

**SANTAK** 

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## CORPORATE PROFILE

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. Our 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 29 years.

## CHAIRMAN'S STATEMENT



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 2007 ("FY2007").

During the year under review, the Group recorded a turnover of S\$62.3 million, a decrease of S\$25.5 million or 29% for FY2007 compared to a turnover of S\$87.8 million of previous financial year ("FY2006"). The largest contribution came from the Group's Precision Engineering and Assembly Division ("PE&A"), which contributed approximately 92% of the Group total turnover.

Turnover of PE&A came in at S\$57.3 million, a decrease of S\$22.1 million or 28% as compared to last year. The lower sales in PE&A were due to lower demand for the assembled products and precision-machined components for the telecommunication sector in our China operation. Nevertheless, our Singapore operation continued to achieve significant increase in sales over prior year to other sectors such as hard-disk drive, fibre-optics connectors and consumer electronics. The Group's Trading & Distribution Division ("T&D") also registered lower sales at S\$5.1 million compared to S\$8.4 million in FY2006 arising from softer demand for access control and telecommunication products.

In line with the lower turnover, the Group's profit before tax recorded S\$4.2 million in FY2007 compared to S\$5.3 million in prior year. Other operating expenses decreased as a result of lower foreign exchange losses incurred in FY2007. Net profit after tax for the Group decreased by 23% to S\$3.7 million in FY2007. Our basic and diluted earnings per share were 3.54 cents and 3.49 cents respectively for FY2007. The Group's net asset value per share strengthened from 22.89 cents as at 30 June 2006 to 25.73 cents as at 30 June 2007.

The Group's operations generated strong net cash inflow of approximately S\$6.7 million in FY2007, an increase of S\$1.9 million over previous year. The overall net decrease in cash and cash equivalent of S\$1 million during the year was mainly due to cash utilised for purchase of machineries, repayment of borrowings and payment of dividends.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board is pleased to recommend a final dividend of 0.50 cents and a special dividend 0.50 cents on a tax-exempt basis for FY2007. The amount of dividends proposed to be paid will be the same as those declared in FY2006.

Looking ahead, competition remains keen in the markets in which the Group operates. Barring any unforeseen circumstances, the Group's business is expected to be stable and profitable for the current financial year FY2008. During FY2007, we have successfully implemented SAP enterprise resource planning system ("SAP") to upgrade our IT infrastructure in both our Singapore and China plants. Further to the initiatives undertaken over the past years, we will strive to further broaden our products range and customers base. We will also continue to invest in our technology, our infrastructure and our people.

Our heartfelt appreciation goes to 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 the Board members for their counsel and guidance. Last but not least, I would like to thank our management and staff of the Group for their contributions and dedication. We look forward to your continued support in the future.

**LEE KEEN WHYE**

Chairman

## CORPORATE DATA

### 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

Sophia Lim Siew Fay

### Registered Office

31 Senoko South Road Woodlands East  
Industrial Estate Singapore 758084

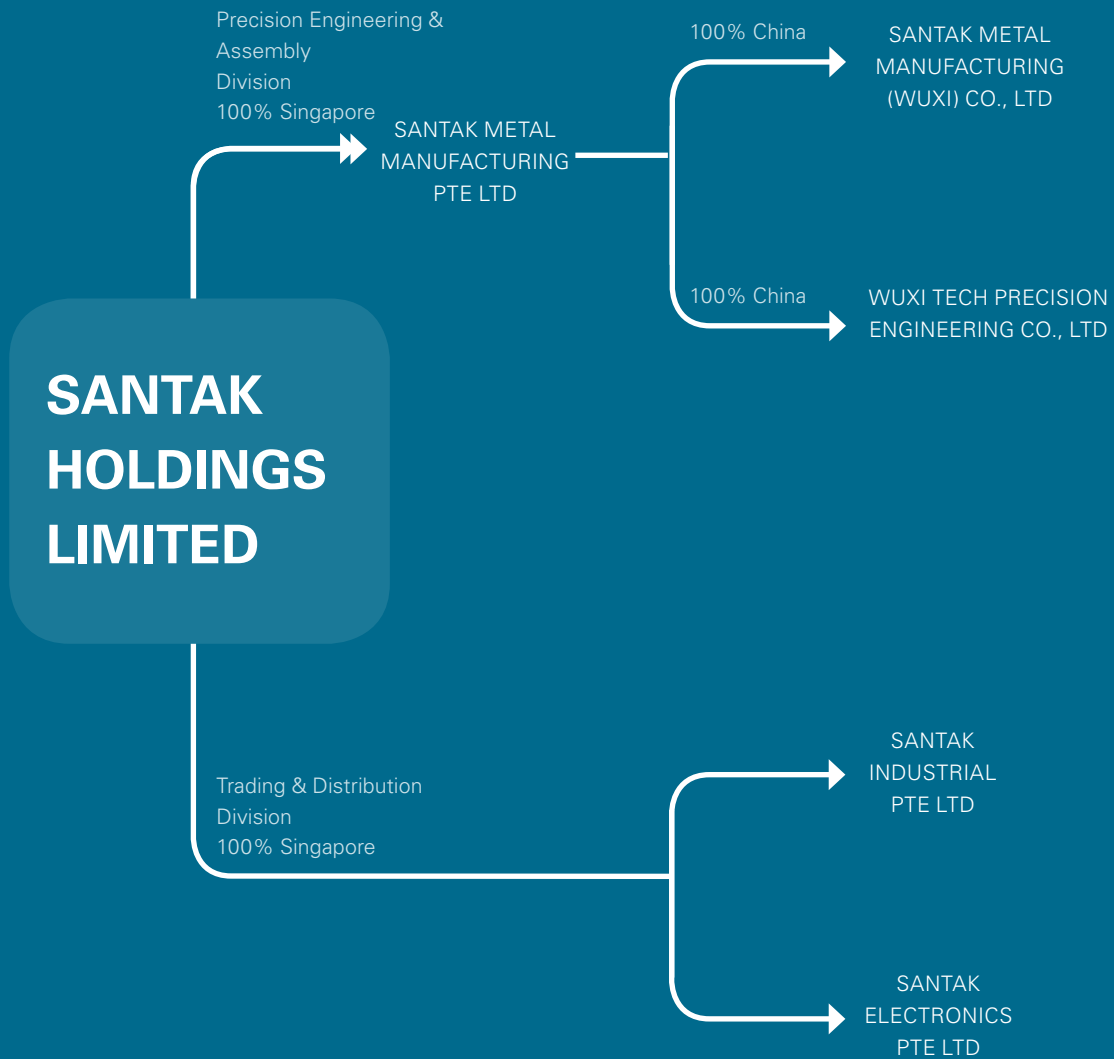
### Registrar and Share Transfer Office

Lim Associates (Pte) Ltd  
3 Church Street #08-01 Samsung Hub  
Singapore 049483

### Auditors

Ernst & Young  
Certified Public Accountants  
One Raffles Quay North Tower Level 18  
Singapore 048583  
Partner-in-charge: Vincent Toong Weng Sum  
(since FY 2005)

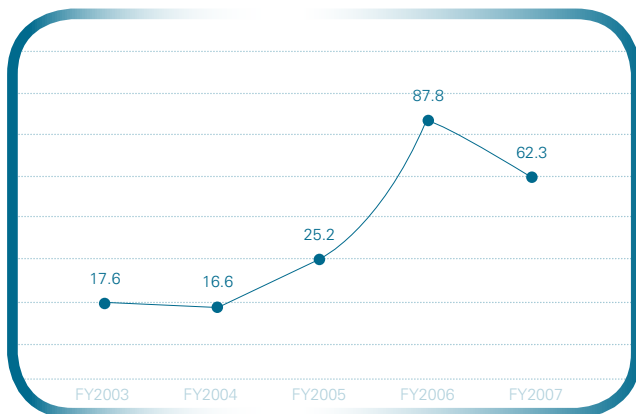
# CORPORATE STRUCTURE



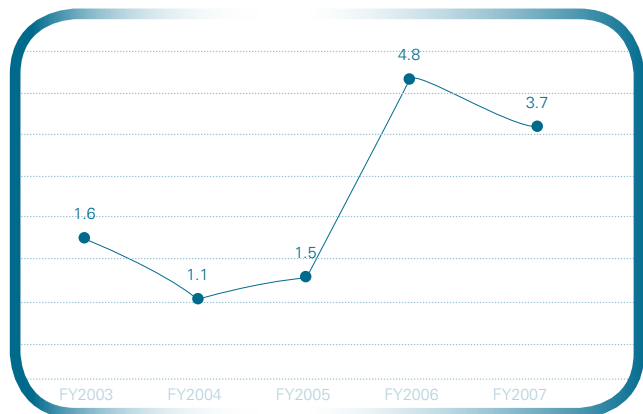
Note: The above chart shows the principal subsidiary companies of the Group.

## FINANCIAL HIGHLIGHTS

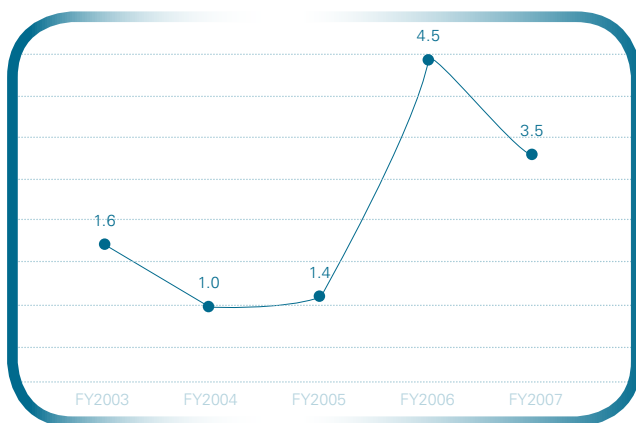
**TURNOVER (in S\$million)**



**PROFIT AFTER TAX (in S\$million)**



**DILUTED EARNINGS PER SHARE (in cents)**



**NET ASSET VALUE PER SHARE (in cents)**







## REPORT OF THE DIRECTORS

(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 2007.

### 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 2006	30 June 2007	1 July 2006	30 June 2007
<b>The Company</b>				
<b>Ordinary shares</b>				
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

Name of Director	Direct interest as at		Deemed interest as at	
	1 July 2006	30 June 2007	1 July 2006	30 June 2007
<b>The Company</b>				
<b><i>Options to subscribe for ordinary shares</i></b>				
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	–	–

There was no change in any of the above-mentioned interests between 30 June 2007 and 21 July 2007.

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 2007.

#### **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

## REPORT OF THE DIRECTORS

(Amounts in Singapore dollars unless otherwise stated)

### Share options (cont'd)

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.

During the financial year ended 30 June 2007:

- No new share options have been granted during the year.
- 50,000 ordinary shares were issued at a weighted average exercise price of \$0.145, upon the exercise of options granted pursuant to the Scheme.

Details of the share options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 30 June 2007 are as follows:

Balance as at 1 July 2006	Addition	Lapsed	Exercised	Balance as at 30 June 2007	Exercise price	Exercise period
2,360,000	–	–	(50,000)	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	–	–	–	4,260,000	\$0.239	15.9.2006 to 14.9.2015
1,400,000	–	–	–	1,400,000	\$0.239	15.9.2006 to 14.9.2010
<u>8,820,000</u>	<u>–</u>	<u>–</u>	<u>(50,000)</u>	<u>8,770,000</u>		

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 :

## Share options (cont'd)

<i>Name of Directors</i>	<b>Option granted during the financial year under review</b>	<b>Aggregate options granted since commencement of Scheme to end of financial year under review</b>	<b>Aggregate options exercised since commencement of Scheme to end of financial year under review</b>	<b>Aggregate options outstanding as at end of financial year under review</b>
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 are no participants of the Scheme who are controlling shareholders of the Company or their associates. No participant other than the above mentioned has received 5 percent or more of the total number of share options available under the Scheme. As the Company does not have any parent company, there are therefore no participants of the Scheme who are Directors or employees of the Company's parent company and its subsidiary companies.

The participants to whom the options have been granted do not have the right to participate by virtue of the options, in any share issue of any other company.

No options were granted at a discount during the financial year under review.

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

## Audit Committee

The Audit Committee 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 Audit Committee are:

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

The Audit Committee 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 Audit Committee met with the external auditors to discuss the results of their audit and their evaluation of the systems of internal accounting controls. The Audit Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2007, as well as the external auditor's report thereon.

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

## **REPORT OF THE DIRECTORS**

(Amounts in Singapore dollars unless otherwise stated)

### **Auditors**

Ernst & Young 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 2007

## STATEMENT BY DIRECTORS

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 flows 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 2007, 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 2007

## **INDEPENDENT AUDITORS' REPORT**

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") set out on pages 15 to 72, which comprise the balance sheets of the Group and the Company as at 30 June 2007, the statements of changes in equity of the Group and the Company, the profit and loss account and cash flows statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Directors' Responsibility for the Financial Statements**

The Company's Directors are 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: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; 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 auditor's judgment, 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 auditor considers 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 Directors, 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.

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 Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 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**

Certified Public Accountants

Singapore

18 September 2007



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2007

(Amounts in Singapore dollars)

	Note	2007 \$	2006 \$
<b>Revenue</b>	3	<b>62,342,433</b>	87,814,646
Cost of sales		<b>(52,920,696)</b>	(77,187,536)
<b>Gross profit</b>		<b>9,421,737</b>	10,627,110
Other operating income	4	<b>160,517</b>	545,887
Distribution and selling expenses		<b>(1,943,093)</b>	(1,848,047)
Administrative expenses		<b>(2,852,387)</b>	(3,119,148)
Other operating expenses		<b>(99,875)</b>	(511,074)
Financial expenses	5	<b>(564,723)</b>	(445,923)
Financial income	5	<b>75,561</b>	41,707
<b>Profit before taxation</b>	6	<b>4,197,737</b>	5,290,512
Taxation	7	<b>(505,546)</b>	(503,328)
<b>Profit for the year</b>		<b>3,692,191</b>	4,787,184
<b>Attributable to :</b>			
Equity holders of the Company		<b>3,692,191</b>	4,787,184
<b>Earnings per share (cents)</b>			
Basic	9	<b>3.54</b>	4.61
Diluted	9	<b>3.49</b>	4.51

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

## BALANCE SHEETS

as at 30 June 2007

(Amounts in Singapore dollars)

	Note	Group		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Non-current assets</b>					
Property, plant and equipment	10	<b>22,528,579</b>	21,239,864	<b>379,842</b>	231,351
Investments in subsidiary companies	11	–	–	<b>8,356,338</b>	8,356,338
Other investments	12	<b>293,812</b>	270,629	–	–
Intangible assets	13	<b>582,807</b>	589,750	<b>192,500</b>	210,000
Deferred tax assets	23	<b>324,765</b>	110,535	–	–
		<b>23,729,963</b>	22,210,778	<b>8,928,680</b>	8,797,689
<b>Current assets</b>					
Stocks	14	<b>9,290,470</b>	10,390,576	–	–
Trade debtors	15	<b>8,536,966</b>	16,956,199	–	–
Other debtors and deposits	16	<b>116,184</b>	294,910	<b>22,554</b>	11,577
Prepayments		<b>237,544</b>	85,657	<b>36,070</b>	35,108
Due from subsidiary companies (non-trade)	17	–	–	<b>3,299,677</b>	3,025,420
Dividend receivable		–	–	<b>1,350,000</b>	1,300,000
Fixed deposits	18	<b>2,080,389</b>	1,042,122	<b>2,080,389</b>	1,025,911
Cash and bank balances	18	<b>5,628,814</b>	7,654,004	<b>42,979</b>	865,156
		<b>25,890,367</b>	36,423,468	<b>6,831,669</b>	6,263,172
<b>Current liabilities</b>					
Trade creditors	19	<b>7,219,959</b>	18,481,006	–	–
Other creditors and accruals	20	<b>2,595,836</b>	3,832,891	<b>539,281</b>	524,556
Term loans (secured) - current portion	21	<b>2,263,470</b>	1,748,881	–	–
Finance lease obligations - current portion	22	<b>1,309,802</b>	962,368	<b>24,106</b>	13,117
Provision for taxation		<b>1,013,850</b>	649,423	<b>15,635</b>	8,200
		<b>14,402,917</b>	25,674,569	<b>579,022</b>	545,873
<b>Net current assets</b>		<b>11,487,450</b>	10,748,899	<b>6,252,647</b>	5,717,299

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

	Note	Group		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Non-current liabilities</b>					
Term loans (secured) - non-current portion	21	<b>5,237,345</b>	6,218,536	–	–
Finance lease obligations - non-current portion	22	<b>1,989,835</b>	1,622,384	<b>114,917</b>	60,048
Deferred tax liabilities	23	<b>1,117,515</b>	1,224,558	–	–
		<b>8,344,695</b>	9,065,478	<b>114,917</b>	60,048
<b>Net assets</b>					
		<b>26,872,718</b>	23,894,199	<b>15,066,410</b>	14,454,940
<b>Equity attributable to equity holders of the Company</b>					
Share capital	24	<b>12,314,168</b>	12,306,918	<b>12,314,168</b>	12,306,918
Share option reserve	25i	<b>542,228</b>	420,711	<b>542,228</b>	420,711
Revaluation reserve	25ii	<b>39,300</b>	56,140	–	–
Statutory reserves	25iii	<b>694,645</b>	563,097	–	–
Translation reserve	25iv	<b>(35,670)</b>	(228,120)	–	–
Fair value adjustment reserve	25v	<b>(55,870)</b>	(55,870)	–	–
Accumulated profits		<b>13,373,917</b>	10,831,323	<b>2,210,014</b>	1,727,311
		<b>26,872,718</b>	23,894,199	<b>15,066,410</b>	14,454,940

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						Fair value adjustment reserve (Note 25v) \$	Total \$
	Share capital (Note 24) \$	Share option reserve (Note 25i) \$	Accumulated profits \$	Revaluation reserve (Note 25ii) \$	Statutory reserves (Note 25iii) \$	Translation reserve (Note 25iv) \$		
At 1 July 2006	12,306,918	420,711	10,831,323	56,140	563,097	(228,120)	23,894,199	
Net effect of exchange differences	-	-	-	-	-	192,450	-	
Net effect of a change in tax rate	-	-	-	9,521	-	-	192,450	
Net gain/(loss) recognised directly in equity	-	-	-	9,521	-	192,450	-	
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)	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 2006  
(Amounts in Singapore dollars)

2006 Group	Attributable to equity holders of the Company							Fair value	
	Share capital (Note 24) \$	Share premium \$	Share option reserve (Note 25i) \$	Accumulated profits \$	Revaluation reserve (Note 25ii) \$	Statutory reserves (Note 25iii) \$	Translation reserve (Note 25iv) \$	adjustment reserve (Note 25v) \$	Total \$
At 30 June 2005 as previously reported	10,278,098	1,795,370	-	7,027,567	56,140	-	67,795	-	19,224,970
Effect of adopting FRS 39	-	-	-	-	-	-	-	(57,048)	(57,048)
At 1 July 2005 as restated	10,278,098	1,795,370	-	7,027,567	56,140	-	67,795	(57,048)	19,167,922
Net change in fair value adjustment reserve	-	-	-	-	-	-	-	1,178	1,178
Net effect of exchange differences	-	-	-	-	-	-	(295,915)	-	(295,915)
Net gain/(loss) recognised directly in equity	-	-	-	-	-	-	(295,915)	1,178	(294,737)
Profit for the year	-	-	-	4,787,184	-	-	-	-	4,787,184
Total recognised income and expenses for the year	-	-	-	4,787,184	-	-	(295,915)	1,178	4,492,447
Dividend on ordinary shares (Note 8)	-	-	-	(420,331)	-	-	-	-	(420,331)
Exercise of share options	180,350	53,100	-	-	-	-	-	-	233,450
Grant of share options	-	-	420,711	-	-	-	-	-	420,711
Transfer to statutory reserve	-	-	-	(563,097)	-	563,097	-	-	-
Transfer of share premium to share capital	1,848,470	(1,848,470)	-	-	-	-	-	-	-
At 30 June 2006	12,306,918	-	420,711	10,831,323	56,140	563,097	(228,120)	(55,870)	23,894,199

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 2006 (cont'd)

(Amounts in Singapore dollars)

Company	Attributable to equity holders of the Company				Total \$
	Share capital (Note 24) \$	Share premium \$	Share option reserve (Note (25i)) \$	Accumulated profits \$	
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
At 1 July 2005	10,278,098	1,795,370	–	1,004,416	13,077,884
Total recognised income and expenses for the year					
- Profit for the year	–	–	–	1,143,226	1,143,226
Dividend on ordinary shares (Note 8)	–	–	–	(420,331)	(420,331)
Exercise of share options	180,350	53,100	–	–	233,450
Grant of share options	–	–	420,711	–	420,711
Transfer of share premium to share capital	1,848,470	(1,848,470)	–	–	–
At 30 June 2006	12,306,918	–	420,711	1,727,311	14,454,940

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2007

(Amounts in Singapore dollars)

	<b>2007</b>	<b>2006</b>
	\$	\$
Profit before taxation	<b>4,197,737</b>	5,290,512
Adjustments for:		
Depreciation of property, plant and equipment	<b>4,247,306</b>	3,481,725
Amortisation of intangible assets	<b>46,584</b>	1,504
Loss on disposal of property, plant and equipment	<b>2,962</b>	31,352
Interest expense	<b>564,723</b>	445,923
Interest income	<b>(75,561)</b>	(41,707)
Expenses on share options granted	<b>121,517</b>	420,711
Currency realignment	<b>20,617</b>	(5,850)
<b>Operating profit before working capital changes</b>	<b>9,125,885</b>	9,624,170
Decrease/(increase) in:		
Stocks	<b>1,100,106</b>	(8,185,367)
Trade debtors	<b>8,419,233</b>	(5,605,129)
Other debtors and deposits	<b>178,201</b>	(83,641)
Prepayments	<b>(151,885)</b>	(11,297)
Increase/(decrease) in:		
Trade creditors	<b>(11,261,047)</b>	11,269,245
Other creditors and accruals	<b>(311,600)</b>	(2,102,738)
Advances from factoring company	-	(18,794)
Cash generated from operations	<b>7,098,893</b>	4,886,449
Interest received	<b>18,075</b>	27,987
Interest paid	-	(4,548)
Income taxes paid	<b>(451,413)</b>	(135,027)
<b>Net cash generated from operating activities</b>	<b>6,665,555</b>	4,774,861
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (Note a)	<b>(4,435,318)</b>	(3,855,786)
Purchase of intangible assets	<b>(38,941)</b>	(264,158)
Proceeds from disposal of property, plant and equipment	<b>150,218</b>	102,815
Addition to other investments	<b>(23,183)</b>	(23,183)
Interest received	<b>57,486</b>	13,720
<b>Net cash used in investing activities</b>	<b>(4,289,738)</b>	(4,026,592)

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

(Amounts in Singapore dollars)

	2007	2006
	\$	\$
<b>Cash flows from financing activities</b>		
(Repayments)/Proceeds from term loans, net	<b>(466,602)</b>	5,767,208
Repayments of finance leases	<b>(1,294,255)</b>	(1,606,339)
Dividends paid	<b>(1,044,410)</b>	(420,331)
Proceeds from share issue	<b>7,250</b>	233,450
Interest paid	<b>(564,723)</b>	(441,375)
<b>Net cash (used in)/generated from financing activities</b>	<b>(3,362,740)</b>	3,532,613
Net (decrease)/increase in cash and cash equivalents	<b>(986,923)</b>	4,280,882
Cash and cash equivalents at beginning of year (Note 18)	<b>8,696,126</b>	4,415,244
<b>Cash and cash equivalents at end of year (Note 18)</b>	<b>7,709,203</b>	8,696,126

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

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$5,519,527 (2006: \$5,953,598) of which \$1,031,297 (2006: \$722,316) were acquired by means of lease obligations, \$4,435,318 (2006: \$3,855,786) has been paid and \$52,912 (2006: \$1,375,496) was payable as at 30 June 2007.

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



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

## 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 2006, 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 2006. The adoption of those FRS has no significant impact to the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

## 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:

	<b>Effective date (annual periods beginning on or after)</b>
FRS 1 : Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 40 : Investment Property	1 January 2007
FRS 107 : Financial Instruments: Disclosures	1 January 2007
FRS 108 : Operating Segments	1 January 2009
INT FRS 110 : Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111 : Group and Treasury Share Transactions	1 January 2007
INT FRS 112 : Service Concession Arrangements	1 January 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 107 and the amendment to FRS 1 as indicated below.

#### **FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)**

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. The Company will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 July 2007.

### 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.

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

### 2.3 Significant accounting estimates and judgements (cont'd)

#### *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.

- **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 2007 was \$257,096 (2006: \$257,096). More details are given in Note 13.

- **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 2007 was \$18,879,887 (2006: \$17,490,518). 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.

- **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 and deferred tax liabilities at 30 June 2007 was \$1,013,850 (2006: \$649,423) and \$1,117,515 (2006: \$1,224,558) respectively.

### 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, US dollars and Chinese Renminbi. The consolidated financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

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

#### 2.4 Functional and foreign currency (cont'd)

##### (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.

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. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

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 income statement 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.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiary companies on or after 1 July 2005 are treated as assets and liabilities of the foreign subsidiary companies and are recorded in the functional currency of the foreign subsidiary companies and translated at the closing rate at the balance sheet date.

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

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

### 2.5 Subsidiaries 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 to 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.

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.

#### (ii) Principles of consolidation (cont'd)

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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

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

#### 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 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.

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. Summary of significant accounting policies (cont'd)

### 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.

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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

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

#### 2.7 Intangible assets (cont'd)

##### (ii) Other intangible assets (cont'd)

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.

##### (b) Computer software licenses

Costs of SAP application software licenses and other software licenses are stated at cost less impairment losses and is amortised over 10 years and 3 to 5 years respectively 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 (cont'd)

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

	<b>Club membership</b>	<b>Computer software licenses</b>
Internally generated or acquired	Acquired	Acquired
Useful lives and amortisation method used	<ul style="list-style-type: none"><li>• Finite (2006: Finite)</li><li>• Amortised over 18 years on straight-line basis (2006: 18 years)</li></ul>	<ul style="list-style-type: none"><li>• Finite (2006: Finite)</li><li>• Amortised over 3 to 10 years on straight-line basis (2006: 3 to 10 years)</li></ul>
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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 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 classified as either loans and receivables and available-for-sale financial assets, as appropriate. 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.

##### (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.

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

### 2.9 Financial assets (cont'd)

#### (i) Loans and receivables (cont'd)

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

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

#### (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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

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

#### 2.11 Impairment of financial assets (cont'd)

##### (ii) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

##### (iii) 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 first-in, first-out 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.

### **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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

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

#### 2.17 Employee benefits

##### 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 as interest accrues (using the effective interest method) unless collectibility is in doubt.

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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

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

#### 2.20 Income taxes (cont'd)

##### (ii) Deferred tax (cont'd)

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, associates and interests in joint ventures, 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.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), 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 directly 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.



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

### 2.20 Income taxes (cont'd)

#### (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

For management purposes, the Group is organised on a worldwide basis into three (2006: 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.

## 3. Revenue

	Group	
	2007	2006
	\$	\$
Sale of goods	62,297,168	87,807,741
Commission income	45,265	6,905
	<u>62,342,433</u>	<u>87,814,646</u>

## 4. Other operating income

	Group	
	2007	2006
	\$	\$
Sale of scrap	156,157	533,118
Others	4,360	12,769
	<u>160,517</u>	<u>545,887</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 5. Financial (expenses)/income

	Group	
	2007	2006
	\$	\$
<b>(a) Financial expenses</b>		
Interest expense		
- term loans	<b>(392,051)</b>	(277,400)
- finance leases	<b>(172,672)</b>	(163,975)
- factoring charges	-	(3,985)
- bank overdrafts	-	(563)
	<b>(564,723)</b>	(445,923)
<b>(b) Financial income</b>		
Interest income		
- fixed deposits	<b>18,075</b>	13,720
- bank balances	<b>57,486</b>	27,987
	<b>75,561</b>	41,707

### 6. Profit before taxation

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

	Group	
	2007	2006
	\$	\$
Cost of inventories sold	<b>52,920,696</b>	77,187,536
Employee benefits expense (Note 26)	<b>10,123,858</b>	9,055,480
Depreciation of property, plant and equipment	<b>4,247,306</b>	3,481,725
Amortisation of intangible assets	<b>46,584</b>	1,504
Directors' remuneration included in staff costs		
- Directors of the Company	<b>312,072</b>	302,643
- Directors of subsidiary companies	<b>875,443</b>	1,048,198
Directors' fees	<b>125,000</b>	125,000
Operating lease expenses	<b>435,494</b>	402,775
Loss on disposal of property, plant and equipment	<b>2,962</b>	31,352
Non-audit fees to auditors of the Company	<b>20,148</b>	17,000

## 7. Taxation

The major components of income tax expense for the years ended 30 June 2007 and 2006 are:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
Current tax		
- current year	<b>985,416</b>	471,749
- (over)/under provision in respect of prior years	<b>(172,374)</b>	6,840
Deferred tax		
- movement in temporary differences	<b>(307,496)</b>	24,758
- over provision in respect of prior years	-	(19)
Tax expense	<b>505,546</b>	503,328

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 30 June 2007 and 2006 is as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
Profit before taxation	<b>4,197,737</b>	5,290,512
Tax at applicable tax rate of 18% (2006: 20%)	<b>755,593</b>	1,058,102
Adjustments:		
Tax effect of non-deductible expenses	<b>50,315</b>	270,330
Income not subject to tax	<b>(76,439)</b>	(747,566)
Effect of different tax rates in foreign jurisdictions	<b>87,793</b>	(90)
Effect of change in statutory tax rate	<b>(109,801)</b>	-
Investment allowance claims	-	(37,610)
Current year amortisation of deferred tax on revaluation reserve	<b>(2,608)</b>	(2,608)
Deferred tax asset not recognised	<b>283</b>	-
Recognition of deferred tax assets previously not recognised	-	(60,229)
(Over)/Under provision in respect of prior years	<b>(172,374)</b>	6,840
Others	<b>(27,216)</b>	16,159
	<b>505,546</b>	503,328

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 7. Taxation (cont'd)

As at 30 June 2007, the Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately \$141,000 (2006: \$182,000) and \$50,000 (2006: \$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	
2007	2006
\$	\$

#### Declared and paid during the year :

*Dividends on ordinary shares :*

First and final exempt (one-tier) dividend for

2006: 0.5 cents (2005: 0.4056 cents) per share

<b>522,205</b>	420,331
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Special exempt (one-tier) dividend for 2006: 0.5 cents (2005: Nil cents) per share

<b>522,205</b>	–
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<b>1,044,410</b>	420,331
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At the Annual General Meeting scheduled to be held on 30 October 2007, 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 \$1,044,000 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 2008.

## 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:

	<b>2007</b>	<b>Group</b>	<b>2006</b>
	\$		\$
Profit for the year attributable to ordinary equity holders of the Company for basic and diluted earnings per share	<b>3,692,191</b>		4,787,184
Weighted average number of ordinary shares on issue applicable to basic earnings per share	<b>104,435,364</b>		103,746,898
Effect of dilution : Share options	<b>1,346,615</b>		2,398,477
Weighted average number of ordinary shares applicable to diluted earnings per share	<b>105,781,979</b>		106,145,375

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 10. Property, plant and equipment

Group	At cost											Capital work-in-progress	Total			
	Leasehold property	Plant and machinery	Motor vehicles	Computers	Office equipment	Air-conditioners	Furniture and fittings	Renovation	Installation	Electrical equipment	Tools and equipment					
<b>Cost or valuation</b>																
At 1 July 2005	5,044,759	31,110,684	1,037,658	250,569	141,945	471,506	258,753	867,004	901,404	619,599	–	–	–	–	–	–
Additions	–	4,052,264	255,303	93,845	39,085	32,746	156,842	248,269	476,207	452,397	146,640	–	–	–	–	–
Disposals	–	(121,476)	(63,890)	–	(1,268)	(2,857)	–	(2,123)	(4,790)	(3,000)	–	–	–	–	–	–
Net exchange differences	–	(250,840)	(27,307)	(6,633)	(1,473)	(4,059)	(6,167)	(22,093)	(25,990)	(9,896)	–	–	–	–	–	–
At 30 June and 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	–	–	–	–	–
Additions	–	4,863,605	86,557	185,064	4,899	52,377	59,437	15,441	63,934	188,213	–	–	–	–	–	–
Disposals	–	(216,308)	(322,391)	(894)	–	–	–	–	–	–	–	–	–	–	–	–
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	–	–	–	–	–	–
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	–	–	–	–	–	–
<b>Accumulated depreciation</b>																
At 1 July 2005	1,194,759	18,364,803	367,757	203,582	99,350	260,152	185,664	189,920	295,325	350,727	–	–	–	–	–	–
Depreciation charge for the year	100,654	2,665,228	100,874	41,545	10,363	28,313	20,758	91,350	106,192	316,448	–	–	–	–	–	–
Disposals	–	(5,010)	(52,215)	–	(717)	(2,658)	–	(2,123)	(2,139)	(375)	–	–	–	–	–	–
Net exchange differences	–	(38,104)	(11,770)	(3,242)	(352)	(465)	(1,379)	(2,302)	(3,057)	(4,103)	–	–	–	–	–	–
At 30 June and 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	–	–	–	–	–	–
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	–	–	–	–	–	–
Disposals	–	(216,245)	(169,870)	(298)	–	–	–	–	–	–	–	–	–	–	–	–
Net exchange differences	–	41,932	(2,205)	(87)	(8)	537	67	2,509	2,625	5,467	–	–	–	–	–	–
At 30 June 2007	1,396,067	24,123,151	321,340	335,043	119,090	316,968	234,829	375,984	520,497	1,032,514	–	–	–	–	–	–
<b>Net carrying amount</b>																
As at 30 June 2006	3,749,346	13,803,715	797,118	95,896	69,645	211,994	204,385	814,212	950,510	396,403	146,640	–	–	–	–	–
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	–	–	–	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

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

Company	Computers \$	Motor vehicles \$	Capital work-in- progress \$	Total \$
<b>Cost</b>				
At 1 July 2005	–	–	–	–
Additions	2,475	90,000	146,640	239,115
At 30 June and 1 July 2006	2,475	90,000	146,640	239,115
Additions for the year	108,050	86,557	–	194,607
Reclassification from capital work-in-progress	146,640	–	(146,640)	–
At 30 June 2007	257,165	176,557	–	433,722
<b>Accumulated depreciation</b>				
At 1 July 2005	–	–	–	–
Depreciation charge for the year	825	6,939	–	7,764
At 30 June and 1 July 2006	825	6,939	–	7,764
Depreciation charge for the year	33,871	12,245	–	46,116
At 30 June 2007	34,696	19,184	–	53,880
<b>Net carrying amount</b>				
At 30 June 2006	1,650	83,061	146,640	231,351
At 30 June 2007	222,469	157,373	–	379,842

#### *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 \$3,172,000 (2006: \$3,260,000).

#### *Assets held under finance leases*

As at 30 June 2007, the Group has plant and machinery as well as motor vehicles with a total net carrying amount of approximately \$2,744,000 (2006: \$1,249,000) held under finance leases.

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

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 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 \$3,649,000 (2006: \$3,749,000), 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:

	<b>Company</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
Unquoted equity shares, at cost	<b>8,356,338</b>	8,356,338

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

<b>Name of company</b>	<b>Country of incorporation and place of business</b>	<b>Principal activities</b>	<b>Percentage of equity held</b>		<b>Cost of investment</b>	
			<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
			%	%	\$	\$
<b>Held by the Company</b>						
Santak Metal Manufacturing Pte Ltd	Singapore	Manufacture of precision machined components	<b>100</b>	100	<b>8,113,173</b>	8,113,173
Santak Industrial Pte Ltd	Singapore	Trading and distribution of electronic, electrical and mechanical components/ products	<b>100</b>	100	<b>243,162</b>	243,162
Santak Electronics Pte Ltd	Singapore	Trading and distribution of electronic, electrical and mechanical components/ products	<b>100</b>	100	<b>3</b>	3
					<b>8,356,338</b>	8,356,338



## 11. Investments in subsidiary companies (cont'd)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held	
			2007 %	2006 %
<b>Held by Santak Metal Manufacturing Pte Ltd</b>				
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	<b>100</b>	100
Wuxi Tech Precision Engineering Co., Ltd	Wuxi, People's Republic of China	Manufacture of precision machined components, mould/fixture design and fabrication	<b>100</b>	100
T.N.K. Precision Engineering Work Pte Ltd	Singapore	Manufacture of precision machined components (currently dormant)	<b>100</b>	100
Hang Yip Metal Manufacturing Pte Ltd	Singapore	Manufacture of precision machined components (currently dormant)	<b>100</b>	100
<b>Held by Santak Electronics Pte Ltd</b>				
Santak Electronics Sdn Bhd*	Malaysia	Manufacture of electronic, electrical and mechanical components and products (currently dormant)	<b>100</b>	100

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

All other subsidiaries are audited by Ernst & Young, Singapore.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 12. Other investments

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
<i>Available-for-sale financial assets</i>		
Life insurance policies	<b>293,812</b>	270,629

### 13. Intangible assets

<b>Group</b>	<b>Goodwill</b>	<b>Club membership</b>	<b>Computer software licenses</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost</b>				
At 1 July 2005	257,096	150,000	–	407,096
Additions	–	–	264,158	264,158
At 30 June and 1 July 2006	257,096	150,000	264,158	671,254
Additions	–	–	38,941	38,941
Net exchange difference	–	–	719	719
At 30 June 2007	257,096	150,000	303,818	710,914
<b>Accumulated amortisation</b>				
At 1 July 2005	–	80,000	–	80,000
Amortisation for the year	–	–	1,504	1,504
At 30 June and 1 July 2006	–	80,000	1,504	81,504
Amortisation for the year	–	–	46,584	46,584
Net exchange difference	–	–	19	19
At 30 June 2007	–	80,000	48,107	128,107
<b>Net carrying amount</b>				
At 30 June 2006	257,096	70,000	262,654	589,750
At 30 June 2007	257,096	70,000	255,711	582,807

### 13. Intangible assets (cont'd)

Company	Computer software licenses	
	2007	2006
	\$	\$
<b>Cost</b>		
At beginning and end of year	<u>210,000</u>	210,000
<b>Accumulated amortisation</b>		
Amortisation for the year and at end of year	<u>(17,500)</u>	–
<b>Net carrying amount</b>		
At end of year	<u>192,500</u>	210,000

#### *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	
	2007	2006
	\$	\$
North Asia	<u>257,096</u>	257,096

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 8.2% (2006:9.4%) 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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 14. Stocks

	2007	Group	2006
	\$		\$
Raw materials	<b>3,273,060</b>		4,337,154
Work-in-progress	<b>3,820,676</b>		4,381,743
Finished goods	<b>2,196,734</b>		1,671,679
Total stocks at lower of cost and net realisable value	<b>9,290,470</b>		10,390,576

During the financial year, the Group wrote down \$375,639 (2006: \$536,099) of stocks which are recognised as an expense in the profit and loss account, and reversed \$191,972 (2006: \$133,258) for stocks that were utilised or sold above the carrying amounts.

### 15. Trade debtors

	2007	Group	2006
	\$		\$
Trade debtors	<b>8,677,451</b>		17,219,480
Less: Allowance for doubtful debts	<b>(140,485)</b>		(263,281)
	<b>8,536,966</b>		16,956,199

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 2007, trade debtors are denominated in the following currencies :

	2007	Group	2006
	\$		\$
Chinese Renminbi	<b>4,374,327</b>		12,036,982
United States dollars	<b>3,965,938</b>		4,370,276
Singapore dollars	<b>196,701</b>		548,941
	<b>8,536,966</b>		16,956,199

#### *Allowance for doubtful debts*

For the year ended 30 June 2007, an impairment loss of \$7,156 (2006: \$14,227) was recognised in the profit and loss account subsequent to a debt recovery assessment performed on trade debtors as at 30 June 2007.

## 16. Other debtors and deposits

	Group		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Deposits	<b>55,664</b>	94,744	<b>2,748</b>	–
Other debtors	<b>60,520</b>	200,166	<b>19,806</b>	11,577
	<b>116,184</b>	294,910	<b>22,554</b>	11,577

As at 30 June 2007, other debtors and deposits are denominated in the following currencies:

	Group		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Chinese Renminbi	<b>106,304</b>	241,526	–	–
Singapore dollars	<b>5,099</b>	53,384	<b>22,554</b>	11,577
United States	<b>4,781</b>	–	–	–
	<b>116,184</b>	294,910	<b>22,554</b>	11,577

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

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### 18. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Fixed deposits	<b>2,080,389</b>	1,042,122	<b>2,080,389</b>	1,025,911
Cash and bank balances	<b>5,628,814</b>	7,654,004	<b>42,979</b>	865,156
	<b>7,709,203</b>	8,696,126	<b>2,123,368</b>	1,891,067

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from Nil to 1.15% (2006: Nil to 1.15%) per annum. Fixed deposits are made for varying periods of between 1 month and 12 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 2.16% to 3.35% (2006: 1.50% to 3.70%) per annum.

As at 30 June 2007, the Company had available, \$5,777,000 (2006: \$8,847,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at 30 June 2007, cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Singapore dollars	<b>4,966,380</b>	5,119,243	<b>2,123,368</b>	1,891,067
United States dollars	<b>1,276,102</b>	1,792,489	–	–
Chinese Renminbi	<b>1,462,610</b>	1,764,285	–	–
Malaysia Ringgit	<b>2,004</b>	17,759	–	–
Japanese Yen	<b>2,107</b>	2,350	–	–
	<b>7,709,203</b>	8,696,126	<b>2,123,368</b>	1,891,067

## 19. Trade creditors

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

As at 30 June 2007, trade creditors are denominated in the following currencies:

	Group	
	2007	2006
	\$	\$
Chinese Renminbi	<b>5,788,756</b>	15,749,343
United States dollars	<b>500,606</b>	1,977,168
Singapore dollars	<b>920,646</b>	748,266
Malaysia Ringgit	<b>8,291</b>	4,600
Swedish Krona	<b>1,660</b>	1,629
	<b>7,219,959</b>	18,481,006

## 20. Other creditors and accruals

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Other creditors	<b>838,560</b>	2,219,901	<b>461,811</b>	459,442
Accrued operating expenses	<b>1,757,276</b>	1,612,990	<b>77,470</b>	65,114
	<b>2,595,836</b>	3,832,891	<b>539,281</b>	524,556

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

As at 30 June 2007, other creditors and accruals are denominated in the following currencies :

	Group		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Singapore dollars	<b>1,995,169</b>	1,817,836	<b>539,281</b>	524,556
Japanese Yen	–	1,055,445	–	–
Chinese Renminbi	<b>580,216</b>	894,308	–	–
United States dollars	<b>19,986</b>	64,827	–	–
Malaysian Ringgit	<b>465</b>	475	–	–
	<b>2,595,836</b>	3,832,891	<b>539,281</b>	524,556

## NOTES TO THE FINANCIAL STATEMENTS

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### 21. Term loans (secured)

	Effective interest rate per annum	Maturities	Group	
			2007 \$	2006 \$
Bank loan A	4.25% - 5.00%	2018	<b>791,015</b>	846,240
Bank loan B	5.25%	2009	<b>1,638,308</b>	2,277,128
Bank loan C	4.50% - 4.75%	2011	<b>3,436,656</b>	4,211,202
Bank loan D	5.00%	2009	<b>452,248</b>	632,847
Bank loan E	5.25%	2009	<b>1,182,588</b>	–
			<b>7,500,815</b>	7,967,417
Due within 12 months			<b>2,263,470</b>	1,748,881
Due after 12 months			<b>5,237,345</b>	6,218,536

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.

Bank loans A and C are secured by way of a legal mortgage over a subsidiary company’s leasehold property with a net carrying amount of approximately \$3,649,000 (Note 10) (2006: \$3,749,000) and a corporate guarantee from the Company. Effective from 17 June 2005, the bank loan A’s interest rate was at effective rates of 4.00% and 4.25% per annum for the first and second year commencing June 2005 respectively. 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% (2006: 5.00%) per annum in 2007. 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 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% (2006: 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 repayable 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 (Note 10). These leases are classified as finance leases and expire over the next 6 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% (2006: 3.67% to 8.39%) per annum. Finance lease obligations are denominated in Singapore Dollars.

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

	<b>Maturities</b>	<b>Minimum lease payments 2007</b>	<b>Present value of payments 2007</b>	<b>Minimum lease payments 2006</b>	<b>Present value of payments 2006</b>
		\$	\$	\$	\$
<b>Group</b>					
Not later than one year	2008	<b>1,451,978</b>	<b>1,309,802</b>	1,073,653	962,368
Later than one year but not later than five years	2011	<b>2,096,847</b>	<b>1,984,834</b>	1,700,549	1,610,484
Later than five years	2013	<b>5,070</b>	<b>5,001</b>	10,702	11,900
Total minimum lease payments		<b>3,553,895</b>	<b>3,299,637</b>	2,784,904	2,584,752
Less: amounts representing finance charges		<b>(254,258)</b>	–	(200,152)	–
Present value of minimum lease payments		<b>3,299,637</b>	<b>3,299,637</b>	2,584,752	2,584,752
<b>Company</b>					
Not later than one year	2008	<b>31,428</b>	<b>24,106</b>	16,128	13,117
Later than one year but not later than five years	2011	<b>126,190</b>	<b>109,916</b>	64,512	58,747
Later than five years	2013	<b>5,070</b>	<b>5,001</b>	1,306	1,301
Total minimum lease payments		<b>162,688</b>	<b>139,023</b>	81,946	73,165
Less: amounts representing finance charges		<b>(23,665)</b>	–	(8,781)	–
Present value of minimum lease payments		<b>139,023</b>	<b>139,023</b>	73,165	73,165

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 23. Deferred taxation

Deferred tax liabilities relate to the following :

	2007	Group	2006
	\$		\$
<b>Deferred tax liabilities</b>			
Excess of net carrying value over tax written down value of property, plant and equipment	(906,455)		(1,001,373)
Revaluation of leasehold property to fair value	(85,684)		(97,812)
Other sundry temporary differences	(125,376)		(125,373)
Gross deferred tax liabilities	<u>(1,117,515)</u>		<u>(1,224,558)</u>
<b>Deferred tax assets</b>			
Excess of tax written down value over net carrying value of property, plant and equipment	93,735		110,535
Provisions	39,325		–
Other items	191,705		–
Gross deferred tax assets	<u>324,765</u>		<u>110,535</u>
Net deferred tax liabilities	<u>(792,750)</u>		<u>(1,114,023)</u>

### 24. Share capital

	2007	Group and Company		2006
	No. of shares	2007	2006	2006
		\$	No. of shares	\$
<i>Ordinary shares issued and fully paid</i>				
At beginning of the year	104,390,980	12,306,918	102,780,980	10,278,098
Exercise of share options (Note 26)	50,000	7,250	1,610,000	180,350
Transfer of share premium reserve to share capital	–	–	–	1,848,470
At end of the year	<u>104,440,980</u>	<u>12,314,168</u>	104,390,980	12,306,918

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 one 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.

	<b>Group and Company</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
At beginning of the year	<b>420,711</b>	–
Grant of equity-settled share options	<b>121,517</b>	420,711
At end of the year	<b>542,228</b>	420,711

### (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.

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
At beginning of the year	<b>56,140</b>	56,140
Transfer from revaluation reserve to accumulated profits	<b>(26,361)</b>	–
Net effect of a change in tax rate	<b>9,521</b>	–
At end of the year	<b>39,300</b>	56,140

Transfer from revaluation reserve to accumulated profits arises from:

Difference between depreciation based on the revalued leasehold property and depreciation based on the asset's original cost	<b>(26,361)</b>	–
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## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 25. Other reserves (cont'd)

#### (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.

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
At beginning of the year	<b>563,097</b>	–
Transfer to statutory reserve	<b>131,548</b>	563,097
At end of the year	<b>694,645</b>	563,097
Transfer to statutory reserves arises from:		
Appropriation from profit for the year	<b>131,548</b>	563,097

#### (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.

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
At beginning of the year	<b>(228,120)</b>	67,795
Net effect of exchange differences	<b>192,450</b>	(295,915)
At end of the year	<b>(35,670)</b>	(228,120)
Net effect of exchange differences arises from :		
• Translation of financial statements of foreign operations	<b>192,450</b>	(295,915)

## 25. Other reserves (cont'd)

### (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.

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
At beginning of the year as previously reported	<b>(55,870)</b>	–
Effects of adopting FRS 39	–	(57,048)
At beginning of the year as restated	<b>(55,870)</b>	(57,048)
Net change in the reserve	–	1,178
At end of the year	<b>(55,870)</b>	55,870
Net change in the reserve arises from :		
• Net gain on fair value changes during the year	–	1,178

## 26. Employee benefits

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Employee benefits expense (including executive directors) :</b>		
Wages, salaries and bonuses	<b>8,071,794</b>	7,041,420
Employer's contribution to defined contribution plans including Central Provident Fund	<b>1,169,479</b>	866,023
Expense of share options granted (Note a)	<b>121,517</b>	420,711
Other personnel expenses	<b>761,068</b>	727,326
	<b>10,123,858</b>	9,055,480

### (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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 26. Employee benefits (cont'd)

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

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.

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

	<b>No. 2007 '000</b>	<b>WAEP 2007 \$</b>	<b>No. 2006 '000</b>	<b>WAEP 2006 \$</b>
Outstanding at beginning of year	<b>8,820</b>	0.205	4,770 <sup>1</sup>	0.145
Granted during the year	–	–	6,010 <sup>2</sup>	0.239
Exercised during the year <sup>3</sup>	<b>(50)</b>	0.145	(1,610)	0.145
Lapsed during the year	–	–	(350)	0.239
Outstanding at end of year <sup>4</sup>	<b>8,770</b>	0.206	8,820	0.205
Exercisable at end of year	<b>8,770</b>	0.206	3,160	0.145

<sup>1</sup> The equity-settled options outstanding as at 1 July 2005 have not been recognised in accordance with FRS 102 as they vested before 1 July 2005. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

<sup>2</sup> The weighted average fair value of options granted during 2006 was \$0.096.

<sup>3</sup> The weighted average share price at the date of exercise for the options exercised was \$0.255 (2006: \$0.29).

<sup>4</sup> The range of exercise prices for options outstanding at the end of the year was \$0.145 to \$0.239 (2006: \$0.145 to \$0.239). The weighted average remaining contractual life for these options is 6.5 years (2006: 7.5 years).

## 26. Employee benefits (cont'd)

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

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 \$435,494 (2006: \$402,775).

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

	Group	
	2007	2006
	\$	\$
Not later than one year	<b>356,628</b>	356,372
Later than one year but not later than five years	<b>921,233</b>	1,160,260
Later than five years	<b>4,605,984</b>	4,689,309
	<b><u>5,883,845</u></b>	<u>6,205,941</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 27. Commitments and contingent liabilities (cont'd)

#### (b) Capital commitments

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

	2007	Group	2006
	\$		\$
Commitments in respect of contracts placed not provided for in the financial statements	47,000	1,183,000	

#### (c) Contingent liabilities

##### *Corporate guarantees*

The Company issued corporate guarantees amounting to approximately \$11,169,000 (2006: \$10,875,000) 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	
	2007	2006
	\$	\$
Controlling shareholder	461,000	494,000
Other director's interest	136,000	120,000

##### *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 2007, \$40,000 (2006: \$60,000) due to SAC was outstanding.



## 28. Related party disclosures (cont'd)

### (b) Compensation of key management personnel

	2007	Group	2006
	\$		\$
Salaries and other short-term employee benefits	<b>1,523,923</b>		1,327,495
Employer's contribution to defined contribution plans including Central Provident Fund	<b>59,618</b>		71,105
Expense of share options granted	<b>88,815</b>		329,910
	<hr/>		<hr/>
Key management personnel compensation expenses	<b>1,672,356</b>		1,728,510
	<hr/>		<hr/>

Including in the above is total compensation paid/payable to Directors of the Company amounted to \$437,072 (2006: \$427,643).

#### *Directors' interests in an employee share option plan*

At 1 July 2006 and 30 June 2007, 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; and
- 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.
- 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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 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 (2006 : 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.

(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, liabilities and 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 2007 and 2006.

2007	Precision engineering and assembly \$	Trading and distribution \$	Investment and management services \$	Inter- segment eliminations \$	Total \$
<b>Revenue</b>					
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	<u>59,716,872</u>	<u>5,089,748</u>	<u>3,152,341</u>	<u>(5,616,528)</u>	<u>62,342,433</u>
<b>Results</b>					
Segment results	4,557,859	10,445	1,768,545	(1,649,950)	4,686,899
Financial expenses (net)					<u>(489,162)</u>
Profit before taxation					4,197,737
Taxation					<u>(505,546)</u>
Profit for the year					<u><u>3,692,191</u></u>
<b>Assets and liabilities</b>					
Segment assets	45,140,501	1,892,086	15,741,449	(13,735,567)	49,038,469
Unallocated assets					<u>581,861</u>
Total assets					<u><u>49,620,330</u></u>
Segment liabilities	23,945,513	1,436,665	678,304	(5,444,235)	20,616,247
Unallocated liabilities					<u>2,131,365</u>
Total liabilities					<u><u>22,747,612</u></u>
<b>Other segment information</b>					
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	–	–	<u><u>385,811</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 29. Segment information (cont'd)

#### (a) Business segment (cont'd)

2006	Precision engineering and assembly \$	Trading and distribution \$	Investment and management services \$	Inter- segment eliminations \$	Total \$
<b>Revenue</b>					
Sales to external customers	79,389,800	8,424,846	–	–	87,814,646
Inter-segment sales	638,667	17,302	2,846,100	(3,502,069)	–
Total revenue	<u>80,028,467</u>	<u>8,442,148</u>	<u>2,846,100</u>	<u>(3,502,069)</u>	<u>87,814,646</u>
<b>Results</b>					
Segment results	5,842,000	506,002	1,454,553	(1,628,186)	6,174,369
Financial expenses (net)					<u>(883,857)</u>
Profit before taxation					5,290,512
Taxation					<u>(503,328)</u>
Profit for the year					<u>4,787,184</u>
<b>Assets and liabilities</b>					
Segment assets	53,744,246	3,109,296	15,060,861	(13,647,788)	58,266,615
Unallocated assets					<u>367,631</u>
Total assets					<u>58,634,246</u>
Segment liabilities	35,020,463	2,601,422	597,721	(5,353,540)	32,866,066
Unallocated liabilities					<u>1,873,981</u>
Total liabilities					<u>34,740,047</u>
<b>Other segment information</b>					
Capital expenditure					
• Property, plant and equipment	5,709,650	4,833	239,115	–	5,953,598
• Intangible assets	–	–	264,158	–	264,158
Depreciation and amortisation	3,455,570	19,895	7,764	–	3,483,229
Other significant non-cash expenses	581,677	–	–	–	<u>581,677</u>

## 29. Segment information (cont'd)

### (b) Geographical segment

	<b>Turnover</b>	<b>Assets</b>	<b>Capital expenditure</b>
	\$	\$	\$
<b>2007</b>			
Singapore	1,450,316	20,392,564	1,762,078
Asean (excluding Singapore)	20,421,721	2,669,750	-
North Asia	37,512,724	26,070,000	3,796,390
America and Europe	2,956,374	488,016	-
Others	1,298	-	-
Total	<u>62,342,433</u>	<u>49,620,330</u>	<u>5,558,468</u>
<b>2006</b>			
Singapore	3,786,433	20,392,598	2,303,543
Asean (excluding Singapore)	14,674,629	2,970,398	-
North Asia	65,137,986	34,541,180	3,914,213
America and Europe	4,215,159	730,070	-
Others	439	-	-
Total	<u>87,814,646</u>	<u>58,634,246</u>	<u>6,217,756</u>

## 30. Financial instruments

### Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency 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**

The Group obtains additional financing through bank borrowings and leasing arrangements. 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 established financial institutions.

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 30. Financial instruments (cont'd)

#### Financial risk management objectives and policies (cont'd)

##### Interest rate risk (cont'd)

The Group's and the Company's interest risk mainly arises from non-current borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk.

Information relating to the Group's interest rate exposure is also disclosed in the respective notes to the financial statements.

The following tables set out the Group and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amount, categorised by the earlier of contractual repricing or maturity dates.

	Variable rate			Fixed rate		Total
	Within 1 year	1 to 5 years	Over 5 years	Within 1 year	1 to 5 years	
	\$	\$	\$	\$	\$	\$
<b>At 30 June 2007</b>						
<b>Group</b>						
<b>Assets</b>						
Cash and cash equivalents	3,298,376	-	-	2,080,389	-	2,330,438
Trade and other debtors	-	-	-	-	-	8,653,150
Other financial assets	-	-	-	-	-	293,812
Non-financial assets	-	-	-	-	-	32,964,165
<b>Total assets</b>	<b>3,298,376</b>	<b>-</b>	<b>-</b>	<b>2,080,389</b>	<b>-</b>	<b>44,241,565</b>
<b>Liabilities</b>						
Term loans	2,263,470	4,752,864	484,481	-	-	-
Finance lease obligations	-	-	-	1,309,802	1,984,834	5,001
Trade and other creditors	-	-	-	-	-	9,815,795
Non-financial liabilities	-	-	-	-	-	2,131,365
<b>Total liabilities</b>	<b>2,263,470</b>	<b>4,752,864</b>	<b>484,481</b>	<b>1,309,802</b>	<b>1,984,834</b>	<b>11,947,160</b>
						<b>22,747,612</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 30. Financial instruments (cont'd)

#### Financial risk management objectives and policies (cont'd)

#### Interest rate risk (cont'd)

At 30 June 2006

Group Assets	Variable rate			Fixed rate		Total
	Within 1 year	1 to 5 years	Over 5 years	Within 1 year	1 to 5 years	
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	3,556,216	-	-	1,042,122	-	4,097,788
Trade and other debtors	-	-	-	-	-	17,251,109
Other financial assets	-	-	-	-	-	270,629
Non-financial assets	-	-	-	-	-	32,416,382
<b>Total assets</b>	3,556,216	-	-	1,042,122	-	54,035,908
<b>Liabilities</b>						
Term loans	974,335	5,663,796	554,740	774,546	-	-
Finance lease obligations	-	-	-	962,368	1,610,484	-
Trade and other creditors	-	-	-	-	-	22,313,897
Non-financial liabilities	-	-	-	-	-	1,873,981
<b>Total liabilities</b>	974,335	5,663,796	554,740	1,736,914	1,610,484	24,187,878
					11,900	34,740,047

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 30. Financial instruments (cont'd)

#### Financial risk management objectives and policies (cont'd)

##### Interest rate risk (cont'd)

	Within 1 year \$	Fixed rate 1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
<b>At 30 June 2007</b>					
<b>Company Assets</b>					
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
<b>Total assets</b>	<b>2,080,389</b>	<b>–</b>	<b>–</b>	<b>13,679,960</b>	<b>15,760,349</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>24,106</b>	<b>109,916</b>	<b>5,001</b>	<b>554,916</b>	<b>693,939</b>
<b>At 30 June 2006</b>					
<b>Company Assets</b>					
Cash and cash equivalents	1,025,911	–	–	865,156	1,891,067
Trade and other debtors	–	–	–	11,577	11,577
Other financial assets	–	–	–	4,325,420	4,325,420
Non-financial assets	–	–	–	8,832,797	8,832,797
<b>Total assets</b>	<b>1,025,911</b>	<b>–</b>	<b>–</b>	<b>14,034,950</b>	<b>15,060,861</b>
<b>Liabilities</b>					
Finance lease obligations	13,117	58,747	1,301	–	73,165
Trade and other creditors	–	–	–	524,556	524,556
Non-financial liabilities	–	–	–	8,200	8,200
<b>Total liabilities</b>	<b>13,117</b>	<b>58,747</b>	<b>1,301</b>	<b>532,756</b>	<b>605,921</b>



### **30. Financial instruments (cont'd)**

#### ***Liquidity risk***

The Group monitors and maintains a level of cash and bank balances deemed sufficient by the management to finance the Group's operations and maintain flexibility in financing by keeping credit facilities available.

Short-term funding is obtained from short-term trade financing and overdraft facilities, when necessary.

#### ***Credit risk***

Credit risk refers to the risk that counter parties will default on their obligations to make payments when due resulting in financial loss to the Group.

At balance sheet date, the Group has 52% (2006: 71%) 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. No other financial assets carry a significant exposure to credit risk.

#### ***Foreign currency 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. Purchase of machinery is mainly denominated in Japanese Yen and US dollars. The Group has certain investments in foreign operations mainly in the People's Republic of China, whose net assets are exposed to 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 currency risks. Nevertheless, the Group will continue to monitor its foreign exchange exposure in the future and will consider hedging any material foreign exchange exposure should the need arise.

#### ***Fair values***

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and 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 for which it is practicable to estimate their value:

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2007

### 30. Financial instruments cont'd)

#### *Fair values (cont'd)*

##### **Financial instruments whose carrying amount approximate fair value**

- Finance lease obligations and term loans

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

- 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 values due to their short-term nature.

### 31. Authorisation of financial statements

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2007 were authorised for issue in accordance with a resolution of the Directors on 18 September 2007.

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### 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 ("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 consisting 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 81 to 82 of the Annual Report.

The Board meets at least twice a year and additional meetings are held whenever necessary. 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 2007 and the attendance of the directors are as follows:

Name of Director	Board Appointment	Date of Appointment (Date of Last Re-election)	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 (13 October 2005)	2	2	2	2	2	2
Ng Weng Wei	Executive Director	12 March 2001 (13 October 2005)	2	2	2	2#	2	2
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 (26 October 2004)	2	2	2	2	NA	NA
Ch'ng Jit Koon	Independent Non-Executive Director	12 March 2001 (27 October 2006)	2	2	2	2	2	2

Notes:

NA: Not applicable

#: Attendance by invitation

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### 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 does not participate in 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. Lee Keen Whye and Ms. Heng Kheng Hwai be nominated for re-election as Directors at the forthcoming AGM. In addition, the Board has also recommended the re-appointment of Mr Ch’ng Jit Koon as a Director under Section 153(6) of the Companies Act.

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.

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 Non-Executive and 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 opined that the membership of Executive Director, Mr Ng Weng Wei would not give rise to potential conflict of interest given that the Director 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.

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### 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 2007.

#### Directors' Remuneration

Remuneration Bands	Salary	Bonus (1)	Fee (2)	Other Benefits	Total
Directors	%	%	%	%	%
<b>Below S\$250,000</b>					
Lee Keen Whye	–	–	100	–	100
Ng Weng Wei	64	24	6	6	100
Tan Sin Hock	65	17	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 FY2007. 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 12.

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 12.

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 2007, the total remuneration paid to these employees amounted to S\$208,000 (2006: S\$201,000). 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 2007.

## **Accountability and audit**

### *Audit Committee*

The Board is accountable to the shareholders while the Management is accountable to the Board. The Board will provide the shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on half yearly basis in accordance with the requirements of the SGX-ST.

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 Non-Executive and Independent Directors and one Non-Executive Director. The Chairman of the AC is the Non-Executive Chairman of the Board, Mr Lee Keen Whye (Chairman). 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.

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, 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.

## **ADDITIONAL INFORMATION**

### SGX-ST Listing Manual Requirements

#### **Accountability and audit (cont'd)**

##### *Audit Committee (cont'd)*

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 and 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 79.

## Interested person transactions

The Company has established procedures whereby all transactions with interested persons are reviewed by the AC 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 transaction conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Tan Chee Hawai <sup>(1)</sup>	S\$461,000	–
Strategic Alliance Capital Pte Ltd ("SAC") <sup>(2)</sup>	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.

## **ADDITIONAL INFORMATION**

SGX-ST Listing Manual Requirements

### **Risk management**

#### **Operation Risks**

The main operational risks facing the Group include our dependence on the telecommunication, hard disk drive, fibreoptics, consumer electronics, computer and smartcard 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 72 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 Ultron 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 will also be 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 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.

## ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

### 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 Chong Kim Choong** is the General Manager/ Director of our Precision Engineering & Assembly Division's subsidiary companies in Wuxi, China. Mr Chong joined the Group in July 2005 and is responsible for the manufacturing operation and marketing function of our subsidiary companies in China. He holds a Certificate in Business Administration from the Singapore Institute of Management.

**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) 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 20 September 2007

Issued and Fully Paid-Up Share Capital : \$12,314,168  
 Class of Shares : Ordinary Shares  
 Voting Right : One Vote Per Ordinary Share

### Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	12	3.23	2,783	0.00
1,000 -10,000	194	52.15	782,018	0.75
10,001 - 1,000,000	156	41.93	13,638,199	13.06
1,000,001 and above	10	2.69	90,017,980	86.19
<b>Total</b>	<b>372</b>	<b>100.00</b>	<b>104,440,980</b>	<b>100.00</b>

### Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Tan Chee Hawaii	37,580,570	35.98
2.	Tan Ah Wo	16,776,810	16.06
3.	Hong Leong Finance Nominees Pte Ltd	12,645,000	12.11
4.	Tan Sin Hock	6,704,100	6.42
5.	OCBC Securities Private Ltd	4,785,000	4.58
6.	Heng Kheng Hwai	4,667,000	4.47
7.	Yap Lem @ Yap Kee Lum	3,310,000	3.17
8.	Phillip Securities Pte Ltd	1,474,000	1.41
9.	IP Wan Keung	1,057,500	1.01
10.	Ng Weng Wei	1,018,000	0.97
11.	Kim Eng Securities Pte. Ltd.	1,000,000	0.96
12.	Law Kung Ying	771,000	0.74
13.	United Overseas Bank Nominees (Private) Limited	706,000	0.68
14.	Chan Peck Sim	522,000	0.50
15.	Lim Yee Min	500,000	0.48
16.	Ang Soo Lim	498,000	0.48
17.	Soh Cheng Lock	476,000	0.46
18.	Fong Yow Wai	470,000	0.45
19.	Loi Peng Choon	430,000	0.41
20.	Tan Seh Mia	370,000	0.35
<b>Total :</b>		<b>95,760,980</b>	<b>91.69</b>

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

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

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

(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 Tuesday, 30 October 2007 at 2:30 p.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 2007 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 2007 (previous year: first & final dividend of 0.50 Singapore cents per ordinary share and special dividend of 0.50 Singapore cents per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Articles of Association of the Company:  
  
Mr Lee Keen Whye **(Resolution 3)**  
Ms Heng Kheng Hwai **(Resolution 4)**  
  
*Mr Lee Keen Whye will, upon re-election as Director of the Company, remain as Chairman of the Board, Audit Committee and Remuneration Committee and will be considered independent.*  
  
*Ms Heng Kheng Hwai will, upon re-election as Director of the Company, remain as Member of the Audit Committee and will be considered non-independent.*
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)] **(Resolution 5)**  
  
*Mr Ch'ng Jit Koon will, upon re-appointment as Director of the Company, remain as Member of the Audit Committee and Remuneration Committee and will be considered independent.*
5. To approve the payment of Directors' fees for the year ended 30 June 2007. **(Resolution 6)**
6. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## 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 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 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 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

## NOTICE OF ANNUAL GENERAL MEETING SANTAK HOLDINGS LIMITED

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

- (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 8)***

### 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 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 9)***

By Order of the Board

Sophia Lim Siew Fay  
Secretary  
Singapore, 15 October 2007

Explanatory Notes:

- (i) The effect of the Ordinary Resolution 5 above, is to re-appoint a director of the Company who is over 70 years of age.
- (ii) The Ordinary Resolution 8 above, 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 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 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 9 above, 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.

**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 48 hours before the time appointed for holding the Meeting.

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# SANTAK HOLDINGS LIMITED

(Company Registration No. 200101065H)

(Incorporated In The Republic of Singapore with limited liability)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### 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.

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 30 October 2007 at 2.30 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 2007		
2	Payment of proposed first & final dividend and special dividend		
3	Re-election of Mr Lee Keen Whye as a Director		
4	Re-election of Ms Heng Kheng Hwai as a Director		
5	Re-appointment of Mr Ch'ng Jit Koon as a Director		
6	Approval of Directors' fees		
7	Re-appointment of Messrs Ernst & Young as Auditors		
8	Authority to issue new shares		
9	Authority to issue shares under the Santak Share Option Scheme 2001		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

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 Annual General 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.
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**

31 Senoko South Road Woodlands East Industrial Estate Singapore 758084

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