		<u>(52,979,002)</u>	<u>(52,920,696)</u>
Gross profit		9,418,383	9,421,737
Other operating income	4	317,102	160,517
Distribution and selling expenses		(2,029,274)	(1,943,093)
Administrative expenses		(2,559,269)	(2,852,387)
Other operating expenses		(542,601)	(99,875)
Financial expenses	5	(545,247)	(564,723)
Financial income	5	62,032	75,561
Profit before taxation	6	4,121,126	4,197,737
Taxation	7	(509,011)	(505,546)
Profit for the year		3,612,115	3,692,191
Attributable to :			
Equity holders of the Company		<u>3,612,115</u>	3,692,191
Earnings per share (cents)			
Basic	9	3.46	3.54
Diluted	9	3.42	3.49

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

as at 30 June 2008

(Amounts in Singapore dollars)

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	Note	Group 2008 \$	Group 2007 \$	Company 2008 \$	Company 2007 \$
Non-current assets					
Property, plant and equipment	10	20,506,678	22,528,579	322,999	379,842
Investments in subsidiary companies	11	–	–	8,356,338	8,356,338
Other investments	12	316,995	293,812	–	–
Intangible assets	13	570,957	582,807	171,500	192,500
Deferred tax assets	23	731,907	324,765	–	–
		22,126,537	23,729,963	8,850,837	8,928,680
Current assets					
Stocks	14	8,050,151	9,290,470	–	–
Trade debtors	15	19,022,762	8,536,966	–	–
Other debtors, deposits and prepayments	16	813,567	353,728	38,256	58,624
Due from subsidiary companies (non-trade)	17	–	–	2,700,587	3,299,677
Dividend receivable		–	–	1,368,000	1,350,000
Fixed deposits	18	3,121,747	2,080,389	3,121,747	2,080,389
Cash and bank balances	18	6,134,500	5,628,814	169,156	42,979
		37,142,727	25,890,367	7,397,746	6,831,669
Current liabilities					
Trade creditors	19	15,522,784	7,219,959	–	–
Other creditors and accruals	20	3,334,517	2,595,836	448,827	539,281
Term loans (secured) - current portion	21	2,693,372	2,263,470	–	–
Finance lease obligations - current portion	22	1,160,330	1,309,802	25,441	24,106
Provision for taxation		1,040,337	1,013,850	38,749	15,635
		23,751,340	14,402,917	513,017	579,022
Net current assets		13,391,387	11,487,450	6,884,729	6,252,647

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

as at 30 June 2008 (cont'd)

(Amounts in Singapore dollars)

	Note	Group		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Non-current liabilities					
Term loans (secured) - non-current portion	21	4,273,492	5,237,345	-	-
Finance lease obligations - non-current portion	22	829,492	1,989,835	89,476	114,917
Deferred tax liabilities	23	1,031,935	1,117,515	59,447	-
		6,134,919	8,344,695	148,923	114,917
Net assets		29,383,005	26,872,718	15,586,643	15,066,410
Equity attributable to equity holders of the Company					
Share capital	24	12,314,168	12,314,168	12,314,168	12,314,168
Share option reserve	25i	542,228	542,228	542,228	542,228
Revaluation reserve	25ii	26,119	39,300	-	-
Statutory reserves	25iii	694,645	694,645	-	-
Translation reserve	25iv	(93,088)	(35,670)	-	-
Fair value adjustment reserve	25v	(55,870)	(55,870)	-	-
Accumulated profits		15,954,803	13,373,917	2,730,247	2,210,014
		29,383,005	26,872,718	15,586,643	15,066,410

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2008
(Amounts in Singapore dollars)

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2008 Group	Attributable to equity holders of the Company							Total equity \$
	Share capital (Note 24) \$	Share option reserve (Note 25i) \$	Accumulated profits \$	Revaluation reserve (Note 25ii) \$	Statutory reserves (Note 25iii) \$	Translation reserve (Note 25iv) \$	Fair value adjustment reserve (Note 25v) \$	
At 1 July 2007	12,314,168	542,228	13,373,917	39,300	694,645	(35,670)	(55,870)	26,872,718
Net effect of exchange differences						(57,418)	-	(57,418)
Net loss recognised directly in equity Profit for the year	-	-	-	-	-	(57,418)	-	(57,418)
Total recognised income and expenses for the year	-	-	3,612,115	-	-	(57,418)	-	3,554,697
Dividend on ordinary shares (Note 8)	-	-	(1,044,410)	-	-	-	-	(1,044,410)
Transfer from revaluation reserve to accumulated profits	-	-	13,181	(13,181)	-	-	-	-
At 30 June 2008	12,314,168	542,228	15,954,803	26,119	694,645	(93,088)	(55,870)	29,383,005

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2007
(Amounts in Singapore dollars)

2007 Group	Attributable to equity holders of the Company							Total equity \$
	Share capital (Note 24) \$	Share option reserve (Note 25i) \$	Accumulated profits \$	Revaluation reserve (Note 25ii) \$	Statutory reserves (Note 25iii) \$	Translation reserve (Note 25iv) \$	Fairvalue adjustment reserve (Note 25v) \$	
At 1 July 2006	12,306,918	420,711	10,831,323	56,140	563,097	(228,120)	(55,870)	23,894,199
Net change of exchange differences	-	-	-	-	-	192,450	-	192,450
Net effect of a change in tax rate	-	-	-	9,521	-	-	-	9,521
Net gain recognised directly in equity	-	-	-	9,521	-	192,450	-	201,971
Profit for the year	-	-	3,692,191	-	-	-	-	3,692,191
Total recognised income and expenses for the year	-	-	3,692,191	9,521	-	192,450	-	3,894,162
Dividend on ordinary shares (Note 8)	-	-	(1,044,410)	-	-	-	-	(1,044,410)
Exercise of share options	7,250	-	-	-	-	-	-	7,250
Grant of share options	-	121,517	-	-	-	-	-	121,517
Transfer to statutory reserve	-	-	(131,548)	-	131,548	-	-	-
Transfer from revaluation reserve to accumulated profits	-	-	26,361	(26,361)	-	-	-	-
At 30 June 2007	12,314,168	542,228	13,373,917	39,300	694,645	(35,670)	(55,870)	26,872,718

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2007 (cont'd)

(Amounts in Singapore dollars)

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Company	Attributable to equity holders of the Company			
	Share capital (Note 24) \$	Share option reserve (Note 25i) \$	Accumulated profits \$	Total equity \$
At 1 July 2007	12,314,168	542,228	2,210,014	15,066,410
Total recognised income and expenses for the year				
– Profit for the year	–	–	1,564,643	1,564,643
Dividend on ordinary shares (Note 8)	–	–	(1,044,410)	(1,044,410)
At 30 June 2008	12,314,168	542,228	2,730,247	15,586,643
At 1 July 2006	12,306,918	420,711	1,727,311	14,454,940
Total recognised income and expenses for the year				
– Profit for the year	–	–	1,527,113	1,527,113
Dividend on ordinary shares (Note 8)	–	–	(1,044,410)	(1,044,410)
Exercise of share options	7,250	–	–	7,250
Grant of share options	–	121,517	–	121,517
At 30 June 2007	12,314,168	542,228	2,210,014	15,066,410

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS**21**

for the year ended 30 June 2008

(Amounts in Singapore dollars)

	2008	2007
	\$	\$
Cash flows from operating activities		
Profit before taxation	4,121,126	4,197,737
Adjustments for:		
Depreciation of property, plant and equipment	4,305,219	4,247,306
Amortisation of intangible assets	71,372	46,584
Loss on disposal of property, plant and equipment	14,599	2,962
Interest expense	545,247	564,723
Interest income	(62,032)	(75,561)
Expenses on share options granted	-	121,517
Currency realignment	(135,790)	20,617
Operating profit before working capital changes	8,859,741	9,125,885
Decrease/(increase) in:		
Stocks	1,240,319	1,100,106
Trade debtors	(10,485,796)	8,419,233
Other debtors, deposits and prepayments	(440,851)	26,316
Increase/(decrease) in:		
Trade creditors	8,302,825	(11,261,047)
Other creditors and accruals	529,215	(311,600)
Cash generated from operations	8,005,453	7,098,893
Interest received	15,851	18,075
Income taxes paid	(949,802)	(451,413)
Net cash generated from operating activities	7,071,502	6,665,555
Cash flows from investing activities		
Purchase of property, plant and equipment (Note a)	(2,055,774)	(4,435,318)
Purchase of intangible assets	(59,247)	(38,941)
Proceeds from disposal of property, plant and equipment	988	150,218
Addition to other investments	(23,183)	(23,183)
Interest received	46,181	57,486
Net cash used in investing activities	(2,091,035)	(4,289,738)

CONSOLIDATED STATEMENT OF CASH FLOWS

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for the year ended 30 June 2008 (cont'd)

(Amounts in Singapore dollars)

	2008 \$	2007 \$
Cash flows from financing activities		
Repayments from term loans, net	(533,951)	(466,602)
Repayments of finance leases	(1,309,815)	(1,294,255)
Dividends paid	(1,044,410)	(1,044,410)
Proceeds from share issue	-	7,250
Interest paid	(545,247)	(564,723)
Net cash used in financing activities	<u>(3,433,423)</u>	<u>(3,362,740)</u>
Net increase/(decrease) in cash and cash equivalents	1,547,044	(986,923)
Cash and cash equivalents at beginning of year	<u>7,709,203</u>	<u>8,696,126</u>
Cash and cash equivalents at end of year (Note 18)	<u>9,256,247</u>	<u>7,709,203</u>

Note (a): Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$2,246,252 (2007: \$5,519,527) of which \$Nil (2007: \$1,031,297) were acquired by means of lease obligations, \$2,055,774 (2007: \$4,435,318) has been paid and \$190,478 (2007: \$52,912) was payable as at 30 June 2008.

1. Corporate information

Santak Holdings Limited (the “Company”) is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084.

The principal activities of the Company are those of investments holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of its subsidiary companies are as shown in Note 11 to the financial statements.

2. Summary of significant accounting policies**2.1 Basis of preparation**

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on a historical cost basis except for leasehold property and available-for-sale financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollars (“SGD” or “\$”).

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(i) Adoption of new and revised FRS

With effect from 1 July 2007, the Group and the Company has adopted all the new and revised FRS that are mandatory for financial years beginning on or after 1 July 2007. The adoption of those FRS has no significant impact to the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(ii) FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

	Effective date (Annual periods beginning on or after)
FRS 1 : Presentation of Financial Statements (Revised Presentation)	1 January 2009
FRS 23 : Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 32 : Financial Instruments: Presentation (Amendments to FRS 32 and FRS 1 regarding puttable financial obligations arising on liquidation)	1 January 2009
FRS 102 : Share-based Payments (Vesting conditions and cancellations)	1 January 2009
FRS 108 : Operating Segments	1 January 2009
INT FRS 112 : Service Concession Arrangements	1 January 2008
INT FRS 113 : Customer Loyalty Programmes	1 July 2008
INT FRS 114 : FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2008
INT FRS 116 : Hedges of a Net Investment in a Foreign Operation	1 October 2008

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 108 and the amendment to FRS 1 as indicated below.

FRS 1, Presentation of Financial Statements (Revised Presentation)

The revised FRS 1 – Presentation of Financial Statements was issued in March 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standards separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standards introduces the statement of comprehensive income: it presents all items of income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

FRS 108, Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented for financial year beginning on or after 1 January 2009.

2. Summary of significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below :

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 30 June 2008 was \$257,096 (2007: \$257,096). More details are given in Note 13.

(ii) Depreciation of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 2 to 10 years. The carrying amount of the Group's plant and equipment at 30 June 2008 was \$16,958,640 (2007: \$18,879,887). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables, deferred tax liabilities and deferred tax assets at 30 June 2008 was \$1,040,337 (2007: \$1,013,850), \$1,031,935 (2007: \$1,117,115) and \$731,907 (2007: \$324,765) respectively.

2. Summary of significant accounting policies (cont'd)**2.3 Significant accounting estimates and judgements (cont'd)****(b) Critical judgements made in applying accounting policies**

The following is the judgement made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements:

Impairment of financial and non-financial assets

The Group follows the guidance of FRS 39 and FRS 36 in determining when a financial or non-financial asset is other-than-temporarily impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset or recoverable amount of a non-financial asset is less than its cost; and the financial health of and near-term business outlook for the financial or non-financial asset, including factors such as industry performance, changes in technology and operational and financing cash flows.

2.4 Functional and foreign currency**(i) Functional and presentation currency**

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"), which comprises SGD, United States dollars and Chinese Renminbi. The consolidated financial statements are presented in SGD, which is the Company's functional and presentation currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Summary of significant accounting policies (cont'd)

2.4 Functional and foreign currency (cont'd)

(ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary company.

(iii) Foreign currency translation

On consolidation, the results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each profit and loss account are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operations is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 Subsidiary companies and principles of consolidation

(i) Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

(ii) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

2. Summary of significant accounting policies (cont'd)**2.5 Subsidiary companies and principles of consolidation (cont'd)****(ii) Principles of consolidation (cont'd)**

Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiary companies are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.7 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. Leasehold property is subsequently revalued on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made once every 3 to 5 years to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to the asset revaluation reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is deducted against the asset revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold property	50 years
Plant and machinery	5 – 8 years
Motor vehicles	5 – 10 years
Computers	2 – 5 years
Office equipment	10 years
Air-conditioners	10 years
Furniture and fittings	10 years
Renovation	10 years
Electrical installation	10 years
Tools and equipment	2 – 10 years

Capital work-in-progress is not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.7 Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets (cont'd)

(i) Goodwill (cont'd)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 July 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.4.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 July 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the 'other operating expenses' line item in the profit and loss account.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

(a) Club membership

Club membership is stated at cost less impairment losses and is amortised over 18 years on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets (cont'd)

(ii) Other intangible assets (cont'd)

(b) Computer software licenses

Costs of SAP application software licenses and other software licenses are stated at cost less impairment losses and are amortised over 10 years and 3 to 5 years respectively on a straight-line basis.

A summary of the policies applied to the Group's intangible assets is as follows :

	Club membership	Computer software licenses
Internally generated or acquired	Acquired	Acquired
Useful lives and amortisation method used	<ul style="list-style-type: none"> • Finite (2007: Finite) • Amortised over 18 years on straight-line basis (2007: 18 years) 	<ul style="list-style-type: none"> • Finite (2007: Finite) • Amortised over 3 to 10 years on straight-line basis (2007: 3 to 10 years)
Impairment testing	Annually and more frequently when an indication of impairment exists.	Annually and more frequently when an indication of impairment exists.
Review of amortisation period and method	Amortisation period and method are reviewed at each financial year-end.	Amortisation period and method are reviewed at each financial year-end.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in 'other expenses' in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and short term deposits
- trade and other debtors, including amounts due from subsidiary companies

2. Summary of significant accounting policies (cont'd)

2.9 Financial assets (cont'd)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The Group classifies its other investments as available-for-sale financial assets.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts, if any, that form an integral part of the Group's cash management.

2.11 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2. Summary of significant accounting policies (cont'd)**2.11 Impairment of financial assets (cont'd)****(ii) Available-for-sale financial assets**

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment loss in respect of equity instruments are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.12 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

2.13 Stocks

Stock are valued at the lower of cost and net realisable value.

Costs incurred in bringing the stocks to their present location and condition are accounted for as follows:

- Raw materials – purchase costs on a weighted average cost basis; and
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd)

2.14 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.15 Borrowing costs

Borrowings are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2. Summary of significant accounting policies (cont'd)**2.17 Employee benefits (cont'd)****(c) Employee share option plans**

Employees (including senior executives) of the Group receive remuneration in the form of share options as consideration for services rendered ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

2.18 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

2.19 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Commission income

Revenue is recognised on an accrual basis.

(iii) Interest income

Interest income is recognised using the effective interest method.

Group turnover excludes intercompany transactions.

2.20 Income taxes

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.20 Income taxes (cont'd)

(ii) Deferred tax (cont'd)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.21 Segments

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2. Summary of significant accounting policies (cont'd)

2.21 Segments (cont'd)

For management purposes, the Group is organised on a world-wide basis into three major operating businesses. The divisions are the basis on which the Group reports its primary segment information.

Segment revenue, expenses and results include transfers between business segments and between geographical segments. Such transfers are accounted for on an arm's length basis.

2.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Revenue

	Group	
	2008	2007
	\$	\$
Sale of goods	62,311,986	62,297,168
Commission income	85,399	45,265
	<u>62,397,385</u>	<u>62,342,433</u>

4. Other operating income

	Group	
	2008	2007
	\$	\$
Sale of scrap	302,772	156,157
Others	14,330	4,360
	<u>317,102</u>	<u>160,517</u>

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30 June 2008

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5. Financial (expenses)/income

	2008	Group	2007
	\$		\$
(a) Financial expenses			
Interest expense			
- term loans	(403,080)		(392,051)
- finance leases	(142,167)		(172,672)
	<u>(545,247)</u>		<u>(564,723)</u>
(b) Financial income			
Interest income			
- bank balances	15,851		18,075
- fixed deposits	46,181		57,486
	<u>62,032</u>		<u>75,561</u>

6. Profit before taxation

The following items have been included in arriving at profit before taxation:

	2008	Group	2007
	\$		\$
Employee benefits expense (Note 26)	10,674,495		10,123,858
Depreciation of property, plant and equipment	4,305,219		4,247,306
Amortisation of intangible assets	71,372		46,584
Directors' remuneration included in staff costs			
- Directors of the Company	300,931		312,072
- Directors of subsidiary companies	883,666		875,443
Directors' fees	125,000		125,000
Operating lease expenses	453,768		435,494
Loss on disposal of property, plant and equipment	14,599		2,962
Non-audit fees to auditors of the Company	12,750		20,148

7. Taxation

The major components of income tax expense for the years ended 30 June 2008 and 2007 are:

	2008	Group	2007
	\$		\$
Current tax			
- current year	983,401		985,416
- overprovision in respect of prior years	(7,117)		(172,374)
Deferred tax			
- movement in temporary differences	(548,401)		(307,496)
- underprovision in respect of prior years	81,128		-
	509,011		505,546

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 30 June 2008 and 2007 is as follows:

	2008	Group	2007
	\$		\$
Profit before taxation	4,121,126		4,197,737
Tax at applicable tax rate of 18% (2007: 18%)	741,803		755,593
Adjustments:			
Tax effect of non-deductible expenses	116,168		50,315
Income not subject to tax	(34,050)		(76,439)
Effect of different tax rates in foreign jurisdictions	19,611		87,793
Effect of change in statutory tax rate	-		(109,801)
Deferred tax assets not recognised	204		283
Current year amortisation of deferred tax on revaluation reserve	(2,347)		(2,608)
Recognition of deferred tax assets previously not recognised	(284,390)		-
Utilisation of deferred tax assets previously not recognised	(131,037)		-
Under/(over) provision in respect of prior years	74,011		(172,374)
Others	9,038		(27,216)
	509,011		505,546

As at 30 June 2008, the Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately \$141,000 (2007: \$3,094,000) and \$50,000 (2007: \$50,000) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

8. Dividends

Group and Company
2008 **2007**
\$ \$

Declared and paid during the year :

Dividends on ordinary shares :

First and final exempt (one-tier) dividend for 2007: 0.50 cents (2006: 0.50 cents) per share	522,205	522,205
Special exempt (one-tier) dividend for 2007: 0.50 cents (2006: 0.50 cents) per share	522,205	522,205
	<u>1,044,410</u>	<u>1,044,410</u>

At the Annual General Meeting scheduled to be held on 29 October 2008, a first and final tax exempt (one-tier) dividend of 0.50 cents per share and a special tax exempt (one-tier) dividend of 0.50 cents per share amounting to approximately \$1,044,410 will be recommended. These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of accumulated profits in the financial year ending 30 June 2009.

9. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the profit and loss account and share data used in the basic and diluted earnings per share computations for the years ended 30 June:

	2008	Group 2007
	\$	\$
Profit net of tax attributable to ordinary equity holders of the Company for basic and diluted earnings per share	<u>3,612,115</u>	<u>3,692,191</u>
Weighted average number of ordinary shares on issue applicable to basic earnings per share	104,440,980	104,435,364
Effect of dilutions: Share options	<u>1,178,736</u>	<u>1,346,615</u>
Weighted average number of ordinary shares applicable to diluted earnings per share	<u>105,619,716</u>	<u>105,781,979</u>

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30 June 2008

10. Property, plant and equipment

Group	At cost											Total
	At valuation Leasehold property	Plant and machinery	Motor vehicles	Computers	Office equipment	Air- conditioners	Furniture and fittings	Renovation	Electrical installation	Tools and equipment	Capital work- in-progress	
Cost or valuation												
At 1 July 2006	5,044,759	34,790,632	1,201,764	337,781	178,289	497,336	409,428	1,091,057	1,346,831	1,059,100	146,640	46,103,617
Additions	-	4,863,605	86,557	185,064	4,899	52,377	59,437	15,441	63,934	188,213	-	5,519,527
Disposals	-	(216,308)	(322,391)	(894)	-	-	-	-	-	-	-	(539,593)
Reclassification from capital work-in-progress	-	-	-	146,640	-	-	-	-	-	-	(146,640)	-
Net exchange differences	-	182,771	(2,274)	429	356	2,758	2,969	11,902	14,096	7,504	-	220,511
At 30 June 2007	5,044,759	39,620,700	963,656	669,020	183,544	552,471	471,834	1,118,400	1,424,861	1,254,817	-	51,304,062
Additions	-	1,759,235	-	43,756	-	4,200	41,791	65,707	145,310	186,253	-	2,246,252
Disposals	-	(91,039)	-	-	-	-	-	-	-	-	-	(91,039)
Net exchange differences	-	95,590	944	(2,788)	(1,319)	896	66	5,214	6,907	7,381	-	112,891
At 30 June 2008	5,044,759	41,384,486	964,600	709,988	182,225	557,567	513,691	1,189,321	1,577,078	1,448,451	-	53,572,166
Accumulated depreciation												
At 1 July 2006	1,295,413	20,986,917	404,646	241,885	108,644	285,342	205,043	276,845	396,321	662,697	-	24,863,753
Depreciation charge for the year	100,654	3,310,547	88,769	93,543	10,454	31,089	29,719	96,630	121,551	364,350	-	4,247,306
Disposals	-	(216,245)	(169,870)	(298)	-	-	-	-	-	-	-	(386,413)
Net exchange differences	-	41,932	(2,205)	(87)	(8)	537	67	2,509	2,625	5,467	-	50,837
At 30 June and 1 July 2007	1,396,067	24,123,151	321,340	333,043	119,090	316,968	234,829	375,984	520,497	1,032,514	-	28,775,483
Depreciation charge for the year	100,654	3,487,334	81,441	123,863	10,401	31,885	30,847	98,124	123,762	216,908	-	4,305,219
Disposals	-	(75,452)	-	-	-	-	-	-	-	-	-	(75,452)
Net exchange differences	-	51,672	769	(2,208)	(305)	623	(826)	2,816	2,336	5,361	-	60,238
At 30 June 2008	1,496,721	27,586,705	403,550	456,698	129,186	349,476	264,850	476,924	646,595	1,254,783	-	33,065,488
Net carrying amount												
As at 30 June 2007	3,648,692	15,497,549	642,316	333,977	64,454	235,503	237,005	742,416	904,364	222,303	-	22,528,579
As at 30 June 2008	3,548,038	13,797,781	561,050	253,290	53,039	208,091	248,841	712,397	930,483	193,668	-	20,506,678

10. Property, plant and equipment (cont'd)

Company	Computers \$	Motor vehicles \$	Capital work-in-progress \$	Total \$
Cost				
At 1 July 2006	2,475	90,000	146,640	239,115
Additions	108,050	86,557	–	194,607
Reclassification from capital work-in-progress	146,640	–	(146,640)	–
At 30 June and 1 July 2007	257,165	176,557	–	433,722
Additions	11,506	–	–	11,506
At 30 June 2008	268,671	176,557	–	445,228
Accumulated depreciation				
At 1 July 2006	825	6,939	–	7,764
Depreciation charge for the year	33,871	12,245	–	46,116
At 30 June and 1 July 2007	34,696	19,184	–	53,880
Depreciation charge for the year	53,768	14,581	–	68,349
At 30 June 2008	88,464	33,765	–	122,229
Net carrying amount				
At 30 June 2007	222,469	157,373	–	379,842
At 30 June 2008	180,207	142,792	–	322,999

Revaluation of leasehold property

The Group engaged an independent professional valuer to determine the fair value of its leasehold property held by a subsidiary company. Fair value is determined by reference to open market values on an existing use basis. The date of revaluation was 30 June 2005.

If the leasehold property was stated at cost less accumulated depreciation, the net carrying amount would have been \$3,083,000 (2007: \$3,172,000).

Assets held under finance leases

As at 30 June 2008, the Group has plant and machinery as well as motor vehicles with a total net carrying amount of approximately \$2,345,000 (2007: \$2,744,000) held under finance leases.

Leased assets are pledged as security for the related finance lease liabilities.

10. Property, plant and equipment (cont'd)

Assets pledged as security

In addition to assets under finance leases, the Group's leasehold property, with a carrying amount of approximately \$3,548,000 (2007: \$3,649,000), was mortgaged to a bank as security for term loans (Note 21). The leasehold property is a Jurong Town Corporation ("JTC") detached factory located at 31 Senoko South Road on a leasehold land area of 8,944 square metres. The leasehold property is subject to a 30 years lease commencing from 16 September 1993 with an entitlement for a further term of 30 years.

11. Investments in subsidiary companies

(a) *These comprise:*

	Company	
	2008	2007
	\$	\$
Unquoted equity shares, at cost	<u>8,356,338</u>	<u>8,356,338</u>

(b) *Details of subsidiary companies as at 30 June are as follows:*

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held		Cost of investment	
			2008	2007	2008	2007
			%	%	\$	\$
Held by the Company						
Santak Metal Manufacturing Pte Ltd	Singapore	Manufacture of precision machined components	100	100	8,113,173	8,113,173
Santak Industrial Pte Ltd	Singapore	Trading and distribution of electronic, electrical and mechanical components/products	100	100	243,162	243,162
Santak Electronics Pte Ltd	Singapore	Trading and distribution of electronic, electrical and mechanical components/products	100	100	3	3
					<u>8,356,338</u>	<u>8,356,338</u>

11. Investments in subsidiary companies (cont'd)

(b) Details of subsidiary companies as at 30 June are as follows (cont'd):

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held	
			2008 %	2007 %
Held by Santak Metal Manufacturing Pte Ltd				
Santak Metal Manufacturing (Wuxi) Co., Ltd	Wuxi, People's Republic of China	Manufacture of precision machined components, sub-assembly, die-casting as well as mould/fixture design and fabrication	100	100
Wuxi Tech Precision Engineering Co., Ltd	Wuxi, People's Republic of China	Manufacture of precision machined components, mould/fixture design and fabrication	100	100
T.N.K. Precision Engineering Work Pte Ltd	Singapore	Manufacture of precision machined components (currently dormant)	100	100
Hang Yip Metal Manufacturing Pte Ltd	Singapore	Manufacture of precision machined components (currently dormant)	100	100
Held by Santak Electronics Pte Ltd				
Santak Electronics Sdn Bhd*	Malaysia	Manufacture of electronic, electrical and mechanical components and products (currently dormant)	100	100

* Audited by Low & Co., a firm of Chartered Accountants in Malaysia.

All other subsidiary companies are audited by Ernst & Young LLP, Singapore.

12. Other investments

	2008	Group	2007
	\$		\$
<i>Available-for-sale financial assets</i>			
Life insurance policies	316,995		293,812

13. Intangible assets

Group	Goodwill	Club membership	Computer software licenses	Total
	\$	\$	\$	\$
Cost				
At 1 July 2006	257,096	150,000	264,158	671,254
Additions	–	–	38,941	38,941
Net exchange differences	–	–	719	719
At 30 June and 1 July 2007	257,096	150,000	303,818	710,914
Additions	–	–	59,247	59,247
Net exchange differences	–	–	408	408
At 30 June 2008	257,096	150,000	363,473	770,569
Accumulated amortisation				
At 1 July 2006	–	80,000	1,504	81,504
Amortisation	–	–	46,584	46,584
Net exchange differences	–	–	19	19
At 30 June and 1 July 2007	–	80,000	48,107	128,107
Amortisation	–	11,053	60,319	71,372
Net exchange differences	–	–	133	133
At 30 June 2008	–	91,053	108,559	199,612
Net carrying amount				
At 30 June 2007	257,096	70,000	255,711	582,807
At 30 June 2008	257,096	58,947	254,914	570,957

13. Intangible assets (cont'd)

Company	Computer software license \$
Cost	
At 1 July 2006, 30 June and 1 July 2007 and 30 June 2008	<u>210,000</u>
Accumulated amortisation	
At 1 July 2006	–
Amortisation	<u>17,500</u>
At 30 June and 1 July 2007	17,500
Amortisation	<u>21,000</u>
At 30 June 2008	<u>38,500</u>
Net carrying amount	
At 30 June 2007	<u>192,500</u>
At 30 June 2008	<u>171,500</u>

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to Group's cash-generating units identified according to country of operation and business segment for impairment testing.

Carrying amount of goodwill allocated to the Group's cash-generating unit is as follows:

	Precision engineering and assembly	
	2008	2007
	\$	\$
North Asia	<u>257,096</u>	<u>257,096</u>

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 9.4% (2007: 8.2%) per annum. The weighted average growth rates used are consistent with the average growth rate for the industry. The discount rate used is pre-tax and reflects specific risks relating to the precision engineering and assembly segment.

14. Stocks

	2008 \$	Group 2007 \$
Raw materials	3,278,281	3,273,060
Work-in-progress	3,317,286	3,820,676
Finished goods	1,454,584	2,196,734
Total stocks at lower of cost and net realisable value	<u>8,050,151</u>	<u>9,290,470</u>

During the financial year, the Group wrote down \$1,142,439 (2007: \$375,639) of stocks which are recognised as an expense in the profit and loss account, and reversed \$146,572 (2007: \$191,972) for stocks that were utilised or sold above the carrying amounts.

15. Trade debtors

	2008 \$	Group 2007 \$
Trade debtors	19,163,337	8,677,451
Less: Allowance for doubtful debts	(140,575)	(140,485)
	<u>19,022,762</u>	<u>8,536,966</u>

Trade debtors are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

As at 30 June, trade debtors are denominated in the following currencies :

	2008 \$	Group 2007 \$
Chinese Renminbi	15,130,190	4,374,327
United States dollars	3,749,999	3,965,938
Singapore dollars	142,573	196,701
	<u>19,022,762</u>	<u>8,536,966</u>

15. Trade debtors (cont'd)

Debtors that are past due but not impaired

The Group has trade debtors amounting to \$3,116,315 (2007: \$2,204,677) that are past due at the balance sheet date but not impaired. These debtors are unsecured and the analysis of their aging at the balance sheet date is as follows:

	2008	Group	2007
	\$		\$
Trade debtors past due for:			
Less than 30 days	2,777,440		1,586,607
30 to 90 days	336,501		304,787
91 to 120 days	2,374		313,283
	<u>3,116,315</u>		<u>2,204,677</u>

Debtors that are impaired

Trade debtors that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These debtors are not secured by any collateral or credit enhancements.

The Group's trade debtors that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	2008	Group	2007
	\$	Individually impaired	\$
Trade debtors - nominal	140,575		140,485
Less : Allowance for doubtful debts	<u>(140,575)</u>		<u>(140,485)</u>
	-		-
Movement in allowance			
At 1 July	140,485		263,281
Charge for the year	40,166		7,156
Write-back	(714)		(1,595)
Write-off	(37,958)		(128,694)
Exchange differences	<u>(1,404)</u>		<u>337</u>
At 30 June	<u>140,575</u>		<u>140,485</u>

Allowance for doubtful debts

For the year ended 30 June 2008, an impairment loss of \$40,166 (2007: \$7,156) was recognised in the profit and loss account subsequent to a debt recovery assessment performed on trade debtors as at 30 June 2008.

16. Other debtors, deposits and prepayments

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deposits	56,343	55,664	–	2,748
Other debtors	3,311	9,765	1,786	19,806
Total other debtors and deposits	59,654	65,429	1,786	22,554
Prepayments	753,913	288,299	36,470	36,070
	813,567	353,728	38,256	58,624

As at 30 June, other debtors and deposits are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Chinese Renminbi	56,643	55,549	–	–
Singapore dollars	3,011	5,099	1,786	22,554
United States dollars	–	4,781	–	–
	59,654	65,429	1,786	22,554

17. Due from subsidiary companies (non-trade)

The amounts due from subsidiary companies, denominated in Singapore dollars, are unsecured, interest-free and repayable on demand.

18. Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Fixed deposits	3,121,747	2,080,389	3,121,747	2,080,389
Cash and bank balances	6,134,500	5,628,814	169,156	42,979
	9,256,247	7,709,203	3,290,903	2,123,368

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from Nil% to 0.11% (2007: Nil% to 1.15%) per annum. Fixed deposits are made for varying periods of between 1 month and 2 months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The effective interest rates of fixed deposits range from 0.8375% to 2.69% (2007: 2.16% to 3.35%) per annum.

18. Cash and cash equivalents (cont'd)

As at 30 June 2008, the Company had available, undrawn committed borrowing facilities of \$7,195,000 (2007: \$7,777,000) in respect of which all conditions precedent had been met.

As at 30 June, cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Singapore dollars	6,051,562	4,966,380	3,290,903	2,123,368
Chinese Renminbi	2,137,147	1,462,610	-	-
United States dollars	1,064,565	1,276,102	-	-
Malaysia Ringgit	778	2,004	-	-
Japanese Yen	2,195	2,107	-	-
	9,256,247	7,709,203	3,290,903	2,123,368

19. Trade creditors

Trade creditors are non-interest bearing and are normally settled on 30 to 90 days' terms.

As at 30 June, trade creditors are denominated in the following currencies:

	2008	Group	2007
	\$		\$
Chinese Renminbi	14,353,937		5,788,756
Singapore dollars	719,996		920,646
United States dollars	431,087		500,606
Swedish Krona	15,421		1,660
Malaysia Ringgit	2,343		8,291
	15,522,784		7,219,959

20. Other creditors and accruals

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Other creditors	998,555	373,050	28,514	91,873
Accrued operating expenses	2,335,962	2,222,786	420,313	447,408
	3,334,517	2,595,836	448,827	539,281

Other creditors are non-interest bearing and are granted an average credit term of six months.

As at 30 June, other creditors and accruals are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Singapore dollars	1,751,392	1,995,169	448,827	539,281
Chinese Renminbi	1,483,210	580,216	–	–
United States dollars	99,479	19,986	–	–
Malaysian Ringgit	436	465	–	–
	3,334,517	2,595,836	448,827	539,281

21. Term loans (secured)

	Maturities	2008	Group	2007
		\$		\$
Bank loan A	2018	735,667		791,015
Bank loan B	2009	905,526		1,638,308
Bank loan C	2011	2,623,580		3,436,656
Bank loan D	2009	262,484		452,248
Bank loan E	2009	711,393		1,182,588
Bank loan F	2013	1,728,214		–
		6,966,864		7,500,815
Due within 12 months		2,693,372		2,263,470
Due after 12 months		4,273,492		5,237,345

The amount repayable within the next 12 months has been classified as “term loans (secured) - current portion” under current liabilities. Term loans are denominated in Singapore dollars.

21. Term loans (secured) (cont'd)

Bank loans A, C and F are secured by way of a legal mortgage over a subsidiary company's leasehold property with a net carrying amount of approximately \$3,548,000 (2007: \$3,649,000) (Note 10) and a corporate guarantee from the Company. Effective from 19 June 2008, the bank loan A's interest rate was reset at effective rates of 3.75% and 4.25% per annum for the first and second year commencing June 2008 respectively (2007: 5.00%). The bank loan C bears interest at effective rates of 4.50% and 4.75% per annum for the first and second year commencing August 2005 respectively. Thereafter, interest shall be at the bank's prime rate for the remaining terms of loans A and C, stated at 5.00% (2007: 5.00%) per annum in 2008. The bank loan A is repayable in 180 monthly instalments commencing July 2003 and the bank loan C is repayable in 72 monthly instalments commencing September 2005. Bank loan F bears interest at effective rates of 4.50% and 4.75% per annum for the first and second year commencing July 2007 respectively. Thereafter, interest shall be at the bank's prime rate for remaining terms of bank loan F, stated at 5.00% per annum in 2008. The bank loan F is repayable in 72 monthly instalments commencing August 2007.

Bank loans B, D and E are secured by corporate guarantees from the Company. The bank loan B bears interest at effective rate of 4.65% per annum for the 12 months commencing June 2005. Thereafter, interest shall be 2.50% per annum above the bank's cost of funds or otherwise as advised by the bank. Effective from 28 June 2006, the bank loan B's interest rate was reset at the bank's prime rate for the remaining term of the loan, stated at 5.25% (2007: 5.25%) per annum. The bank loan B is repayable in 48 monthly instalments commencing July 2005.

The bank loan D bears interest at effective rate of 0.75% per annum above the bank's prime rate of 4.25% commencing from August 2005. The bank loan D is repayable in 48 monthly instalments in 2 tranches commencing September 2005 and January 2006 respectively.

Bank loan E bears interest at the bank's prime rate at 5.25% per annum and is payable in 36 monthly instalments commencing December 2006.

22. Finance lease obligations

The Group's property, plant and equipment include leased plant and machinery and motor vehicles used in the business operations of the Precision engineering and assembly as well as Trading and distribution divisions. These leases are classified as finance leases and expire over the next 5 years. Finance lease terms range from 4 to 7 years and do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rates in the leases range from 3.67% to 6.61% (2007: 3.67% to 6.61%) per annum. Finance lease obligations are denominated in Singapore dollars.

22. Finance lease obligations (cont'd)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows :

	Maturities	Minimum lease payments 2008 \$	Present value of payments 2008 \$	Minimum lease payments 2007 \$	Present value of payments 2007 \$
Group					
Not later than one year	2009	1,234,305	1,160,330	1,451,978	1,309,802
Later than one year but not later than five years	2012	867,601	829,492	2,096,847	1,984,834
Later than five years	2014	–	–	5,070	5,001
Total minimum lease payments		2,101,906	1,989,822	3,553,895	3,299,637
Less: amounts representing finance charges		(112,084)	–	(254,258)	–
Present value of minimum lease payments		1,989,822	1,989,822	3,299,637	3,299,637
Company					
Not later than one year	2009	31,428	25,441	31,428	24,106
Later than one year but not later than five years	2012	99,832	89,476	126,190	109,916
Later than five years	2014	–	–	5,070	5,001
Total minimum lease payments		131,260	114,917	162,688	139,023
Less: amounts representing finance charges		(16,343)	–	(23,665)	–
Present value of minimum lease payments		114,917	114,917	139,023	139,023

23. Deferred taxation

Deferred tax liabilities relate to the following :

	2008	Group	2007
	\$		\$
Deferred tax liabilities			
Excess of net carrying value over tax written down value of property, plant and equipment	(823,224)		(906,455)
Revaluation of leasehold property to fair value	(83,337)		(85,684)
Other sundry temporary differences	(125,374)		(125,376)
	<u>(1,031,935)</u>		<u>(1,117,515)</u>
Deferred tax assets			
Excess of tax written down value over net carrying value of property, plant and equipment	154,289		93,735
Provisions	147,778		39,325
Unutilised tax loss	256,283		–
Tax rebates	173,557		172,805
Others	–		18,900
	<u>731,907</u>		<u>324,765</u>
Gross deferred tax liabilities	<u>(1,031,935)</u>		<u>(1,117,515)</u>
Gross deferred tax assets			<u>324,765</u>
Net deferred tax liabilities	<u>(300,028)</u>		<u>(792,750)</u>

24. Share capital

	2008	Group and Company		2007
	No. of shares	2008	2007	2007
		\$	No. of shares	\$
<i>Ordinary shares issued and fully paid</i>				
At beginning of the year	104,440,980	12,314,168	104,390,980	12,306,918
Exercise of share options (Note 26)	–	–	50,000	7,250
At end of the year	<u>104,440,980</u>	<u>12,314,168</u>	<u>104,440,980</u>	<u>12,314,168</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The Company has a share option scheme (Note 26) under which options to subscribe for the Company's ordinary shares have been granted to employees.

25. Other reserves

(i) Share option reserve

Share option reserve represents the equity-settled share options granted to employees (Note 26(a)). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

	Group and Company	
	2008	2007
	\$	\$
At beginning of the year	542,228	420,711
Grant of equity-settled share options	-	121,517
	<u>542,228</u>	<u>542,228</u>
At end of the year	<u>542,228</u>	<u>542,228</u>

(ii) Revaluation reserve

The revaluation reserve records increases in the fair value of leasehold property and decreases to the extent that such decreases relates to increases on the same asset previously recognised in equity.

	Group	
	2008	2007
	\$	\$
At beginning of the year	39,300	56,140
Transfer from revaluation reserve to accumulated profits arising from difference between depreciation based on the revalued leasehold property and the asset's original cost	(13,181)	(26,361)
Net effect of a change in tax rate	-	9,521
	<u>26,119</u>	<u>39,300</u>
At end of the year	<u>26,119</u>	<u>39,300</u>

(iii) Statutory reserves

In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), Santak Metal Manufacturing (Wuxi) Co., Ltd. and Wuxi Tech Precision Engineering Co., Ltd. (the "subsidiary companies") are required to set up statutory reserves by way of appropriations from their statutory net profit. The subsidiary companies are required to allocate at least 10% of their net profit after taxation to the statutory reserves until the balance of their respective statutory reserves reach 50% of their respective registered capital. The statutory reserves may be used to offset accumulated losses or increase the registered capitals of the subsidiary companies, amongst others, which are subject to the approval from the PRC authorities.

25. Other reserves (cont'd)

(iii) Statutory reserves (cont'd)

	2008	Group	2007
	\$		\$
At beginning of the year	694,645		563,097
Appropriations of profits during the year	–		131,548
At end of the year	<u>694,645</u>		<u>694,645</u>

(iv) Translation reserve

The translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	2008	Group	2007
	\$		\$
At beginning of the year	(35,670)		(228,120)
Net effect of exchange differences arising from translation of financial statements of foreign operations	<u>(57,418)</u>		<u>192,450</u>
At end of the year	<u>(93,088)</u>		<u>(35,670)</u>

(v) Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

	2008	Group	2007
	\$		\$
At beginning and end of the year	<u>(55,870)</u>		<u>(55,870)</u>

26. Employee benefits

	2008	Group	2007
	\$		\$
Employee benefits expense			
(including executive directors) :			
Wages, salaries and bonuses	8,628,251		8,071,794
Employer's contribution to defined contribution plans including Central Provident Fund	1,413,147		1,169,479
Expense of share options granted (Note a)	–		121,517
Other personnel expenses	633,097		761,068
	<u>10,674,495</u>		<u>10,123,858</u>

(a) Santak Share Option Scheme 2001

The Santak Share Option Scheme 2001 (the "Scheme") was approved and adopted at the Company's Extraordinary General Meeting held on 12 March 2001 to enable eligible Directors and employees of the Company and of the Group, other than controlling shareholders of the Company and their associates, to participate in the equity of the Company. The Scheme is administered by the Remuneration Committee.

The total number of new shares over which options may be granted pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company on the date immediately preceding the offer date of the options ("Offer Date"). All options to be issued to executives of the Group and non-executive Directors of the Company will have a term no longer than 10 years and 5 years respectively. Persons who are controlling shareholders and their associates shall not be eligible to participate in the Scheme. The exercise price of all options granted for new ordinary shares of the Company must not be less than 80% of the average of the last dealt prices of the shares of the Company for the five market days preceding the Offer Date as determined by the Remuneration Committee. Options granted at market price are exercisable after the first anniversary of the Offer Date. Options granted at a discount to market price are not exercisable before the second anniversary of the Offer Date. The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of \$1.

26. Employee benefits (cont'd)

(a) Santak Share Option Scheme 2001 (cont'd)

Details of the number and weighted average exercise prices ("WAEP") of, and the movements in share options during the year are as follows :

	No. 2008 '000	WAEP 2008 \$	No. 2007 '000	WAEP 2007 \$
Outstanding at beginning of year	8,770	0.206	8,820	0.205
Exercised during the year ¹	–	–	(50)	0.145
Lapsed during the year	(280)	0.239	–	–
Outstanding at end of year ²	8,490	0.205	8,770	0.206
Exercisable at end of year	8,490	0.205	8,770	0.206

¹ In 2007, the weighted average share price at the date of exercise for the options exercised was \$0.255.

² The range of exercise prices for options outstanding at the end of the year was \$0.145 to \$0.239 (2007: \$0.145 to \$0.239). The weighted average remaining contractual life for these options is 5.5 years (2007: 6.5 years).

No new share options have been granted during the year. In 2006, the fair value of share options as at the date of grant was estimated using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used are shown below:

Dividend yield (%)	1.784
Expected volatility (%)	64.7
Historical volatility (%)	64.7
Risk-free interest rate (%)	2.46
Expected life of option (years)	4
Weighted average share price at grant date (\$)	<u>0.225</u>

The expected life of the options was based on historical data and was not necessarily indicative of exercise patterns that might occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which might also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

27. Commitments and contingent liabilities

(a) Operating lease commitments

The Group has various operating lease agreements for its offices and factory premises. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Operating lease payments recognised in the consolidated profit and loss account during the year amounted to \$453,768 (2007: \$435,494).

Future minimum lease payments payable under non-cancellable operating leases as at 30 June are as follows :

	2008	Group	2007
	\$		\$
Not later than one year	369,045		356,628
Later than one year but not later than five years	707,043		921,233
Later than five years	4,802,318		4,605,984
	<u>5,878,406</u>		<u>5,883,845</u>

(b) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows :

	2008	Group	2007
	\$		\$
Commitments in respect of contracts placed not provided for in the financial statements	139,000		47,000
	<u>139,000</u>		<u>47,000</u>

(c) Contingent liabilities

Corporate guarantees

The Company issued corporate guarantees amounting to approximately \$9,226,000 (2007: \$11,169,000) in favour of certain financial institutions for banking and finance lease facilities granted to certain subsidiary companies.

28. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

(a) Purchase of services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties :

Related parties	Rendering of advisory services	
	2008	2007
	\$	\$
Controlling shareholder	454,000	461,000
Other director's interest	136,000	136,000

Other director's interest

The Company has entered into a contract with Strategic Alliance Capital Pte Ltd ("SAC"), a company of which a director of the Company is a member and has a substantial financial interest, for the provision of advisory and consultancy services. As at 30 June 2008, \$40,000 (2007: \$40,000) due to SAC was outstanding.

(b) Compensation of key management personnel

	Group	
	2008	2007
	\$	\$
Salaries and other short-term employee benefits	1,490,262	1,523,923
Employer's contribution to defined contribution plans including Central Provident Fund	63,106	59,618
Expense of share options granted	–	88,815
Key management personnel compensation expenses	1,553,368	1,672,356

Including in the above is total compensation paid/payable to Directors of the Company amounted to \$ 425,931 (2007: \$437,072).

28. Related party disclosures (cont'd)

(b) Compensation of key management personnel (cont'd)

Directors' interests in an employee share option plan

At 1 July 2007 and 30 June 2008, three of the Company's Directors held options to purchase ordinary shares of the Company under the Santak Share Option Scheme 2001 (Note 26a), as follows :

- 800,000 ordinary shares at a price of \$0.145 each, exercisable between 22 June 2005 and 21 June 2009;
- 600,000 ordinary shares at a price of \$0.145 each, exercisable between 22 June 2005 and 21 June 2014;
- 1,400,000 ordinary shares at a price of \$0.239 each, exercisable between 15 September 2006 and 14 September 2010; and
- 800,000 ordinary shares at a price of \$0.239 each, exercisable between 15 September 2006 and 14 September 2015.

No share option was granted or exercised by the Directors during the year.

29. Segment information

(i) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

(ii) Business segments

The Group is organised on a world wide basis into three main operating divisions, namely Precision engineering and assembly, Trading and distribution and Investment and management services :

Precision engineering and assembly :	Manufacture of precision machined components, sub-assembly, die-casting as well as mould/fixture design and fabrication.
Trading and distribution :	Trading and distribution of electronic, electrical and mechanical components/products.
Investment and management services :	Investments holding, provision of management, administrative, supervisory and consultancy services to Group entities.

Inter-segment pricing is on an arm's length basis. Segment accounting policies are the same as the policies of the Group as described in Note 2.

29. Segment information (cont'd)**(iii) Geographical segments**

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers where goods sold are delivered to.

(iv) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and deferred tax liabilities, and related expenses.

Transfer prices between business segments are set on arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

29. Segment information (cont'd)

(a) Business segment

The following table present revenue and results information regarding the Group's business segments for the years ended 30 June 2008 and 2007.

2008	Precision engineering and assembly \$	Trading and distribution \$	Investment and management services \$	Inter-segment eliminations \$	Total \$
Revenue					
Sales to external customers	59,254,967	3,142,418	–	–	62,397,385
Inter-segment sales	1,020,820	16,521	2,874,000	(3,911,341)	–
Total revenue	<u>60,275,787</u>	<u>3,158,939</u>	<u>2,874,000</u>	<u>(3,911,341)</u>	<u>62,397,385</u>
Results					
Segment results	4,346,296	7,550	1,578,207	(1,327,712)	4,604,341
Financial expenses (net)					<u>(483,215)</u>
Profit before taxation					4,121,126
Taxation					<u>(509,011)</u>
Profit for the year					<u>3,612,115</u>
Assets and liabilities					
Segment assets	53,451,631	1,681,915	16,248,583	(13,101,868)	58,280,261
Unallocated assets					<u>989,003</u>
Total assets					<u>59,269,264</u>
Segment liabilities	30,709,267	1,279,647	563,744	(4,738,671)	27,813,987
Unallocated liabilities					<u>2,072,272</u>
Total liabilities					<u>29,886,259</u>
Other segment information					
Capital expenditure					
• Property, plant and equipment	2,234,578	168	11,506	–	2,246,252
• Intangible assets	59,247	–	–	–	59,247
Depreciation and amortisation	4,284,257	2,985	89,349	–	4,376,591
Other significant non-cash expenses	1,195,504	1,700	–	–	<u>1,197,204</u>

29. Segment information (cont'd)

(a) Business segment (cont'd)

2007	Precision engineering and assembly \$	Trading and distribution \$	Investment and management services \$	Inter-segment eliminations \$	Total \$
Revenue					
Sales to external customers	57,259,260	5,083,173	–	–	62,342,433
Inter-segment sales	2,457,612	6,575	3,152,341	(5,616,528)	–
Total revenue	59,716,872	5,089,748	3,152,341	(5,616,528)	62,342,433
Results					
Segment results	4,557,859	10,445	1,768,545	(1,649,950)	4,686,899
Financial expenses (net)					(489,162)
Profit before taxation					4,197,737
Taxation					(505,546)
Profit for the year					3,692,191
Assets and liabilities					
Segment assets	45,140,501	1,892,086	15,741,449	(13,735,567)	49,038,469
Unallocated assets					581,861
Total assets					49,620,330
Segment liabilities	23,945,513	1,436,665	678,304	(5,444,235)	20,616,247
Unallocated liabilities					2,131,365
Total liabilities					22,747,612
Other segment information					
Capital expenditure					
• Property, plant and equipment	5,321,753	3,167	194,607	–	5,519,527
• Intangible assets	38,941	–	–	–	38,941
Depreciation and amortisation	4,222,127	8,147	63,616	–	4,293,890
Other significant non-cash expenses	375,247	10,564	–	–	385,811

29. Segment information (cont'd)**(b) Geographical segment**

	Turnover	Assets	Capital expenditure
	\$	\$	\$
2008			
Singapore	1,731,679	19,435,522	103,893
Asean (excluding Singapore)	20,121,733	2,651,979	–
North Asia	40,134,918	36,858,170	2,201,606
America and Europe	408,267	323,593	–
Others	788	–	–
Total	<u>62,397,385</u>	<u>59,269,264</u>	<u>2,305,499</u>
2007			
Singapore	1,386,180	20,392,564	1,762,078
Asean (excluding Singapore)	20,485,856	2,669,750	–
North Asia	39,156,259	26,070,000	3,796,390
America and Europe	1,312,840	488,016	–
Others	1,298	–	–
Total	<u>62,342,433</u>	<u>49,620,330</u>	<u>5,558,468</u>

30. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank borrowings, lease obligations, fixed deposits and cash and bank balances. The main purpose of these financial instruments is to finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group's overall approach to risk management is to minimise potential adverse effects on the financial performance of the Group.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their fixed deposits, cash and bank balances and bank borrowings.

The Group manages its interest costs by obtaining the most favourable interest rates available without increasing its foreign currency exposure. Surplus funds are placed with reputable banks and/or financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2008

30. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

The following tables set out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk.

Group	Variable rate			Fixed rate			Total
	Within 1 year	Over 5 years	Within 1 year	1 to 5 years	Over 5 years	Non-interest bearing	
	\$	\$	\$	\$	\$	\$	\$
<i>At 30 June 2008</i>							
Assets							
Cash and cash equivalents	3,195,279	-	3,121,747	-	-	2,939,221	9,256,247
Trade and other debtors	-	-	-	-	-	19,082,416	19,082,416
Other financial assets	-	-	-	-	-	316,995	316,995
Non-financial assets	-	-	-	-	-	30,613,606	30,613,606
Total assets	3,195,279	-	3,121,747	-	-	52,952,238	59,269,264
Liabilities							
Term loans	2,693,372	3,871,368	402,124	-	-	-	6,966,864
Finance lease obligations	-	-	1,160,330	829,492	-	-	1,989,822
Trade and other creditors	-	-	-	-	-	18,857,301	18,857,301
Non-financial liabilities	-	-	-	-	-	2,072,272	2,072,272
Total liabilities	2,693,372	3,871,368	402,124	1,160,330	829,492	20,929,573	29,886,259

NOTES TO THE FINANCIAL STATEMENTS

30 June 2008

30. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Group At 30 June 2007	Variable rate			Fixed rate		Non-interest bearing \$	Total \$
	Within 1 year \$	Over 5 years \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$		
Assets							
Cash and cash equivalents	3,298,376	-	2,080,389	-	-	2,330,438	7,709,203
Trade and other debtors	-	-	-	-	-	8,602,395	8,602,395
Other financial assets	-	-	-	-	-	293,812	293,812
Non-financial assets	-	-	-	-	-	33,014,920	33,014,920
Total assets	3,298,376	-	2,080,389	-	-	44,241,565	49,620,330
Liabilities							
Term loans	2,263,470	4,752,864	484,481	-	-	-	7,500,815
Finance lease obligations	-	-	1,309,802	1,984,834	5,001	-	3,299,637
Trade and other creditors	-	-	-	-	-	9,815,795	9,815,795
Non-financial liabilities	-	-	-	-	-	2,131,365	2,131,365
Total liabilities	2,263,470	4,752,864	1,309,802	1,984,834	5,001	11,947,160	22,747,612

30. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

	Fixed rate			Non-interest bearing	Total
	Within 1 year	1 to 5 years	Over 5 years		
	\$	\$	\$	\$	\$
Company					
<i>At 30 June 2008</i>					
Assets					
Cash and cash equivalents	3,121,747	–	–	169,156	3,290,903
Trade and other debtors	–	–	–	1,786	1,786
Other financial assets	–	–	–	4,068,587	4,068,587
Non-financial assets	–	–	–	8,887,307	8,887,307
Total assets	3,121,747	–	–	13,126,836	16,248,583
Liabilities					
Finance lease obligations	25,441	89,476	–	–	114,917
Trade and other creditors	–	–	–	448,827	448,827
Non-financial liabilities	–	–	–	98,196	98,196
Total liabilities	25,441	89,476	–	547,023	661,940
<i>At 30 June 2007</i>					
Assets					
Cash and cash equivalents	2,080,389	–	–	42,979	2,123,368
Trade and other debtors	–	–	–	22,554	22,554
Other financial assets	–	–	–	4,649,677	4,649,677
Non-financial assets	–	–	–	8,964,750	8,964,750
Total assets	2,080,389	–	–	13,679,960	15,760,349
Liabilities					
Finance lease obligations	24,106	109,916	5,001	–	139,023
Trade and other creditors	–	–	–	539,281	539,281
Non-financial liabilities	–	–	–	15,635	15,635
Total liabilities	24,106	109,916	5,001	554,916	693,939

30. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD interest rates had been 50 (2007: 50) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been approximately S\$15,000 (2007: S\$17,000) higher/lower, arising mainly as a result of higher/lower interest income from floating rate bank balances and lower/higher expense on floating rate bank borrowings.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To manage liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and Company's operations and mitigate the effect of fluctuations in cash flows.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at balance sheet date based on the contractual undiscounted payments.

	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000
2008				
Group				
Trade and other creditors	18,857,301	–	–	18,857,301
Lease obligations	1,234,305	867,601	–	2,101,906
Term loans	2,693,372	4,273,492	–	6,966,864
Company				
Trade and other creditors	448,827	–	–	448,827
Lease obligations	31,428	99,832	–	131,260
2007				
Group				
Trade and other creditors	9,815,795	–	–	9,815,795
Lease obligations	1,451,978	2,096,847	5,070	3,553,895
Term loans	2,263,470	5,237,345	–	7,500,815
Company				
Trade and other creditors	539,281	–	–	539,281
Lease obligations	31,428	126,190	5,070	162,688

30. Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other debtors. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Group's objective is to seek continual revenue growth while minimising losses incurred due to credit risk exposure. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At balance sheet date, the Group has 79% (2007: 52%) of its trade debts relating to one major customer. The carrying amount of trade and other debtors, other investments, prepayments, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. Cash and bank balances are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains an allowance for doubtful trade debts based upon expected collectability of all trade debts.

Information regarding trade debtors that are either past due or impaired is disclosed in Note 15.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade debtors on an on-going basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows:

	2008		Group		2007	
	\$'000	% of total	\$'000		\$'000	% of total
By country:						
Singapore	725,221	4	527,689			6
People's Republic of China	15,322,748	80	4,853,515			57
Asia excluding Singapore	2,651,201	14	2,667,746			31
Other countries	323,592	2	488,016			6
	19,022,762	100	8,536,966			100
By business segments:						
Precision engineering and assembly	18,369,687	97	7,880,717			92
Trading and distribution	653,075	3	656,249			8
	19,022,762	100	8,536,966			100

30. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Foreign exchange risk

The Group is exposed to the effects of foreign exchange rate fluctuations mainly because of its foreign currency denominated operating revenues and expenses, assets and liabilities as well as net investments in foreign operations, primarily in Chinese Renminbi and US dollars. The Group has certain investments in foreign countries mainly in People's Republic of China, whose net assets are exposed to foreign currency translation risks. The Group manages its foreign exchange exposure by matching, as far as possible, receipts and payments in each individual currency.

The Group currently does not enter into derivative foreign exchange contracts to hedge its foreign exchange risk resulting from cash flows from transactions denominated in foreign currencies. However, the Group reviews periodically that its net exposure is kept at an acceptable level and will consider hedging any material foreign exchange exposure should the need arise. Approximately 65% (2007: 66%) of the Group's sales are denominated in the functional currency of the operating unit making the sale, while approximately 97% (2007: 96%) of costs of sales are denominated in the respective functional currencies of the Group's entities.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant, of the Group's profit net of tax.

		Group Profit net of tax	
		2008	2007
		\$'000	\$'000
USD/SGD	- strengthened 3% (2007: 3%)	+88	+81
	- weakened 3% (2007: 3%)	-88	-81
USD/RMB	- strengthened 3% (2007: 3%)	-1	+8
	- weakened 3% (2007: 3%)	+1	-8
SGD/USD	- strengthened 3% (2007: 3%)	+12	+5
	- weakened 3% (2007: 3%)	-12	-5

31. Fair value of financial instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Financial instrument whose carrying amount approximate fair value

- Cash and bank balances, fixed deposits, short-term receivables and short-term payables

The carrying amount of cash and bank balances, fixed deposits, short-term receivables and short-term payables approximate their fair value due to their short-term nature.

- Finance lease obligations and term loans

The carrying amount of finance lease obligations and term loans approximate their fair value as at balance sheet date. The fair value are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements.

Financial instruments carried at fair value

The Group has carried other investments that are classified as available-for-sale financial assets at their fair value as required by FRS 39.

Set out below is a comparison by category of carrying amounts of the Group's and the Company's financial instruments that are carried in the financial statements :

Group	Loans and receivables	Available for sale	Liabilities at amortised cost
	\$	\$	\$
At 30 June 2008			
Assets			
Other investments (Note 12)	–	316,995	–
Trade debtors (Note 15)	19,022,762	–	–
Other debtors and deposits (Note 16)	59,654	–	–
Cash and cash equivalents (Note 18)	9,256,247	–	–
Liabilities			
Trade creditors (Note 19)	–	–	15,522,784
Other creditors and accruals (Note 20)	–	–	3,334,517
Term loans, secured (Note 21)	–	–	6,966,864
Finance lease obligations (Note 22)	–	–	1,989,822
Total	28,338,663	316,995	27,813,987

31. Fair value of financial instruments (cont'd)

Financial instruments carried at fair value (cont'd)

Group	Loans and receivables \$	Available for sale \$	Liabilities at amortised cost \$
At 30 June 2007			
Assets			
Other investments (Note 12)	–	293,812	–
Trade debtors (Note 15)	8,536,966	–	–
Other debtors and deposits (Note 16)	65,429	–	–
Cash and cash equivalents (Note 18)	7,709,203	–	–
Liabilities			
Trade creditors (Note 19)	–	–	7,219,959
Other creditors and accruals (Note 20)	–	–	2,595,836
Term loans, secured (Note 21)	–	–	7,500,815
Finance lease obligations (Note 22)	–	–	3,299,637
Total	16,311,598	293,812	20,616,247
Company			
At 30 June 2008			
Assets			
Other debtors and deposits (Note 16)		1,786	–
Due from subsidiary companies, non-trade (Note 17)		2,700,587	–
Dividend receivable		1,368,000	–
Cash and cash equivalents (Note 18)		3,290,903	–
Liabilities			
Other creditors and accruals (Note 20)		–	448,827
Finance lease obligations (Note 22)		–	114,917
Total		7,361,276	563,744
At 30 June 2007			
Assets			
Other debtors and deposits (Note 16)		22,554	–
Due from subsidiary companies, non-trade (Note 17)		3,299,677	–
Dividend receivable		1,350,000	–
Cash and cash equivalents (Note 18)		2,123,368	–
Liabilities			
Other creditors and accruals (Note 20)		–	539,281
Finance lease obligations (Note 22)		–	139,023
Total		6,795,599	678,304

32. Capital management

The primary objective of the Group's capital management is to maintain a strong capital base in order to maintain investors, creditors and market confidence and to sustain future development of the business. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the Group's approach to capital management during the year.

As disclosed in Note 25(iii), two subsidiary companies of the Group is required by the laws and regulations of the PRC to contribute to and maintain restricted statutory reserves whose utilisation are subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary companies for the financial years ended 30 June 2008 and 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade creditors and other creditors and accruals, less cash and cash equivalents. Capital means all equities attributable to the equity holders of the Company less the fair value adjustment reserve and the abovementioned restricted statutory reserves. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	Group	
	2008	2007
	\$	\$
Term loans (Note 21)	6,966,864	7,500,815
Trade creditors (Note 19)	15,522,784	7,219,959
Other creditors and accruals (Note 20)	3,334,517	2,595,836
Obligations under finance leases (Note 22)	1,989,822	3,299,637
Less: - Cash and cash equivalents (Note 18)	(9,256,247)	(7,709,203)
<i>Net debt</i>	18,557,740	12,907,044
Equity attributable to the equity holders of the Company	29,383,005	26,872,718
Less: - Fair value adjustment reserve (Note 25v)	55,870	55,870
- Statutory reserves (Note 25iii)	(694,645)	(694,645)
<i>Total capital</i>	28,744,230	26,233,943
Capital and net debt	47,301,970	39,140,987
Gearing ratio	39%	33%

33. Authorisation of financial statements

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2008 were authorised for issue in accordance with a resolution of the Directors on 18 September 2008.

Report on corporate governance

This report is prepared in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) to describe our corporate governance practices with reference to the Code of Corporate Governance 2005 (“Code”). The Board is pleased to report the Company’s compliance with the Code except where otherwise explained. In areas where we have not complied with the Code, the Group will continue to assess its needs and implement appropriate measures accordingly.

Board matters

The Board comprises six directors, of which consist of two Independent Directors, two Non-Executive Directors and two Executive Directors. The Board believes that the existing two Independent Directors, both of whom have many years of business and financial experience, are able to serve the present needs of the Group. The Board has taken into account the scope and nature of the operations of the Company and considers its current size to be adequate for effective decision making. The composition of the Board will be reviewed regularly and changes will be made as and when appropriate. Key information regarding the directors is set out on pages 84 to 85 of the Annual Report.

The Board meets at least twice a year and additional meetings are held whenever necessary. The Board of Directors are free to request for further clarification and information from management on all matters within their purview. In addition, informal discussions to exchange views on any aspect of the Group’s operations or business are held as and when the need arises. The Company’s Articles of Association provide for meetings of the Board to be conducted by way of telephone conference or similar means of communication. The number of meetings held in the financial year ended 30 June 2008 and the attendance of the directors are as follows:

Name of Director	Board Appointment	Date of Appointment (Date of Last Re-election/ *Re-appointment)	Board		Audit Committee		Remuneration Committee	
			No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lee Keen Whye	Non-Executive Chairman/ Independent Director	12 March 2001 (30 October 2007)	2	2	2	2	1	1
Ng Weng Wei	Executive Director	12 March 2001 (13 October 2005)	2	2	2	2#	1	1
Tan Sin Hock	Executive Director	12 March 2001 (27 October 2006)	2	2	2	2#	NA	NA
Tan Ah Wo	Non-Executive Director	17 February 2001 (27 October 2006)	2	–	NA	NA	NA	NA
Heng Kheng Hwai	Non-Executive Director	12 March 2001 (30 October 2007)	2	2	2	2	NA	NA
Ch’ng Jit Koon	Independent Non-Executive Director	12 March 2001 (*30 October 2007)	2	2	2	2	1	1

Notes:

NA: Not applicable

#: Attendance by invitation

*: Re-appointment pursuant to Section 153(6) of the Companies Act, Chapter 50

Board matters (cont'd)

Apart from its statutory duties and responsibilities, the Board undertakes the following:-

- (i) supervises the management of the business and affairs of the Group;
- (ii) approves the Group's strategic directions, major capital investments and divestments and major funding decisions;
- (iii) reviews the financial performance of the Group;
- (iv) approves nominations of directors and appointments to Board committees; and
- (v) assumes responsibility for corporate governance.

These functions are carried out either directly by the Board or through Board committees or through a system of delegation to management staff. Such delegation improves operational efficiency and encourages management decision making while maintaining control over major Group policies and decisions. Examples of matters which are specifically reserved for the Board's decision are (a) matters involving a conflict of interest with a substantial shareholder or director, (b) approval of accounts and results announcements, (c) dividend payments or other returns to shareholders, (d) convening of shareholders' meetings, (e) corporate restructuring and share issuance, and (f) significant acquisitions and disposals.

Management provides the Board with reports of the Company's performance, financial position and prospects as well as papers containing relevant background or explanatory information required to support the decision making process. The Board has separate and independent access to senior management and the Company Secretary who will assist them in discharging their duties and responsibilities. In addition, the Company works closely with professionals to provide the Board with updates of the changes to relevant laws, regulations and accounting standards. Newly appointed directors are given an orientation on the Group's business operations.

To ensure an appropriate balance of power and increased accountability, the Company has a clear division of responsibilities at the top of the Company. The Chairman is a Non-Executive Chairman who is independent from the daily operations of the business.

The Chairman's responsibilities include, inter-alia, the following:

- a) the scheduling and chairing of Board meetings;
- b) the controlling of the quality, quantity and timeliness of information supplied to the Board;
- c) ensuring compliance with the Company's guidelines on corporate governance; and
- d) encourage constructive relations between the Board and Management.

The role of the Company Secretary is clearly defined and includes the responsibility of ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary and/or her representative attends all Board Meetings.

Should directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Nominating committee

The Company has not set up a Nominating Committee as the Board believes that the role of this committee is appropriately fulfilled by the Board.

The Board will review all candidates nominated for appointment as directors. It will also consider and recommend directors who retire by rotation for re-election at each Annual General Meeting (“AGM”) of the Company.

Pursuant to the Company’s Articles of Association, all directors submit themselves for re-election at least once every three years. The Board has recommended that Mr. Ng Weng Wei be nominated for re-election as a Director at the forthcoming AGM. In addition, the Board has also recommended the re-appointment of Mr Ch’ng Jit Koon as a Director pursuant to Section 153(6) of the Companies Act, Chapter 50.

The Board has assessed the independence of the Independent Directors after considering the recommendations set out in the Code and other salient factors and is of the opinion that they are independent. The Board is satisfied that all directors have sufficient time and resources to attend to the affairs of the Group.

The Board will review and consider the qualifications and experience of the nominated director before the Director is appointed on Board.

In the opinion of the Board, its performance is ultimately reflected in the performance of the Group. The Board shall carry out their duties in the best interests of the Company and its shareholders. Further, the Board takes the view that an assessment of the Board’s performance as a whole correspondingly reflects the contribution of each director. Therefore, no evaluation of an individual director’s contribution was deemed necessary.

Remuneration committee

The Remuneration Committee (“RC”) comprises three Directors, of whom two are Independent Directors. The RC is chaired by Mr Lee Keen Whye, the Non-Executive Chairman of the Board. The other members are Mr Ch’ng Jit Koon and Mr Ng Weng Wei. The Board is of the opinion that the membership of Mr Ng Weng Wei, Executive Director, would not give rise to potential conflict of interest as Mr Ng is not involved in deciding his own remuneration. The RC had adopted a written terms of reference, which set out its functions and responsibilities.

The RC is responsible for recommending to the Board a framework of remuneration for the Board and key executives, and to determine specific remuneration packages for each Executive Director. The RC’s recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The RC covers all aspects of remuneration, including but not limited to directors’ fees, salaries, allowances, bonuses, options, and benefits in kind.

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate directors and senior management with the required experience and expertise to run the Group successfully. The Board also ensures that the remuneration policy supports the Company’s objectives and strategies. The framework of remuneration adopted by the Group is one that comprises a fixed component and a variable component. The variable component is linked to the performance of the respective entity of the Group in which an individual staff is employed as well as the performance of the individual.

Remuneration committee (cont'd)

No director is involved in determining his own remuneration. All directors, except for directors who are controlling shareholders with shareholdings of 15% or more and their associates, are eligible for the share options under the Santak Share Option Scheme 2001 (the "Scheme") which is administered by the RC.

The following table shows a breakdown of the remuneration of directors of the Company for the financial year ended 30 June 2008.

Directors' Remuneration

Remuneration Bands	Salary	Bonus⁽¹⁾	Fee⁽²⁾	Other Benefits	Total
Directors	%	%	%	%	%
Below S\$250,000					
Lee Keen Whye	–	–	100	–	100
Ng Weng Wei	71	16	6	7	100
Tan Sin Hock	67	15	14	4	100
Tan Ah Wo	–	–	100	–	100
Heng Kheng Hwai	–	–	100	–	100
Ch'ng Jit Koon	–	–	100	–	100

Notes:

- (1) The bonus amount is inclusive of annual wage supplement ("AWS") of 1 month for the financial year.
- (2) These fees are subject to the approval of the shareholders at the AGM for FY2008. Non-Executive Directors are paid directors' fees compensated based on time and effort.
- (3) The table above excludes Share Options which are described in the Report of the Directors on pages 8 to 11.

Total annual remuneration received by each of the five key executives in the Group (excluding the Executive Directors of the Company) did not exceed S\$250,000 except for Mr Tan Chor Tat, Steven who was in the remuneration band of S\$250,000 to S\$499,999 for the financial year. Details on share options granted to the eligible employees pursuant to the Scheme are set out in the Report of Directors on pages 8 to 11.

The adjustments to the remuneration packages of employees who are related to a director and substantial shareholder are subject to the annual review of the RC. For the financial year ended 30 June 2008, the total remuneration paid to these employees amounted to S\$209,000 (2007: S\$208,000). There is no employee who is an immediate family member of a director or substantial shareholder whose remuneration exceeds S\$150,000 for the financial year ended 30 June 2008.

Accountability and audit

Audit Committee

The Board is accountable to Shareholders for the management of the Group. The Board will update Shareholders on the operations and financial position of the Company through half yearly results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

The Board has established an Audit Committee (“AC”) and has approved the written terms of reference which set out its functions and responsibilities. The AC consists of three members, two of whom are Independent Directors and one Non-Executive Director. The Chairman of the AC is the Non-Executive Chairman of the Board, Mr Lee Keen Whye. The other members are Mr Ch’ng Jit Koon and Ms Heng Kheng Hwai.

The Committee meets periodically, at least twice a year. The functions of the Audit Committee include:

- (1) reviewing with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit;
- (2) reviewing with external auditors, their evaluation of the system of internal financial controls, the Management Letter and management’s response therefrom;
- (3) reviewing the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board and the external auditors’ report on these financial statements;
- (4) reviewing half-year and full year financial results before submission to the Board for approval;
- (5) reviewing the independence of external auditors and the nomination of their re-appointment as auditors of the Company;
- (6) reviewing all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;
- (7) reviewing the assistance given by the management to the external auditors; and
- (8) reviewing interested person transactions falling within the scope of the SGX-ST Listing Manual.

The AC is authorised to investigate any matters within its terms of reference and has been given full access to and is provided with the co-operation of the Company’s management. The AC has reasonable resources to enable it to discharge its functions properly. The AC has full discretion to invite any director or management staff to attend its meetings. The AC also meets with the external auditors without the presence of the Company’s management.

Accountability and audit (cont'd)

Audit Committee (cont'd)

The AC, having reviewed the volume of non-audit services to the Company by the external auditors during the year, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

The Board is responsible for ensuring that management maintains a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's external auditors, Ernst & Young LLP, carry out, in the course of their statutory audit, a review of the effectiveness of the Group's material internal controls. The AC reviews with external auditors their evaluation of the system of internal controls, the Management Letter and management's response therefrom.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls that has been maintained by the Group's management throughout the financial year up to the date of this report is adequate to meet the needs of the Group in its current business environment. Based on considerations of the number of offices and factories the Group has, the nature and complexity of its operations as well as cost-effectiveness, the Group currently has not set up a separate internal audit function. The Company will review the need for an internal audit function at the appropriate time.

Communication with shareholders

Information is disseminated via SGXNET and the Company website (<http://www.santak.com.sg>). Price-sensitive information is publicly released through announcements within the mandatory period in accordance with SGX-ST listing rules.

All shareholders of the Company who are entitled to receive notice of meetings, will receive the Annual Report together with the notice of the AGM. The notice is also advertised in a local newspaper and made available on SGXNET. At AGMs, the Company encourages shareholders' participation and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to directors, including the chairperson of the AC. The Company ensures that there are separate resolutions at general meetings on each distinct issue.

The Company's Articles of Association allows a member of the Company to appoint one or two proxies to attend and vote at general meetings. The external auditors are also present to assist the directors in addressing any relevant queries from the shareholders.

Dealings in securities

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by key employees within the Group. This internal code has been disseminated to key employees of the Group. The Company confirmed that it has complied with best practices on dealing in securities as set out in Rule 1207 (18) of the Listing Manual.

Material contracts

There are no material contracts to which the Company or any subsidiary is a party and which involve directors' interests subsisting at the end of the financial year or have been entered into during the financial year, except as disclosed separately under Interested Person transactions on page 83.

Interested person transactions

The Company has established procedures whereby the AC will review all transactions with interested persons to ensure that the transactions are carried out at arm's length on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. The AC would ensure that the provisions of Chapter 9 of the Listing Manual of the SGX-ST and the internal procedures have been complied with.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Tan Chee Hawai ⁽¹⁾	S\$454,000	–
Strategic Alliance Capital Pte Ltd ("SAC") ⁽²⁾	S\$136,000	–

Notes:

(1) Mr. Tan is a controlling shareholder who has been engaged as Advisor to the Company.

(2) SAC, of which Mr. Lee Keen Whye is a member and has a substantial financial interest, has entered into an agreement with the Company in relation to the provision of advisory and consultancy services.

Risk management

Operation Risks

The main operational risks facing the Group include our dependence on the telecommunication, hard disk drive, fibreoptics, consumer electronics and computer industries, loss of any major customers, loss of key personnel and market price erosion of our products. Other risks include our inability to adapt to technological changes, increased competition, increased costs, failure of our key suppliers to meet demand, adverse changes in political, economic and regulatory environments in those countries that we operate in or trade with.

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

Financial risks

These are set out in Note 30 to the Financial Statements, on pages 67 to 73 of this Annual Report.

Directors and key executives profile

Directors

Mr Lee Keen Whye is the Non-Executive Chairman/Independent Director of our Group. He is also Chairman of both the Audit and Remuneration Committees. Mr Lee is currently the Managing Director of Strategic Alliance Capital Pte Ltd (“SAC”), a venture capital and investment management advisory company. Prior to founding SAC, Mr Lee was the founder and Managing Director of Rothschild Ventures Asia Pte Ltd, a member of the N M Rothschild & Sons global merchant banking group, and worked there from 1990 to 1997. He was Associate Director with Kay Hian James Capel Pte Ltd which he joined in 1987 as Head of Research for Singapore and Malaysia. Between 1985 and 1987, Mr Lee was based in California and worked with venture capital companies seeking investments in emerging growth companies. Prior to that, he was an Investment Manager with the Government of Singapore Investment Corporation. Mr Lee currently sits on the boards of several companies, including AFOR Limited, Ntegrator International Ltd, Ultro Technologies Limited and Oniontech Limited which are listed on the SGX-ST. Mr Lee holds a Master’s Degree in Business Administration from Harvard Business School and a Bachelor’s Degree in Business Administration from the University of Singapore.

Mr Ng Weng Wei is the Executive Director for Group Finance and Administration of our Group. He oversees the accounting, human resources and administrative functions as well as information systems in the Group. In addition, he handles our Group’s corporate finance and treasury activities. Mr Ng is also involved in the development of the business policies and strategies of our Group. Mr Ng joined our Group in March 2000 and before that, he was a Manager in an international accounting firm in Singapore. Prior to that, he worked as a Senior Accountant at an international accounting firm in Sydney from 1994 to 1996. Mr. Ng currently serves as an independent director on the board of China Taisan Technology Group Holdings Limited, a company listed on the SGX-ST. Mr Ng holds a Bachelor of Accountancy (Honours) Degree from Nanyang Technological University and is both a Chartered Accountant and Certified Public Accountant of The Institute of Chartered Accountants in Australia and The Institute of Certified Public Accountants of Singapore respectively. He is also a member of the Singapore Institute of Directors.

Mr Tan Sin Hock is an Executive Director of our Group. He joined us in May 1980 when Santak Metal was still a partnership. He has continued with us when Santak Metal was incorporated as a private limited company in October 1983. Over the 20 years, he had been involved in the Precision-Machined Components business of the Santak Group. He was one of our early pioneers involved in the introduction of CNC Machines into Santak Metal’s operation in 1983. He underwent overseas training at our machine suppliers’ manufacturing plants in Japan and Switzerland. Over the years, he held several operating portfolios at Santak Metal, including process planning, process troubleshooting and improvement, and equipment maintenance. He is currently responsible for equipment upgrading and plant maintenance.

Mr Tan Ah Wo is a Non-Executive Director of our Group. He is one of the co-founders of Santak Metal when it started as a partnership in 1978. He continued with Santak Metal when it was incorporated as a private limited company in October 1983. He was involved in the operational as well as the maintenance aspect of our precision machining plant. He carries with him many years of experience in the Precision-Machined Components industry. Mr Tan retired from our Group in December 2000.

Directors and key executives profile (cont'd)**Directors (cont'd)**

Ms Heng Kheng Hwai is a Non-Executive Director of our Group. She joined our Group in 1983 and took on the role of personal assistant to the Managing Director. She was also involved in the office administration work of our Group. Ms Heng left our Group in October 2000.

Mr Ch'ng Jit Koon is a Non-Executive Independent Director and member of both the Audit and Remuneration Committees. He also sits, in a similar capacity on the boards of several other public-listed and private companies. From 1968 to 1996, Mr Ch'ng was a Member of Parliament. He was holding the post of Senior Minister of State, Ministry of Community Development when he retired in February 1997. Mr Ch'ng, appointed a Justice of the Peace, is currently also serving in several community organizations.

Key Executives

Mr Tan Chor Tat, Steven is the General Manager/Director of our Precision Engineering & Assembly Division. Mr Tan joined the Precision Engineering & Assembly Division in January 2003 and is responsible for the operation, business development and marketing functions of the Division. He is also a Director of the Trading and Distribution Division. He holds a Diploma in Production Engineering from Singapore Polytechnic.

Mr Liu Wen Feng is the General Manager/Director of our Precision Engineering & Assembly Division's subsidiary companies in Wuxi, China. Mr Liu joined the Group in September 2008 and is responsible for the manufacturing operation and marketing function of our subsidiary companies in China. He holds a Bachelor of Plastics Engineering from Chengdu University of Science and Technology as well as a Master of Science (Mechanical Engineering) Degree from the National University of Singapore.

Mr Loo Hwee Beng is the Operation Director for our Precision Engineering & Assembly Division's factory in Singapore. He is responsible for the manufacturing operation of the factory in Singapore. Mr Loo joined our Group in October 1999. Mr Loo holds a Bachelor of Mechanical Engineering (Honours) Degree from the National University of Singapore.

Ms Leong Yoke May is the Senior Manager for Sales and Marketing of our Trading and Distribution Division. Ms Leong joined the Division in 1989 and is currently responsible for the sales and marketing function. Ms Leong holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic and a Diploma in Sales and Marketing Management from the Management Institute of Singapore.

STATISTICS OF SHAREHOLDINGS

as at 17 September 2008

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Number of Shares	:	104,440,980
Issued and Fully Paid up Capital	:	\$\$12,314,168
Class of Shares	:	Ordinary Shares
Voting Right	:	One Vote Per Ordinary Share
Treasury Shares	:	Nil

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	11	3.06	2,783	0.00
1,000 -10,000	189	52.65	775,018	0.74
10,001 - 1,000,000	149	41.50	12,649,199	12.11
1,000,001 and above	10	2.79	91,013,980	87.15
Total	359	100.00	104,440,980	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Tan Chee Hawai	37,580,570	35.98
2.	Tan Ah Wo	16,776,810	16.06
3.	Hong Leong Finance Nominees Pte Ltd	12,627,000	12.09
4.	Tan Sin Hock	6,704,100	6.42
5.	OCBC Securities Private Ltd	6,254,000	5.99
6.	Heng Kheng Hwai	4,667,000	4.47
7.	Yap Lem @ Yap Kee Lum	3,310,000	3.17
8.	IP Wan Keung	1,057,500	1.01
9.	Kim Eng Securities Pte. Ltd.	1,019,000	0.98
10.	Ng Weng Wei	1,018,000	0.97
11.	Law Kung Ying	771,000	0.74
12.	United Overseas Bank Nominees (Private) Limited	701,000	0.67
13.	Chan Peck Sim	522,000	0.50
14.	Lim Yee Min	500,000	0.48
15.	Soh Cheng Lock	476,000	0.46
16.	Fong Yow Wai	470,000	0.45
17.	Loi Peng Choon	427,000	0.41
18.	Tan Seh Mia	378,000	0.36
19.	Ang Soo Lim	335,000	0.32
20.	Loo Hwee Beng	271,000	0.26
Total :		95,864,980	91.79

Approximately 19% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

Substantial shareholders

Name of Shareholder	Direct	Deemed Interest
1. Tan Chee Hawai	47,858,570	4,667,000
2. Tan Ah Wo	16,776,810	-
3. Tan Sin Hock	6,704,100	-
4. Heng Kheng Hwai	4,667,000	47,858,570
5. Yap Lem @ Yap Kee Lum	5,647,000	522,000

Notes:

Mr Tan Chee Hawai's deemed interest is derived from 4,667,000 shares held by his spouse, Madam Heng Kheng Hwai.

Mdm Heng Kheng Hwai's deemed interest is derived from 47,858,570 shares held by her spouse, Mr Tan Chee Hawai.

Mr Yap Lem @ Yap Kee Lum's deemed interest is derived from 522,000 shares held by his spouse.

NOTICE OF ANNUAL GENERAL MEETING
SANTAK HOLDINGS LIMITED

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(Company Registration No. 200101065H)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Santak Holdings Limited (“the Company”) will be held at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 on 29 October 2008, Wednesday at 3p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 30 June 2008 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 0.50 Singapore cents per ordinary share (one-tier tax exempt) and a special dividend of 0.50 Singapore cents per ordinary share (one-tier tax exempt) for the year ended 30 June 2008 (previous year: first & final dividend of 0.50 Singapore cents per ordinary share (one-tier tax exempt) and special dividend of 0.50 Singapore cents per ordinary share (one-tier tax exempt)). **(Resolution 2)**
3. To re-elect the following Director of the Company retiring pursuant to Article 91 of the Articles of Association of the Company:

Mr Ng Weng Wei **(Resolution 3)**

To record the retirement of Mr Tan Ah Wo, a Director retiring pursuant to Article 91 of the Company’s Articles of Association, who has decided not to seek re-election.
4. To re-appoint Mr Ch’ng Jit Koon, a Director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. [See Explanatory Note (i)]

Mr Ch’ng Jit Koon will, upon re-appointment as a Director of the Company, remain as a Member of the Audit Committee and Remuneration Committee respectively and he will be considered independent. **(Resolution 4)**
5. To approve the payment of Directors’ fees for the year ended 30 June 2008. **(Resolution 5)**
6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING
SANTAK HOLDINGS LIMITED

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(Company Registration No. 200101065H)
(Incorporated in Singapore with limited liability)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.
[See Explanatory Note (ii)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING
SANTAK HOLDINGS LIMITED

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(Company Registration No. 200101065H)
(Incorporated in Singapore with limited liability)

9. Authority to issue shares under the Santak Share Option Scheme 2001

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Santak Share Option Scheme 2001 (“the Scheme”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Lai Foon Kuen
Secretary
Singapore, 13 October 2008

Explanatory Notes:

- (i) The effect of the Ordinary Resolution 4 is to re-appoint a Director of the Company who is over 70 years of age.
- (ii) The Ordinary Resolution 7, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 8, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the issued shares in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING
SANTAK HOLDINGS LIMITED

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(Company Registration No. 200101065H)
(Incorporated in Singapore with limited liability)

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 31 Senoko South Road Woodlands East Industrial Estate, Singapore 758084 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

SANTAK HOLDINGS LIMITED
 (Company Registration No. 200101065H)
 (Incorporated In Singapore with limited liability)

IMPORTANT:

1. For investors who have used their CPF monies to buy Santak Holdings Limited's share, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____
 of _____
 being a member/members of Santak Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 29 October 2008 at 3 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 30 June 2008		
2	Payment of proposed first & final dividend and special dividend		
3	Re-election of Mr Ng Weng Wei as a Director		
4	Re-appointment of Mr Ch'ng Jit Koon as a Director		
5	Approval of Directors' fees		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Authority to issue new shares		
8	Authority to issue shares under the Santak Share Option Scheme 2001		

Dated this _____ day of _____ 2008

 Signature of Shareholder(s)
 or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

*Delete where inapplicable



Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Santak Holdings Limited

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Email: santak.holdings@santak.com.sg

Co. Reg. No. 200101065H

Website: <http://www.santak.com.sg>