

SANTAK HOLDINGS LIMITED

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SANTAK HOLDINGS LIMITED


ANNUAL REPORT 2005



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CORPORATE PROFILE



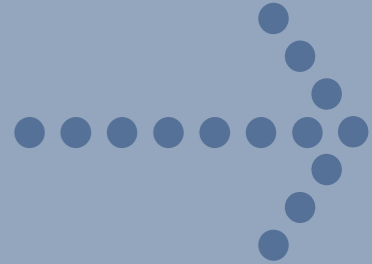
Established in 1978, the Santak Group is a manufacturing and trading group of companies with 2 divisions i.e. the Precision Engineering Division and the Trading and Distribution Division structured under the holding company, Santak Holdings Limited.

The Precision Engineering Division's main business is in the manufacture of precision machined components, mould/fixture design and fabrication and precision mechanical assembly, 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, mobile phones, optical instrument devices, medical equipment, connectors/contacts, pins and spacers as well as computer peripherals.

The Trading and Distribution Division specialises in sourcing custom-made electronic, electrical and mechanical components. It acts as a representative for many suppliers in the Asian region and facilitate the supply of these components based on the specifications of customers. Its focus is on heatsinks, printed circuit boards, die-cast & machined parts, 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 state-of-the-art production machinery as well as in the training and development of the Group's workforce. Aggressive marketing efforts are supported by manufacturing and engineering expertise, built up over the past 27 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 2005 ("FY2005").

Overall, FY2005 represented a year of both expansion as well as restructuring for the Group. Our Precision Engineering Division (PE") gained a foothold in the People's Republic of China ("PRC") by acquiring 100% of Wuxi Tech Precision Engineering Co., Ltd in January 2005. We further expanded our manufacturing presence in Wuxi, PRC when we incorporated a wholly-owned subsidiary company, Santak Metal Manufacturing (Wuxi) Co., Ltd in February 2005. Significant strategic investments have been made in state-of-the-art production machinery in PRC which is a large and important market for the Group in our expansion plans. On the other hand, we have divested the manufacturing operation of our Electronics Manufacturing Division ("EM") in Malaysia during the second half of FY2005 in line with the Group's strategy of focusing on our core business. With these efforts, we had made good progress in expanding our scope of activities in our core business and positioning the Group on strong foundation for further growth.

During the year under review, the Group's turnover increased by \$8.6 million or 52% to \$25.2 million compared to \$16.6 million for the previous Financial Year ended 30 June 2004 ("FY2004"). This was mainly due to increase of \$6.5 million or 56% in turnover contributions from our PE as well as a \$3.2 million or 103% increase in sales in our Trading & Distribution Division ("T&D"). This increase was partially offset by the \$1.1 million lower sales recorded by the Electronics Manufacturing Division ("EM").

The higher turnover in PE, our largest sales contributor which comprises 71% of the Group's total turnover, was largely from sales of our precision-machined components for the telecommunication and fibre-optics communication sectors. This increase in turnover

of PE was a result of the contributions from our newly established PE operations in PRC in the second half of FY2005. T&D has seen higher sales of components for telecommunication and access control products.

Profit from operations ("Operating Profit") was up by \$0.4 million or 32% to \$1.7 million in FY2005. This was due to the increase in Operating Profit of PE and T&D by \$1.3 million and \$0.2 million year on year respectively in line with the higher turnover of both divisions. On the other hand, EM recorded Operating Loss of around \$0.3 million in FY2005 compared to an Operating Profit of \$0.3 million in FY2004. The Operating Profit was also adversely affected by an impairment loss of \$0.4 million from writing off the entire goodwill related to EM.

The Group's profit before tax in FY2005 was higher by \$0.6 million or 60% compared to FY2004. Net profit after tax for the Group increased by 38% to \$1.5 million in FY2005. Excluding the abovementioned goodwill impairment loss of \$0.4 million, the Group's net profit after tax in FY2005 would have been approximately \$0.8 million or 76% higher than previous year. Our earnings per share was 1.42 cents for FY2005 compared to 1.03 cents in FY2004. In addition, the Group's net asset value per share increased to 18.70 cents as at 30 June 2005 from 15.87 cents as at 30 June 2004.

For FY2006, the Group intends to further increase our investment in our manufacturing operations in PRC. Overall, we will continue to strengthen our fundamentals and develop new capabilities to better serve the needs of our customers. Barring any unforeseen circumstances, we believe that FY2006 will be a year of significant growth in both revenue and profits.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board is pleased to recommend a final dividend of 0.4056 cents per share one-tier tax exempt for FY2005. This will maintain the same amount of dividend to be paid compared to the dividend declared in FY2004.

Our heartfelt appreciation goes to all our customers, business associates and shareholders for their support, confidence and trust over the years. I would like to extend my gratitude to the Board of Directors for their counsel and guidance. We thank the 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

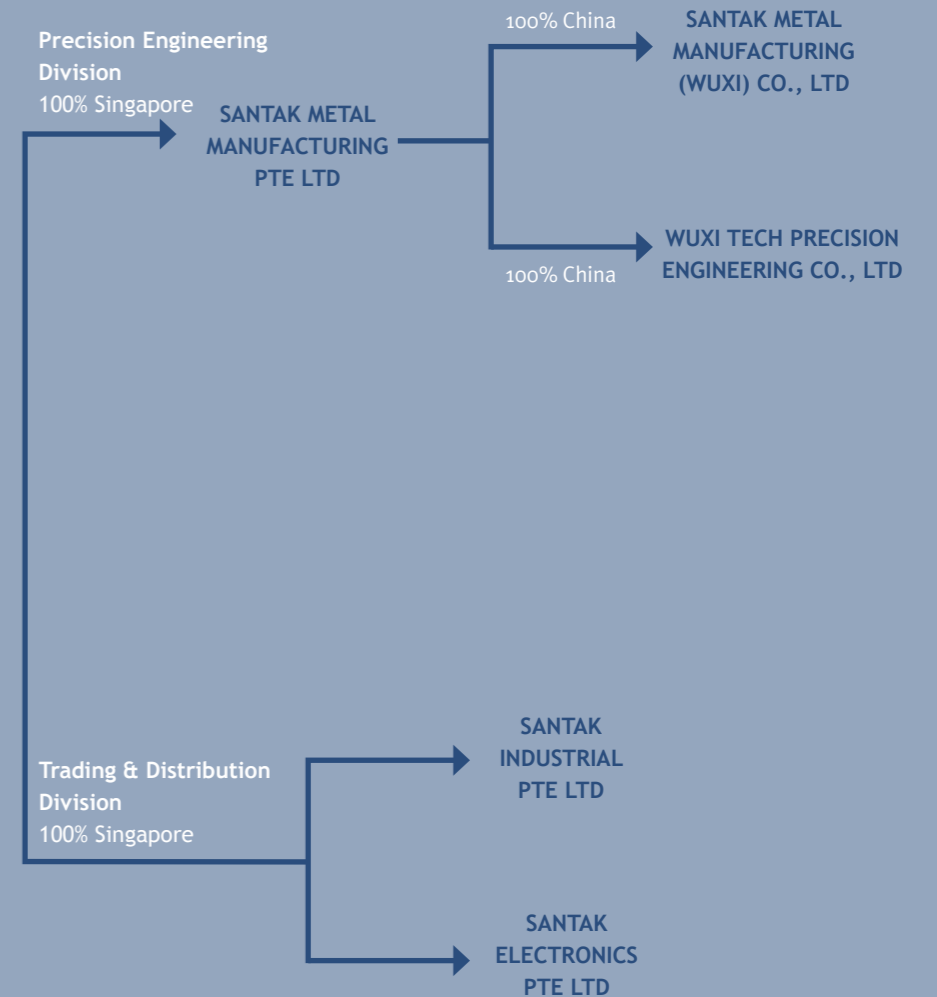
Lim Associates (Pte) Ltd
10 Collyer Quay #19-08 Ocean Building
Singapore 049315

AUDITORS

Ernst & Young
Certified Public Accountants
10 Collyer Quay #21-01 Ocean Building
Singapore 049315
Partner-in-charge: Vincent Toong Weng Sum
(since FY 2005)

CORPORATE STRUCTURE

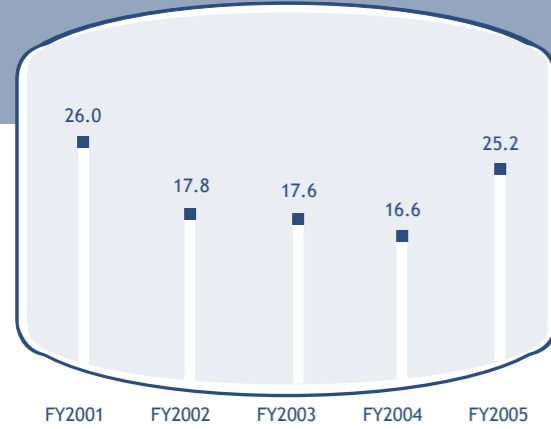
Santak Holdings Limited



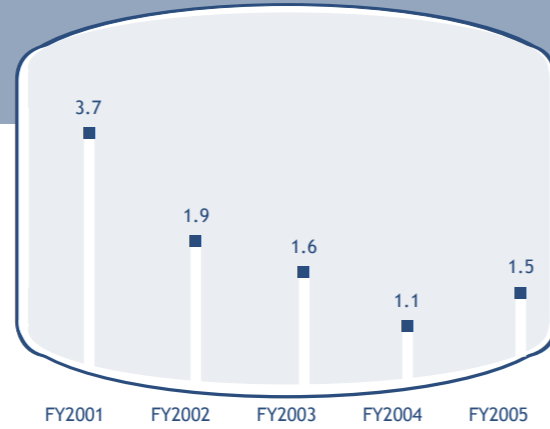
Note: The above chart shows the principal subsidiary companies of the Group.

FINANCIAL HIGHLIGHTS

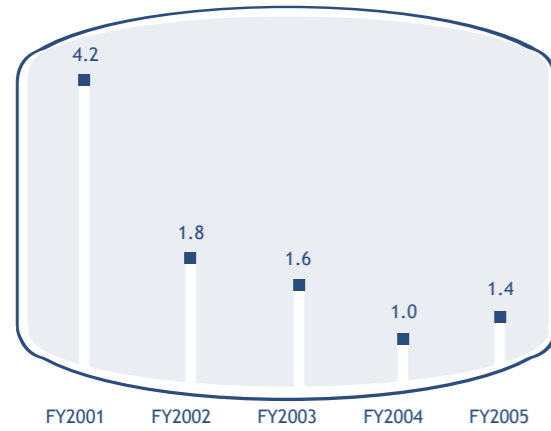
TURNOVER (in S\$million)



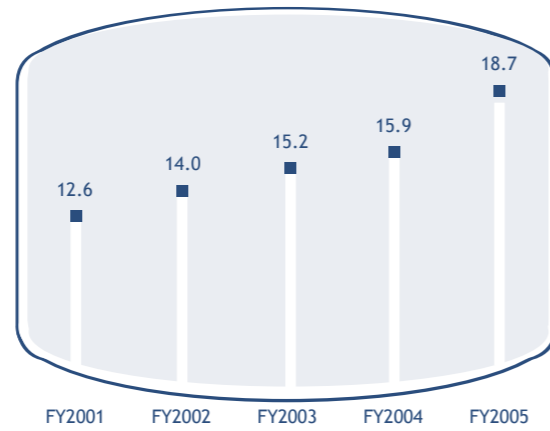
PROFIT AFTER TAX (in S\$million)



EARNINGS PER SHARE (in cents)



NET ASSET VALUE PER SHARE (in cents)



FINANCIAL REPORT



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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 (the "Group") for the financial year ended 30 June 2005 and balance sheet of the Company as at 30 June 2005.

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 OR DEBENTURES

Except for the Santak Share Option Scheme 2001, 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 OR DEBENTURES

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

	Shares registered in the name of the Directors as at			Other shareholdings in which Directors are deemed to have an interest as at		
	1 July 2004	30 June 2005	21 July 2005	1 July 2004	30 June 2005	21 July 2005
The Company						
Ordinary shares of \$0.10 each						
Lee Keen Whye	200,000	200,000	200,000	-	-	-
Ng Weng Wei	1,018,000	1,018,000	1,018,000	-	-	-
Tan Sin Hock	6,704,100	6,704,100	6,704,100	-	-	-
Tan Ah Wo	16,776,810	16,776,810	16,776,810	-	-	-
Heng Kheng Hwai	4,667,000	4,667,000	4,667,000	47,858,570	47,858,570	47,858,570

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

By virtue of Section 7 of the Companies Act, Cap. 50, Heng Kheng Hwai is deemed to be interested in the shares held by the Company in all its subsidiary companies.

Except as disclosed in this report, no Director had an interest in the shares, share options or debentures of any company in the Group.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from related corporations or share options granted pursuant to the Santak Share Option Scheme 2001) 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, except for an agreement in relation to the provision of advisory and consultancy services, entered into during the financial year between the Company and Strategic Alliance Capital Pte Ltd, a company of which a Director is a member and has a substantial financial interest.

SHARE OPTIONS

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

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

The total number of new shares over which options may be granted pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company on the date immediately preceding the offer date of the options ("Offer Date"). All options to be issued to executives of the Group and non-executive Directors of the Company will have a term no longer than 10 years and 5 years respectively. Persons who are controlling shareholders and their associates shall not be eligible to participate in the Scheme. The exercise price of all options granted for new ordinary shares of \$0.10 each 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.

REPORT OF THE DIRECTORS *(Amounts in Singapore dollars unless otherwise stated)*

SHARE OPTIONS (CONT'D)

Details of the Scheme and the share options that are granted for new ordinary shares of \$0.10 each of the Company as at 30 June 2005 are as follows:

Balance as at 1.7.2004	Addition	Cancelled	Exercised	Balance as at 30.6.2005	Exercise price	Exercise period
4,370,000	-	(400,000)	-	3,970,000	\$0.145	22.6.2005 to 21.6.2014
800,000	-	-	-	800,000	\$0.145	22.6.2005 to 21.6.2009

The participants of the Scheme who are Directors of the Company as at 30 June 2005 are disclosed in the following table:

Name of participant in respect of Santak Share Option Scheme 2001	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Lee Keen Whye	-	400,000	-	400,000
Ch'ng Jit Koon	-	400,000	-	400,000
Ng Weng Wei	-	600,000	-	600,000

No options were granted at a discount during the financial year and no shares have been issued during the financial year by the exercise of options.

There are no participants of the Scheme who are controlling shareholders of the Company or their associates, or who 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 a share issue of any other company.

There were no unissued shares of subsidiaries 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 Committee are:

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



AUDIT COMMITTEE (CONT'D)

The Committee performs the functions set out in the Companies Act. In performing those functions, the Committee reviewed the overall plan and scope of the external audit and the assistance given by the Company's officers to the auditors. The Committee met with the external auditors to discuss the results of their audit and their evaluation of the systems of internal accounting controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2005, as well as the external auditors' report thereon.

The 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.

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
2 September 2005

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, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Lee Keen Whye
Director

Ng Weng Wei
Director

Singapore
2 September 2005

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 (the "Group") set out on pages 14 to 45 for the financial year ended 30 June 2005. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet 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 2005, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those 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
2 September 2005

CONSOLIDATED PROFIT AND LOSS

ACCOUNT for the year ended 30 June 2005 (Amounts in Singapore dollars)

	Note	2005 \$	2004 \$
Revenue	3	25,216,400	16,583,570
Cost of sales		(20,255,598)	(12,535,979)
Gross profit		4,960,802	4,047,591
Other income	4	270,512	315,496
Distribution and selling expenses		(1,411,542)	(1,387,653)
Administrative expenses		(1,602,005)	(1,662,231)
Other operating expenses		(507,534)	(16,355)
Profit from operations	6	1,710,233	1,296,848
Financial expenses	7	(260,160)	(391,578)
Financial income	7	31,954	22,903
Profit before taxation		1,482,027	928,173
Taxation	8	(17,970)	130,282
Profit after taxation		1,464,057	1,058,455
Earnings per share (cents)			
Basic	10	1.42	1.03
Diluted	10	1.42	1.03

The accompanying notes form an integral part of the financial statements.

BALANCE

SHEETS as at 30 June 2005 (Amounts in Singapore dollars)

	Note	Group		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Property, plant and equipment	11	19,191,842	13,602,684	-	-
Subsidiary companies	12	-	-	8,516,666	8,851,397
Other investments	13	373,316	524,241	-	-
Goodwill/(negative goodwill), net	14	257,096	(1,821,828)	-	-
Current assets					
Stocks	15	2,205,209	1,841,329	-	-
Trade debtors	16	11,351,070	3,305,234	-	-
Other debtors, deposits and prepayments	17	302,630	137,199	11,563	15,944
Due from subsidiary companies (non-trade)	18	-	-	3,036,943	2,735,667
Dividend receivable		-	-	-	123,000
Fixed deposits		1,518,022	3,071,201	1,501,973	1,542,340
Cash and bank balances		2,897,222	3,134,520	214,469	390,762
		18,274,153	11,489,483	4,764,948	4,807,713
Current liabilities					
Trade creditors		7,211,761	903,686	-	-
Other creditors and accruals	19	4,577,132	1,094,159	189,906	260,915
Advances from factoring company		18,794	187	-	-
Term loans (secured) - current portion	20	378,949	49,668	-	-
Finance lease obligations - current portion	21	1,454,935	1,813,989	-	-
Provision for taxation		305,866	276,040	13,824	4,500
		13,947,437	4,137,729	203,730	265,415
Net current assets		4,326,716	7,351,754	4,561,218	4,542,298

BALANCE**SHEETS** *as at 30 June 2005 (Amounts in Singapore dollars)*

	Note	Group		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Non-current liabilities					
Term loans (secured) - non-current portion	20	1,821,260	900,856	-	-
Finance lease obligations - non-current portion	21	2,013,840	1,207,734	-	-
Deferred taxation	22	1,088,900	1,234,764	-	-
Net assets		19,224,970	16,313,497	13,077,884	13,393,695
Share capital and reserves					
Share capital	23	10,278,098	10,278,098	10,278,098	10,278,098
Share premium		1,795,370	1,795,370	1,795,370	1,795,370
Accumulated profits	24	7,027,567	3,759,176	1,004,416	1,320,227
Revaluation reserve		56,140	514,054	-	-
Translation reserve		67,795	(33,201)	-	-
		19,224,970	16,313,497	13,077,884	13,393,695

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES**IN EQUITY** *for the year ended 30 June 2005 (Amounts in Singapore dollars)*

	Note	2005 \$	2004 \$
Share capital			
Balance at beginning and end of year	23	10,278,098	10,278,098
Share premium			
Balance at beginning and end of year		1,795,370	1,795,370
Reserves			
Accumulated profits			
Balance at beginning of year		3,759,176	3,117,601
Dividends on ordinary shares	9	(416,880)	(416,880)
Net profit for the year		1,464,057	1,058,455
Negative goodwill	14	2,221,214	-
Balance at end of year	24	7,027,567	3,759,176
Revaluation reserve			
Balance at beginning of year		514,054	492,050
Arising from a change in tax rate	22	-	22,004
Arising from revaluation adjustment		(571,965)	-
Deferred tax liabilities written back	22	114,051	-
Balance at end of year		56,140	514,054
Translation reserve			
Balance at beginning of year		(33,201)	(28,846)
Currency translation differences		100,996	(4,355)
Balance at end of year		67,795	(33,201)
Total reserves		7,151,502	4,240,029
Total equity		19,224,970	16,313,497
Net change in equity from non-owner sources excluding net profits		(356,918)	17,649

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2005 (Amounts in Singapore dollars)

	2005 \$	2004 \$
Cash flows from operating activities		
Profit before taxation	1,482,027	928,173
Adjustments:		
Amortisation of negative goodwill (net)	-	(272,636)
Depreciation of property, plant and equipment	2,750,568	2,410,611
Loss on disposal of property, plant and equipment	12,102	16,358
Loss on disposal of other investments	43,935	-
Interest expense	204,326	280,194
Interest income	(31,954)	(22,903)
Goodwill written off	399,386	-
Allowance/(write back) for doubtful trade debts	51,981	(14,454)
Allowance for diminution in value of other investments	15,000	-
Write-back of allowance for stock obsolescence	(24,594)	(20,029)
Currency realignment	3,748	3,164
Operating profit before working capital changes	4,906,525	3,308,478
(Decrease)/increase in working capital		
Stocks	(159,929)	(462,162)
Trade debtors	(7,788,998)	(400,604)
Other debtors, deposits and prepayments	769,447	87,200
Trade creditors	5,242,014	268,746
Other creditors and accruals	(498,773)	(154,737)
Advances from factoring company	18,607	(229,961)
Cash generated from operations	2,488,893	2,416,960
Interest paid	(204,326)	(280,194)
Income taxes paid	(19,560)	(65,798)
Net cash generated from operating activities	2,265,007	2,070,968
Cash flows from investing activities		
Acquisition of a subsidiary company, net of cash acquired (Note a)	(797,604)	-
Purchase of property, plant and equipment	(2,111,896)	(288,329)
Proceeds from sale of property, plant and equipment	319,251	60,419
Proceeds from disposal of other investments	117,368	-
Addition to other investments	(25,378)	(36,351)
Interest received	31,954	22,903
Net cash used in investing activities	(2,466,305)	(241,358)



	2005 \$	2004 \$
Cash flows from financing activities		
Proceeds/(repayment of) from term loans	851,040	(49,476)
Repayment of finance leases	(2,023,339)	(1,842,593)
Dividend paid	(416,880)	(416,880)
Net cash used in financing activities	(1,589,179)	(2,308,949)
Net decrease in cash and cash equivalents	(1,790,477)	(479,339)
Cash and cash equivalents at beginning of year	6,205,721	6,685,060
Cash and cash equivalents at end of year (Note b)	4,415,244	6,205,721

Note (a):

Summary of the effects of acquisition of a subsidiary company:

	S\$
Net assets acquired	
Current assets	1,454,971
Non-current assets	1,417,519
Current liabilities	(2,300,065)
Net assets acquired	572,425
Goodwill arising on acquisition of subsidiary company	257,096
Purchase consideration satisfied by cash	829,521
Net cash flow on acquisition:	
Cash paid	(829,521)
Cash acquired	31,917
Cash outflow on acquisition, net of cash acquired	(797,604)

Note (b): Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	2005 \$	2004 \$
Cash and bank balances	2,897,222	3,134,520
Fixed deposits	1,518,022	3,071,201
Cash and cash equivalents	4,415,244	6,205,721

Fixed deposits bear interest of 0.575% to 3.7% (2004: 0.5625% to 3.7%) per annum with maturities from 1 month to 12 months (2004: 1 month to 12 months).

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2005 (Amounts in Singapore dollars)

1. CORPORATE INFORMATION

Santak Holdings Limited (the "Company") is a limited liability company incorporated in Singapore and listed on the Stock Exchange of Singapore Dealing and Automated Quotation System (SGX-SESDAQ).

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 investment 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 12 to the financial statements.

The Group and Company employed 303 and 3 (2004: 222 and 4) employees respectively as of 30 June 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards as required by the Companies Act.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of leasehold property, and are presented in Singapore dollars (\$).

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year, except for the change in accounting policy outlined in paragraph (d) below.

(b) Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies, after elimination of all material intercompany transactions and balances.

Subsidiary companies are consolidated from the date the Company obtains control until such time as control ceases. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting.

The financial statements of subsidiary companies are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to conform any dissimilar material accounting policies that may exist.

Goodwill arising on an acquisition which represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is accounted on the basis outlined in paragraph (d) below.

Assets and liabilities of the foreign subsidiary companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. The results of the foreign subsidiary companies are translated into Singapore dollars at the average exchange rates applicable for the financial year. Foreign currency translation adjustments arising on consolidation are accumulated as a separate component of equity.

(c) Subsidiary companies

Investments in subsidiary companies are stated in the financial statements of the Company at cost less any impairment loss. At each balance sheet date, the Company assesses whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is made, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Subsidiary companies (Cont'd)

A subsidiary company is a company in which the Company, directly and indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

(d) Goodwill

On 1 July 2004, the Council on Corporate Disclosure and Governance issued Financial Reporting Standard ("FRS") 103 Business Combinations, revised FRS 36 Impairment of Assets and revised FRS 38 Intangible Assets. Accordingly, FRS 22 Business Combinations was withdrawn.

These standards are to be applied to the accounting for business combinations for annual periods beginning on or after 1 July 2004 and must be applied prospectively.

The adoption of FRS 103, revised FRS 36 and revised FRS 38 resulted in a change in the accounting treatment for goodwill. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised, instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The replaced FRS 22 required acquired goodwill to be systematically amortised over its useful life, and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

The effects of the adoption of FRS 103 are as follows:

- (i) restatement of the Group opening accumulated profits as at 1 July 2004 by an increase of \$2,221,214 arising from the de-recognition of previously recognised negative goodwill in the balance sheets (Note 14); and
- (ii) elimination of a potential goodwill amortisation income of \$272,636 to the Group profit and loss account for the year ended 30 June 2005.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities acquired. Goodwill on acquisitions of subsidiary companies is included in intangible assets. Goodwill on acquisition of associated companies is included in investments in associated companies.

Goodwill is stated at cost and allowance is made for impairment in value.

Negative Goodwill

Negative goodwill arising on acquisition represents the excess of the net fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition.

The adoption of FRS 103 requires that if at the acquisition date, the Group's interest in the net fair value of those items acquired exceeds the cost of acquisition, the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of acquisition are reassessed. Any excess remaining after the reassessment are recognised by the Group in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2005 (Amounts in Singapore dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Negative Goodwill (Cont'd)

Previously before the adoption of FRS 103, to the extent that negative goodwill relates to an expectation of future losses and expenses, that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Property, plant and equipment carried at valuation are revalued at least once every 3 to 5 years.

When assets are revalued, any surplus on revaluation is credited to the asset revaluation reserve. A decrease in the net carrying amount of the asset revaluation reserve arising on revaluation of assets is charged to the profit and loss account to the extent that it exceeds any surplus held in reserve relating to a previous revaluation of the same assets.

Upon the disposal of revalued property, plant and equipment, the relevant portion of the revaluation reserve realised is transferred directly to revenue reserve.

(f) Depreciation of property, plant and equipment

Depreciation is calculated on the straight-line method to write off the cost or revalued amount of property, plant and equipment over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Leasehold property	50 years
Plant and machinery	5 - 8 years
Motor vehicles	5 - 10 years
Computers	2 - 3 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

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment

Property, plant and equipment and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account 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 revaluation surplus for that same asset.

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(h) Other investments

Other investments comprise investments in life insurance policies and social club membership.

Investment in life insurance policies is stated based on annual premiums paid. Upon realisation of the policy, the difference between the premiums paid and cash received is taken to the profit and loss account.

Investment in club membership is stated at cost less impairment, if any.

(i) Stocks

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

Cost includes materials, all direct expenditure and an attributable portion of overheads, determined on a first-in, first-out basis.

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

Allowance is made for deteriorated, damaged, obsolete and slow-moving stocks.

(j) Trade and other debtors

Trade and other debtors which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amount. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amount.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in values.

Cash in hand and at banks are carried at cost.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

(l) Trade and other creditors

Liabilities for trade and other creditors, which are normally settled on 30 to 90 day terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at cost.

(m) Provisions

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

(n) Employee benefits

(i) Defined contribution plan

As required by law, the Group's companies in Singapore make contribution to the state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(iii) Equity compensation benefit

The Company has in place the Santak Share Option Scheme 2001 for granting share options to eligible employees of the Group to subscribe for shares in the Company.

The consideration paid in respect of the share options granted are taken to the profit and loss account upon the grant of these options. There are no charges to the profit and loss account upon the exercise of the share options.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful life of the assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(p) Loans and borrowings

Loans and borrowings are recognised at cost.

(q) Revenue recognition

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:

Sales of Goods

Sales revenue is recognised net of taxes and discounts when delivery has taken place and the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest

Interest income is recognised accrued on a time apportionment basis unless collectibility is in doubt.

Commission income

Revenue is recognised on an accrual basis.

Group turnover excludes intercompany transactions.

(r) Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Deferred income tax (Cont'd)

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

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

Deferred tax are charged or credited directly to equity if the tax relates to items which are credited or charged, in the same or a different period, directly to equity.

(s) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

(t) Foreign currencies

Foreign currency transactions during the financial year are converted into Singapore dollars at exchange rates closely approximating those ruling at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates or, in the case of items carried at fair value, the exchange rates that existed when the values were determined. All exchange differences arising on conversion are included in the profit and loss account.

(u) Segments

For management purposes, the Group is organised on a worldwide basis into four 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

	2005	Group 2004
	\$	\$
Sale of goods	25,168,742	16,492,615
Commission income	47,658	90,955
	<u>25,216,400</u>	<u>16,583,570</u>

4. OTHER INCOME

	2005	Group 2004
	\$	\$
Amortisation of negative goodwill - net	-	272,636
Sale of scrap	210,663	25,508
Others	59,849	17,352
	<u>270,512</u>	<u>315,496</u>

5. PERSONNEL EXPENSES

	2005	Group 2004
	\$	\$
Wages, salaries and bonuses	5,242,158	5,620,719
Central Provident Fund contributions	539,724	561,796
Other personnel expenses	65,178	42,171
	<u>5,847,060</u>	<u>6,224,686</u>

Personnel expenses include total remuneration paid to employees who are related to the Directors and substantial shareholders amounting to approximately \$181,000 (2004: \$189,000).

Included in the above are Directors' remuneration of the Group amounting to approximately \$650,000 (2004: \$812,000).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

6. PROFIT FROM OPERATIONS

This is determined after charging/(crediting) the following:

	Group	
	2005 \$	2004 \$
Auditors' remuneration		
- payable to the auditors of the Company	89,000	59,000
- payable to other auditors	2,475	1,426
Non-audit fees to auditors of the Company	62,440	18,345
Depreciation of property, plant and equipment	2,750,568	2,410,611
Directors' fees	101,000	122,667
Directors' remuneration		
- Directors of the Company	307,418	811,573
- Directors of subsidiary companies	342,396	-
Goodwill written off	399,386	-
Loss on disposal of property, plant and equipment	12,102	16,358
Loss on disposal of other investments	43,935	-
Operating lease expenses	277,948	207,311
Personnel expenses (Note 5)	5,847,060	6,224,686
Allowance for diminution in value of other investments	15,000	-
Allowance for stock obsolescence	116,838	73,663
Allowance for doubtful trade debts	74,485	8,329
Write-back of allowance for doubtful trade debts	(22,504)	(22,783)
Write-back of allowance for stock obsolescence	(141,432)	(93,692)

7. FINANCIAL (EXPENSES)/INCOME

	Group	
	2005 \$	2004 \$
(a) Financial expenses		
Interest expense		
- term loan	(44,348)	(39,207)
- finance leases	(149,115)	(223,304)
- factoring charges	(7,240)	(17,683)
- trust receipts	(3,371)	-
- bank overdrafts	(252)	-
Foreign exchange loss - net	(55,834)	(111,384)
	(260,160)	(391,578)
(b) Financial income		
Interest income		
- fixed deposits	20,657	11,040
- bank balances	11,297	11,863
	31,954	22,903

8. TAXATION

	Group	
	2005 \$	2004 \$
Current tax		
- current year	72,636	30,767
- over provision in respect of prior years	(23,282)	(23,217)
Deferred tax		
- current year	(112,854)	(4,173)
- effect of change in statutory tax rate	-	(101,277)
- under/(over) provision in respect of prior years	81,470	(32,382)
Tax expense/(credit)	17,970	(130,282)

The reconciliation of the tax expense and the product of accounting profit multiplied by the Singapore income tax rate is as follows:

	Group	
	2005 \$	2004 \$
Profit before taxation	1,482,027	928,173
Tax at Singapore statutory tax rate of 20% (2004:20%)	296,405	185,635
Adjustments:		
Tax effect of non-deductible/(non-taxable) items	90,195	(5,658)
Income not subject to tax	(248,432)	-
Effect of different tax rates in foreign jurisdictions	(45,353)	-
Investment allowance claims	(83,311)	(84,199)
Current year temporary differences not recognised	(704)	(2,298)
Current year amortisation of deferred tax on revaluation reserve	(5,569)	(6,126)
Tax exemption on taxable profit	-	(29,003)
Under/(over) provision in respect of prior years	58,188	(55,599)
Utilisation of tax losses brought forward	(44,851)	(32,497)
Effect of change in statutory tax rate	-	(101,277)
Others	1,402	740
	17,970	(130,282)

As at 30 June 2005, the Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately \$182,000 (2004: \$554,000) and \$50,000 (2004: \$Nil) respectively available for offsetting against future taxable income subject to agreement with the Income Tax Authorities and compliance with the relevant tax legislation provisions of the respective countries in which the subsidiaries operate. The potential deferred tax asset arising from these unutilised losses has not been recognised in the financial statements in accordance with the Group's accounting policy.

NOTES TO THE FINANCIAL STATEMENTS 30 June 2005 (Amounts in Singapore dollars)

9. DIVIDENDS

Dividends paid or proposed since the end of the previous financial year are as follows:

	Group and Company 2005 \$	2004 \$
A final dividend of 0.4056 cents (2004: 0.4056 cents) per share, tax exempt (one-tier)	416,880	416,880

The above dividends have been proposed in respect of the current financial year ended 30 June by the Directors and are subject to approval of the annual general meeting by the shareholders.

	Group and Company 2005 \$	2004 \$
A final dividend of 0.4056 cents (2004: 0.0507 cents) per share, tax exempt (one-tier)	416,880	52,110
A final dividend of nil cent (2004: 0.4550 cents) per share, less tax at 20% (2004: 22%)	-	364,770
	416,880	416,880

The above dividends were paid in respect of the previous financial year.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

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

	2005 \$	Group 2004 \$
Net profit attributable to ordinary shareholders for basic and diluted earnings per share	1,464,057	1,058,455
Weighted average number of ordinary shares on issue applicable to basic earnings per share	102,780,980	102,780,980
Effect of dilutive securities: Share options	-	127,479
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	102,780,980	102,908,459

11. FIXED ASSETS

Group	At valuation										At cost											
	Leasehold property	Plant and machinery	Motor vehicles	Computers	Office equipment	Air-conditioners	Furniture and fittings	Renovation	Electrical installation	Tools and equipment	Total	Leasehold property	Plant and machinery	Motor vehicles	Computers	Office equipment	Air-conditioners	Furniture and fittings	Renovation	Electrical installation	Tools and equipment	Total
Cost or valuation	5,616,724	25,347,645	869,337	211,860	143,030	369,161	222,200	248,038	363,321	392,514	33,783,830	5,616,724	25,347,645	869,337	211,860	143,030	369,161	222,200	248,038	363,321	392,514	33,783,830
At beginning of year	-	5,847,182	155,888	45,311	1,947	130,109	50,618	645,497	547,037	259,175	7,682,764	-	5,847,182	155,888	130,109	1,947	130,109	50,618	645,497	547,037	259,175	7,682,764
Additions	-	(1,382,659)	(141,239)	(10,856)	(9,125)	(32,087)	(14,332)	(96,010)	(17,278)	(40,779)	(1,744,365)	-	(1,382,659)	(141,239)	(10,856)	(9,125)	(32,087)	(14,332)	(96,010)	(17,278)	(40,779)	(1,744,365)
Disposals	-	1,217,538	149,431	4,061	6,153	3,338	-	59,230	-	7,917	1,447,668	-	1,217,538	149,431	6,153	3,338	-	59,230	-	7,917	1,447,668	
Acquisition of subsidiary company	(571,965)	-	-	-	-	-	-	-	-	-	-	(571,965)	-	-	-	-	-	-	-	-	-	(571,965)
Revaluation adjustment	-	80,978	4,241	193	(60)	985	267	10,249	8,324	772	105,949	-	80,978	4,241	(60)	985	267	10,249	8,324	772	105,949	
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At end of year	5,044,759	31,110,684	1,037,658	250,569	141,945	471,506	258,753	867,004	901,404	619,599	40,703,881	5,044,759	31,110,684	1,037,658	250,569	141,945	471,506	258,753	867,004	901,404	619,599	40,703,881
Accumulated depreciation	1,079,152	17,331,313	337,291	187,485	96,134	267,033	187,486	186,086	285,682	223,484	20,181,146	1,079,152	17,331,313	337,291	187,485	96,134	267,033	187,486	186,086	285,682	223,484	20,181,146
At beginning of year	115,607	2,288,123	73,611	25,350	7,283	15,055	7,595	49,315	24,487	144,142	2,750,568	115,607	2,288,123	73,611	25,350	7,283	15,055	7,595	49,315	24,487	144,142	2,750,568
Charge for the year	-	(1,219,326)	(43,332)	(9,127)	(3,958)	(21,311)	(9,155)	(68,132)	(14,513)	(24,156)	(1,413,010)	-	(1,219,326)	(43,332)	(3,958)	(21,311)	(9,155)	(68,132)	(14,513)	(24,156)	(1,413,010)	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Translation adjustments	-	(35,307)	187	(126)	(109)	(625)	(262)	(54)	(331)	(187)	(36,814)	-	(35,307)	187	(109)	(625)	(262)	(54)	(331)	(187)	(36,814)	
At end of year	1,194,759	18,364,803	367,757	203,582	99,350	260,152	185,664	189,920	295,325	350,727	21,512,039	1,194,759	18,364,803	367,757	203,582	99,350	260,152	185,664	189,920	295,325	350,727	21,512,039
Charge for 2004	115,607	2,060,533	64,021	31,310	6,670	14,671	7,649	11,623	18,451	80,076	2,410,611	115,607	2,060,533	64,021	31,310	6,670	14,671	7,649	11,623	18,451	80,076	2,410,611
Net book value	3,850,000	12,745,881	669,901	46,987	42,595	211,354	73,089	677,084	606,079	268,872	19,191,842	3,850,000	12,745,881	669,901	46,987	42,595	211,354	73,089	677,084	606,079	268,872	19,191,842
As at 30 June 2005	4,537,572	8,016,332	532,046	24,375	46,896	102,128	34,714	61,952	77,639	169,030	13,602,684	4,537,572	8,016,332	532,046	24,375	46,896	102,128	34,714	61,952	77,639	169,030	13,602,684

The revaluation of the Group's leasehold property was performed by a firm of independent professional valuers, on an open market value basis for existing use as at 30 June 2005. The leasehold property is held by a subsidiary company. The deficit on revaluation has been taken to the revaluation reserve. Had the leasehold property been stated at cost less accumulated depreciation, the net book value of the leasehold property as at 30 June 2005 would have been approximately \$3,347,000 (2004: \$3,436,000).

The Group's leasehold property with a net book value of approximately \$3,850,000 (2004: \$4,538,000), was mortgaged as security for a term loan as disclosed in Note 20. 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 tenure of the leasehold property is 30 years lease commencing from 16 September 1993 with an entitlement for a further term of 30 years.

As at 30 June 2005, the Group had fixed assets under finance leases with a net book value of approximately \$6,885,000 (2004: \$5,923,000). During the year, the Group acquired plant and machinery under finance leases at the cost of \$2,862,738 (2004: \$368,273) of which \$2,441,214 (2004: \$298,923) is funded by means of finance leases.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

12. SUBSIDIARY COMPANIES

(a) These comprise:

	Company	
	2005 \$	2004 \$
Unquoted equity shares, at cost	8,356,338	8,356,338
Due from subsidiary companies (non-trade)	160,328	495,059
	8,516,666	8,851,397

Amount due from subsidiary companies (non-trade) are unsecured, interest-free and not expected to be repaid within 1 year.

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held		Cost of investment	
			2005 %	2004 %	2005 \$	2004 \$
Held by the Company						
Santak Metal Manufacturing Pte Ltd	Singapore	Manufacture of precision-machined components	100	100	8,113,173	8,113,173
Santak Industrial Pte Ltd	Singapore	Trading and distribution of electronic, electrical and mechanical components	100	100	243,162	243,162
Santak Electronics Pte Ltd	Singapore	Trading and distribution of electronic, electrical and mechanical components and products	100	100	3	3
					8,356,338	8,356,338

12. SUBSIDIARY COMPANIES (CONT'D)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held	
			2005 %	2004 %
Held by Santak Metal Manufacturing Pte Ltd				
Santak Metal Manufacturing (Wuxi) Co., Ltd #	Wuxi, People's Republic of China	Manufacture of precision components, mould/fixture design and fabrication as well as sub-assembly	100	-
Wuxi Tech Precision Engineering Co., Ltd #	Wuxi, People's Republic of China	Manufacture of precision components, mould/fixture design and fabrication	100	-
T.N.K. Precision Engineering Work Pte Ltd	Singapore	Manufacture of precision-machined components (currently dormant)	100	100
Hang Yip Metal Manufacturing Pte Ltd	Singapore	Manufacture of precision-machined components (currently dormant)	100	100
Held by Santak Electronics Pte Ltd				
Santak Electronics Sdn Bhd*	Malaysia	Manufacture of electronic, electrical and mechanical components and products (currently dormant)	100	100

Audited by Wuxi Zhongxin Certified Public Accountants Co., Ltd, a firm of Certified Public Accountants in Wuxi, People's Republic of China.

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

13. OTHER INVESTMENTS

	Group	
	2005	2004
	\$	\$
Life insurance policies	303,316	439,241
Club membership	150,000	150,000
Less: impairment loss	(80,000)	(65,000)
	70,000	85,000
	373,316	524,241

14. GOODWILL/(NEGATIVE GOODWILL), NET

	Group	
	2005	2004
	\$	\$
Goodwill		
Cost	605,458	605,458
Add: Goodwill acquired	257,096	-
Less: Accumulated amortisation	-	(206,072)
Less: Amount written off	(605,458)	-
	257,096	399,386

Analysis of accumulated amortisation of goodwill:

Balance at beginning of year	206,072	145,526
Amortisation for the year	-	60,546
Less: Amount written off	(206,072)	-
Balance at end of year	-	206,072

Negative goodwill		
Cost	(3,331,821)	(3,331,821)
Less: Accumulated amortisation	-	1,110,607
Less: Amount written off	3,331,821	-
	-	(2,221,214)

Included in the amount written off is \$2,221,214 taken to accumulated profits as explained in Note 2(d) and Note 24.

14. GOODWILL/(NEGATIVE GOODWILL), NET (CONT'D)

Analysis of accumulated amortisation of negative goodwill:

	Group	
	2005	2004
	\$	\$
Balance at beginning of year	1,110,607	777,425
Amortisation for the year	-	333,182
Less: Amount written off	(1,110,607)	-
Balance at end of year	-	1,110,607
Goodwill/(negative goodwill), - net	257,096	(1,821,828)

15. STOCKS

	Group	
	2005	2004
	\$	\$
Raw materials, at net realisable value	763,870	523,349
Work-in-progress, at cost	786,750	606,120
Finished goods, at net realisable value	654,589	711,860
	2,205,209	1,841,329
Stocks are stated after deducting allowance for stock obsolescence of	895,677	940,321

16. TRADE DEBTORS

	Group	
	2005	2004
	\$	\$
Trade debtors, net	11,351,070	3,305,234
Trade debtors are stated after deducting allowance for doubtful trade debts of	293,640	238,220

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

17. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
Deposits	108,146	41,357	-	-
Prepayments	74,360	90,054	10,946	14,924
Other debtors	120,124	5,788	617	1,020
	302,630	137,199	11,563	15,944

18. DUE FROM SUBSIDIARY COMPANIES (NON-TRADE)

These amounts are unsecured, interest-free and repayable on demand.

19. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
Other creditors	3,728,733	199,551	138,546	15,904
Accrued operating expenses	848,399	894,608	51,360	245,011
	4,577,132	1,094,159	189,906	260,915

20. TERM LOANS (SECURED)

	2005			2004		
	Due within 12 months \$	Due after 12 months \$	Total \$	Due within 12 months \$	Due after 12 months \$	Total \$
Term loan A	53,949	846,260	900,209	49,668	900,856	950,524
Term loan B	325,000	975,000	1,300,000	-	-	-
	378,949	1,821,260	2,200,209	49,668	900,856	950,524

The amount repayable within the next 12 months has been classified as term loans-current portion under current liabilities.

20. TERM LOANS (SECURED) (CONT'D)

The bank term loan A is secured by way of a legal mortgage over a subsidiary company's leasehold property with a net book value of approximately \$3,850,000 (Note 11) (2004: \$4,538,000) and a corporate guarantee from the Company. The bank term loan A bears interest at effective rates of 4% and 4.25% per annum for the first and second year commencing June 2003 respectively. Effective from 17 June 2005, the bank term loan A's interest rate was reset at effective rates of 4% and 4.25% per annum for the first and second year commencing June 2005 respectively. Thereafter, interest shall be at the bank's prime rate for the remaining term of the loan, stated at 5% in 2005 (2004: 5%). The bank term loan A is repayable in 180 monthly instalments commencing July 2003.

The bank term loan B is secured by a corporate guarantee from the Company. The bank term loan B bears interest at effective rates of 4.65% per annum for the 12 months commencing July 2005. Thereafter, interest shall be 2.5% per annum above the bank's cost of funds or otherwise as advised by the bank. The bank term loan B is repayable in 48 monthly instalments commencing July 2005.

21. FINANCE LEASE OBLIGATIONS

The Group's fixed assets include leased machinery and motor vehicles used in the business operations of the Precision Engineering and Trading and Distribution divisions. These leases are classified as finance leases and expire over the next seven years. Finance lease terms range from 4 to 7 years and do not contain restrictions concerning dividends, additional debt or further leasing. These leases bear interest ranging from 3.67% to 8.39% (2004: 4.00% to 8.39%) per annum. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	Total minimum lease payments 2005 \$	Present value of payments 2005 \$	Total minimum lease payments 2004 \$	Present value of payments 2004 \$
Not later than one year	1,596,934	1,454,935	1,939,825	1,813,989
Later than one year but not later than five years	2,149,553	2,003,246	1,254,099	1,207,734
Later than five years	10,707	10,594	-	-
Total minimum lease payments	3,757,194	3,468,775	3,193,924	3,021,723
Less: amounts representing finance charges	(288,419)	-	(172,201)	-
Present value of minimum lease payments	3,468,775	3,468,775	3,021,723	3,021,723

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

22. DEFERRED TAXATION

Analysis of movement in deferred taxation:

	Group	
	2005 \$	2004 \$
Balance at beginning of year	1,234,764	1,394,600
Write-back during the year	(31,813)	(137,832)
Write-back to revaluation reserve	(114,051)	(22,004)
Balance at end of year	1,088,900	1,234,764
Deferred taxation arises as a result of:		
Excess of net book value over tax written down value of fixed assets	934,445	1,235,021
Deferred tax liability on revaluation reserve	100,419	-
Other sundry temporary differences	54,036	(257)
	1,088,900	1,234,764

23. SHARE CAPITAL

	Group	
	2005 \$	2004 \$
Authorised: 250,000,000 ordinary shares of \$0.10 each	25,000,000	25,000,000
Issued and fully paid: 102,780,980 ordinary shares of \$0.10 each	10,278,098	10,278,098

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 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.



23. SHARE CAPITAL (CONT'D)

Details of the Scheme and the share options that are granted for new ordinary shares of \$0.10 each of the Company as at 30 June 2005 are as follows:

Balance as at 1.7.2004	Addition	Cancelled	Exercised	Balance as at 30.6.2005	Exercise price	Exercise period
4,370,000	-	(400,000)	-	3,970,000	\$0.145	22.6.2005 to 21.6.2014
800,000	-	-	-	800,000	\$0.145	22.6.2005 to 21.6.2009

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

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 \$0.10 each 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.

24. ACCUMULATED PROFITS

	Group		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
Balance at beginning of year	3,759,176	3,117,601	1,320,227	1,564,469
Dividends on ordinary shares (Note 9)	(416,880)	(416,880)	(416,880)	(416,880)
Negative goodwill written off (Note 14)	2,221,214	-	-	-
Net profit for the year	1,464,057	1,058,455	101,069	172,638
Balance at end of year	7,027,567	3,759,176	1,004,416	1,320,227

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

25. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Non-cancellable 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.

	Group	
	2005	2004
	\$	\$
Future minimum lease payments		
- not later than 1 year	316,000	189,000
- later than 1 year but not later than 5 years	1,121,000	681,000
- later than 5 years	5,356,000	7,528,000
	<u>6,793,000</u>	<u>8,398,000</u>

(b) Capital expenditure commitments

	Group	
	2005	2004
	\$	\$
Commitments in respect of contracts placed not provided for in the financial statements	<u>207,000</u>	-

(c) Corporate guarantees

The Company and a subsidiary company issued corporate guarantees amounting to approximately \$6,018,000 (2004: \$3,870,000) and \$5,000 (2004: \$5,000) respectively in favour of certain financial institutions for banking and finance lease facilities granted to certain subsidiary companies.

26. RELATED PARTY INFORMATION

Directors' and executives' remuneration

The remuneration and fees of the Directors of the Group for the financial year ended 30 June 2005 amounted to \$650,000 (2004: \$812,000) and \$101,000 (2004: \$123,000) respectively. The remuneration of other key management personnel (excluding the Directors of the Group) for the financial year ended 30 June 2005 amounted to approximately \$270,000 (2004: \$377,000). During the year, no (2004: 2,750,000) options were granted to the Directors and other key management personnel of the Group.

Information relating to share options granted to Directors of the Company are disclosed in Note 23.

	Group	
	2005	2004
	\$	\$
Other related parties		
Advisory fees expenses	<u>182,000</u>	-

27. DIRECTORS' REMUNERATION

Pursuant to Rule 1207(11) to (14) of the Singapore Exchange Securities Trading Limited Listing Manual, the following number of Directors of the Company whose remuneration falls within the stipulated remuneration bands is as follows:

	Executive Directors	Non-executive Directors	Total
2005			
\$500,000 and above	-	-	-
\$250,000 to \$499,999	-	-	-
Below \$250,000	3	4	7
	<u>3</u>	<u>4</u>	<u>7</u>
2004			
\$500,000 and above	-	-	-
\$250,000 to \$499,999	2	-	2
Below \$250,000	2	4	6
	<u>4</u>	<u>4</u>	<u>8</u>

28. SEGMENT INFORMATION

(a) Business segments

The Group is organised on a world wide basis into four main operating divisions, namely Precision Engineering, Electronics Manufacturing, Trading and Distribution and Investment and Management Services. 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.

2005	Precision engineering	Electronics manufacturing	Trading and distribution	Investment and management services	Inter-segment eliminations	Total
	\$	\$	\$	\$	\$	\$
Revenue						
External sales	18,015,879	818,636	6,381,885	-	-	25,216,400
Inter-segment sales	-	7,971	31,512	790,200	(829,683)	-
	<u>18,015,879</u>	<u>826,607</u>	<u>6,413,397</u>	<u>790,200</u>	<u>(829,683)</u>	<u>25,216,400</u>

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

28. SEGMENT INFORMATION (CONT'D)

2005	Precision engineering \$	Electronics manufacturing \$	Trading and distribution \$	Investment and management services \$	Inter-segment eliminations \$	Total \$
Results						
Segment results	1,993,328	(300,707)	202,925	94,348	(279,661)	1,710,233
Financial expenses - net	(221,578)	(27,650)	930	20,092	-	(228,206)
	1,771,750	(328,357)	203,855	114,440	(279,661)	1,482,027
Taxation						(17,970)
						1,464,057
Assets						
Segment assets	32,950,606	576,439	3,843,367	13,281,614	(12,812,716)	37,839,310
Unallocated assets						257,097
Total assets						38,096,407
Liabilities						
Segment liabilities	17,486,743	990,689	3,477,621	189,906	(4,668,287)	17,476,672
Unallocated liabilities						1,394,765
Total liabilities						18,871,437
Capital expenditure						
	7,677,747	3,237	1,780	-	-	7,682,764
Depreciation and amortisation						
	2,679,898	50,790	19,880	-	-	2,750,568
Non-cash expenses other than depreciation and amortisation						
	285,964	372,044	3,738	-	-	661,746



28. SEGMENT INFORMATION (CONT'D)

2004	Precision engineering \$	Electronics manufacturing \$	Trading and distribution \$	Investment and management services \$	Inter-segment eliminations \$	Total \$
Revenue						
External sales	11,537,115	1,945,488	3,100,967	-	-	16,583,570
Inter-segment sales	-	3,689	65,989	1,263,242	(1,332,920)	-
	11,537,115	1,949,177	3,166,956	1,263,242	(1,332,920)	16,583,570
Results						
Segment results	683,138	267,347	29,959	200,707	115,697	1,296,848
Financial expenses - net	(314,570)	(46,619)	(17,873)	10,387	-	(368,675)
	368,568	220,728	12,086	211,094	115,697	928,173
Taxation						130,282
						1,058,455
Assets						
Segment assets	22,218,822	1,632,391	1,556,399	13,659,110	(13,450,314)	25,616,408
Unallocated assets						(1,821,828)
Total assets						23,794,580
Liabilities						
Segment liabilities	7,732,765	1,727,053	1,343,524	260,915	(5,093,978)	5,970,279
Unallocated liabilities						1,510,804
Total liabilities						7,481,083
Capital expenditure						
	557,786	27,672	1,794	-	-	587,252
Depreciation and amortisation						
	2,246,857	108,060	20,109	(237,051)	-	2,137,975
Non-cash expenses other than depreciation and amortisation						
	76,491	21,859	-	-	-	98,350

NOTES TO THE FINANCIAL STATEMENTS

30 June 2005 (Amounts in Singapore dollars)

28. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

	Turnover \$	Assets \$	Capital expenditure \$
2005			
Singapore	3,689,941	19,007,847	326,221
Asean (excluding Singapore)	9,939,074	1,830,648	3,138
North Asia	8,148,196	16,611,212	7,353,405
America and Europe	3,437,823	646,700	-
Others	1,366	-	-
Total	25,216,400	38,096,407	7,682,764
2004			
Singapore	3,261,514	20,831,281	560,260
Asean (excluding Singapore)	7,739,257	1,933,425	26,992
North Asia	3,494,373	344,383	-
America and Europe	2,052,238	678,349	-
Others	36,188	7,142	-
Total	16,583,570	23,794,580	587,252

29. FINANCIAL INSTRUMENTS

Financial risk management 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.

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

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.

29. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (Cont'd)

The carrying amount of trade and other receivables, other investments, fixed deposits and cash represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

At balance sheet date, the Group has 59% of its trade debts relating to one major customer. Surplus funds are placed with established financial institutions.

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, primarily in US Dollars and Chinese Renminbi. Purchase of machinery is mainly denominated in Japanese Yen and US Dollars. 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 following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Finance lease obligations and term loan

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.

Other investments

Life insurance policies of \$303,316 (2004: \$439,241) is not carried at fair value in the balance sheet as at 30 June 2005 as the management has the intent and ability to hold these life insurance policies to maturity. The life insurance policies have a fair value of approximately \$246,268 (2004: \$335,470). The fair value of life insurance policies is estimated based on their surrender values.

Club membership stated at net of \$70,000 (2004: \$85,000) as at 30 June 2005 approximates its fair value. Fair value of club membership is estimated based on the quoted market price for this investment.

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

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

30. COMPARATIVE INFORMATION

In prior year, the amount stated in other operating expenses includes commission expense. This amount has been reclassified to distribution and selling expenses to better reflect the nature of the profit and loss items.

31. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2005 were authorised for issue in accordance with a resolution of the Directors on 2 September 2005.

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 51 to 52 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 2005 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 (17 November 2003)	2	2	3	3	2	2
Ng Weng Wei	Executive Director	12 March 2001 (22 November 2002)	2	2	3	3#	2	2
Tan Sin Hock	Executive Director	12 March 2001 (26 October 2004)	2	2	3	2#	2	-
Tan Ah Wo	Non-Executive Director	17 February 2001 (17 November 2003)	2	2	3	2#	2	-
Heng Kheng Hwai	Non-Executive Director	12 March 2001 (26 October 2004)	2	2	3	3	2	-
Ch'ng Jit Koon	Independent Non-Executive Director	12 March 2001 (26 October 2004)	2	2	3	3	2	2

Notes:

Attendance by invitation

BOARD MATTERS (CONT'D)

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

- supervises the management of the business and affairs of the Group;
- approves the Group's strategic directions, major capital investments and divestments and major funding decisions;
- reviews the financial performance of the Group;
- approves nominations of directors and appointments to Board committees; and
- 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, with the Non-Executive Chairman and Managing Director having separate roles.

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

- the scheduling and chairing of Board meetings;
- the controlling of the quality, quantity and timeliness of information supplied to the Board; and
- ensuring compliance with the Company's guidelines on corporate governance.

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 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 can be and 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.

ADDITIONAL INFORMATION - SGX-ST Listing Manual Requirements

NOMINATING COMMITTEE (CONT'D)

Pursuant to the Company's Articles of Association, all directors (with the exception of the Managing Director) submit themselves for re-election at least once every three years. The Board has recommended that Mr. Lee Keen Whye and Mr. Ng Weng Wei be nominated for re-appointment 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 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 and the Managing Director (or executive of equivalent rank) in the case where the Managing Director is not an 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.

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, which is administered by the RC.



REMUNERATION COMMITTEE (CONT'D)

The following table shows a breakdown of the remuneration of directors of the Company for the financial year ended 30 June 2005.

Directors' Remuneration

Remuneration Bands	Salary	Bonus (1)	Fee (2)	Other Benefits	Total
Directors	%	%	%	%	%
Below S\$250,000					
Lee Keen Whye	-	-	100	-	100
Ng Weng Wei	78	10	6	6	100
Tan Sin Hock	77	7	11	5	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 FY2005. 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.

Total annual remuneration received by each of the five key executives in the Group (excluding the Executive Directors of the Company) did not exceed \$250,000 except for Mr Tan Chor Tat, Steven who was in the remuneration band of \$250,000 to \$499,999 for the financial year.

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 2005, the total remuneration paid to these employees amounted to \$181,000 (2004: \$189,000). There is no employee who is an immediate family member of a director or substantial shareholder whose remuneration exceeds \$150,000 for the financial year ended 30 June 2005.

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;

ADDITIONAL INFORMATION - SGX-ST Listing Manual Requirements

ACCOUNTABILITY AND AUDIT (CONT'D)

AUDIT COMMITTEE (CONT'D)

- (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.

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 is modeled on the Best Practices Guide issued by SGX-ST and has been disseminated to key employees of the Group.

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 for an agreement in relation to the provision of advisory and consultancy services, entered into during the financial year between the Company and Strategic Alliance Capital Pte Ltd, a company of which a Director is a member and has a substantial financial interest.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that 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. During the financial year, Mr Tan Chee Hawaii, a controlling shareholder, has been engaged as Advisor to the Company. The aggregate value of interested person transactions entered into during the financial year was approximately \$132,000.

RISK MANAGEMENT

OPERATION RISKS

The main operational risks facing the Group include our dependence on the telecommunication, hard disk drive, fibre-optics, 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, 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 29 to the Financial Statements, on pages 44 to 45 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 Ultro Technologies Limited which is 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.

ADDITIONAL INFORMATION - SGX-ST Listing Manual Requirements

DIRECTORS AND KEY EXECUTIVES PROFILE (CONT'D)

DIRECTORS

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.

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. Mr Ch'ng is currently the Chairman of Pan-United Corporation Ltd. Mr Ch'ng, a Justice of the Peace, was a Member of Parliament from 1968 to 1996. He was appointed the Senior Parliamentary Secretary to the Prime Minister from 1982 to 1984, the Minister of State for Community Development from 1984 to 1991, and the Senior Minister of State for Community Development from September 1991 until he retired in January 1997. In addition to holding directorships in several public-listed companies and private companies in Singapore, Mr Ch'ng is also serving in several community organisations such as Chairman, Oral History Advisory Committee; Chairman, Traditional Chinese Medicine Practitioners Board; Member, Board of Trustees, Chinese Development Assistance Council; Member, Board of Advisors, NTU 21st Century Fund, and Trustee, Building Construction & Timber Industries Employees Union.



DIRECTORS AND KEY EXECUTIVES PROFILE (CONT'D)

KEY EXECUTIVES

Mr Tan Chor Tat, Steven is the General Manager/Director of our Precision Engineering Division. Mr Tan joined the Precision Engineering 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 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 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 9 September 2005*

Authorised Share Capital	: \$25,000,000
Issued and Fully Paid-Up Share Capital	: \$10,294,098
Class of Shares	: Ordinary Shares of \$0.10 each
Voiting Right	: One Vote Per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	8	1.60	2,701	0.00
1,000 -10,000	269	53.80	1,228,700	1.19
10,001 - 1,000,000	214	42.80	17,136,099	16.65
1,000,001 and above	9	1.80	84,573,480	82.16
Total :	500	100.00	102,940,980	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Tan Chee Hawaii	37,580,570	36.51
2.	Tan Ah Wo	16,776,810	16.30
3.	Hong Leong Finance Nominees Pte Ltd	10,278,000	9.98
4.	Tan Sin Hock	6,704,100	6.51
5.	OCBC Securities Private Ltd	4,986,000	4.84
6.	Heng Kheng Hwai	4,667,000	4.53
7.	Kim Eng Securities Pte. Ltd.	1,364,000	1.33
8.	Goh Sor Choo	1,199,000	1.16
9.	Ng Weng Wei	1,018,000	0.99
10.	Ip Wan Keung	907,500	0.88
11.	Law Kung Ying	771,000	0.75
12.	Ghui Chiap Meng Or Neo Hwa Lui	652,000	0.63
13.	Wu Hsi Hsin	500,000	0.49
14.	Fong Yow Wai	470,000	0.46
15.	Choo Hook Kee	430,000	0.42
16.	Loi Peng Choon	430,000	0.42
17.	Yap Beng Khoon Peter	418,000	0.41
18.	Chen Yuk Fu	414,000	0.40
19.	Ng Sai Imm Florina	412,000	0.40
20.	DBS Nominees Pte Ltd	400,000	0.39
Total :		90,377,980	87.80

Approximately 24% 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
Tan Chee Hawaii	47,858,570	4,667,000
Tan Ah Wo	16,776,810	-
Tan Sin Hock	6,704,100	-

Notes:

Mr Tan Chee Hawaii's direct interest is derived from 37,580,570 shares held in his own name and 10,278,000 shares held in the name of Hong Leong Finance Nominees Pte Ltd. Mr Tan's deemed interest is derived from 4,667,000 held by his spouse, Madam Heng Kheng Hwai.

NOTICE OF ANNUAL GENERAL MEETING SANTAK HOLDINGS LIMITED

(Company Registration No. 200101065H)
(Incorporated In The Republic of Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of Santak Holdings Limited ("the Company") will be held at 31 Senoko South Road Woodlands East Industrial Estate Singapore 758084 on Thursday 13 October 2005 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

- To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2005 together with the Auditors' Report thereon. **(Resolution 1)**
- To declare a first and final dividend of 0.4056 cents per share tax exempt (one-tier) for the year ended 30 June 2005 [previous year: 0.4056 cents per share tax exempt (one-tier)]. **(Resolution 2)**
- To re-elect the following Directors retiring pursuant to Article 91 of the Company's Articles of Association:-
Mr Lee Keen Whye **(Resolution 3)**
Mr Ng Weng Wei **(Resolution 4)**

Mr Lee Keen Whye will, upon re-election as Director of the Company, remain as the Chairman of the Board, Audit Committee and Remuneration Committee respectively and will be considered independent for the purpose of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

Mr Ng Weng Wei will, upon re-election as Director of the Company, remain as a member of the Remuneration Committee and will be considered non-independent for the purpose of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

- To pass the following Ordinary Resolution pursuant to Section 153(6) of the Companies Act, Cap. 50:
"That pursuant to Section 153(6) of the Companies Act, Cap 50, Mr Ch'ng Jit Koon be re-appointed a Director of the Company to hold office until the next Annual General Meeting."
[See Explanatory Note (i)]. **(Resolution 5)**
Mr Ch'ng Jit Koon will, upon re-election as Director of the Company, remain as member of the Audit Committee and Remuneration Committee respectively and will be considered independent for the purpose of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.
- To approve the payment of Directors' fees for the year ended 30 June 2005. **(Resolution 6)**
- To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
- To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

SANTAK HOLDINGS LIMITED

(Company Registration No. 200101065H)

(Incorporated In The Republic of Singapore with limited liability)

AS SPECIAL BUSINESS

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

8. Authority to allot and issue shares up to 50 per centum (50%) of issued share capital

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 be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting 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 accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (ii)]

(Resolution 8)

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

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Santak Share Option Scheme 2001 ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time.

[See Explanatory Note (iii)]

(Resolution 9)

By Order of the Board

Sophia Lim Siew Fay
Company Secretary
Singapore

Date: 28 September 2005



Explanatory Notes:

- (i) The effect of the Ordinary Resolution 5 proposed in item 4 above, is to re-appoint a director who is over 70 years of age.
- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

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.

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.

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 him/her, 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 13 October 2005 at 2.00 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 2005		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Lee Keen Whye as a Director		
4	Re-election of Mr Ng Weng Wei as a Director		
5	Re-election 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 allot and issue new shares		
9	Authority to allot and issue shares under the Santak Share Option Scheme 2001		

Dated this _____ day of _____ 2005

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

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

*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 instead of him/her. 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. 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.
5. 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.
6. 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.