CORPORATE PROFILE

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

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

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

The Group's factories are located in Singapore and the People's Republic of China. Strategic investments have been made in state-of-the-art production machinery in additional to the ongoing training and development of the Group's workforce. Aggressive marketing efforts are supported by manufacturing and engineering expertise, built up over the past 28 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 2006 ("FY2006").

Having just emerged from the preceding year of restructuring and expansion of the Group, FY2006 represents a year with significant developments where we achieved significant growth in both revenue and profit, broadened our range of activities as well as increased our engagement with our customers. In particular, we expanded the scope of our services in our Precision Engineering and Assembly Division (PE&A") into sub-assembly and die-casting in our plants in the People's Republic of China ("PRC"). These additional services are part of our vertically integrated manufacturing activities to better serve the needs of our customers.

We continued to make significant strategic investments in state-of-the-art production machinery and equipments in PRC and Singapore in FY2006. As we strive to increase our operational efficiency and productivity as well as improve our management information system, we have invested and implemented SAP enterprise resource planning system ("SAP") to upgrade our IT infrastructure in Singapore. We are currently in the process of rolling out SAP in our plants in PRC. In total, we have made approximately S$6.2 million of capital expenditure in FY2006 in addition to around S$7.7 million capital expenditure made in prior year. These initiatives will further strengthen our fundamentals and position us onto the path of steady growth in the years ahead.

During the year under review, the Group's turnover increased by S$63 million or 248% to S$87.8 million compared to S$25.2 million for the Financial Year ended 30 June 2005 ("FY2005"). This was mainly due to an increase of approximately S$62 million or 344% in sales from our Precision Engineering and Assembly Division ("PE&A") as well as S$2 million or 32% higher turnover in our Trading & Distribution Division ("T&D").

The higher sales in PE&A, our largest turnover contributor which comprises approximately 91% of the Group's total turnover, was largely from the increase in sales of our assembled products and precision-machined components for the telecommunication and hard-disk drive sectors. This higher turnover of PE&A was mainly a result of the full year contribution from our PE&A operations in China compared to only partial year contribution in FY2005 as it was established only in the second half of FY2005. T&D has experienced higher sales of components for telecommunication and access control products.

Profit from operations ("Operating Profit") increased to S$6.2 million in FY2006, an increase of 261% or S$4.5 million. The Group's profit before tax of S$5.3 million in FY2006 was higher by approximately S$3.8 million or 257% compared to FY2005. Net profit after tax for the Group increased by 227% to S$4.8 million in FY2006. The Group's low effective tax rate was mainly the result of a tax exemption status enjoyed by the Group's key subsidiary in China.

Our basic and diluted earnings per share were 4.61 cents and 4.51 cents respectively for FY2006 compared to 1.42 cents in FY2005. In addition, the Group's net asset value per share increased from 18.70 cents as at 30 June 2005 to 22.89 cents as at 30 June 2006.

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Board is pleased to recommend a final dividend of 0.50 cents and a special dividend 0.50 cents on a tax-exempt basis for FY2006.

Further to the initiatives undertaken over the past two years, we will continue to invest in our technology, our infrastructure and our people. We have recently established an additional new plant in Wuxi, PRC as a branch to our subsidiary in Wuxi as we continue to expand our production capacity in PRC. Our continued investments in both PRC and Singapore is to support our customers and business opportunities that we are pursuing. We are however, mindful of possible challenges on the horizon. Going forward, the Group expects the business and operating environment to continue to be demanding and competitive. Barring any unforeseen circumstances, we are cautiously optimistic about our performance in FY2007.

Let me take this opportunity to thank all our customers, business associates and shareholders for their support, confidence and trust throughout the years. I would also like to thank my fellow Board members for their invaluable contribution and guidance. Last but not least, I would like to commend our management and staff of the Group for their contributions and dedication. We look forward to your continued support and more good years of partnership.

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

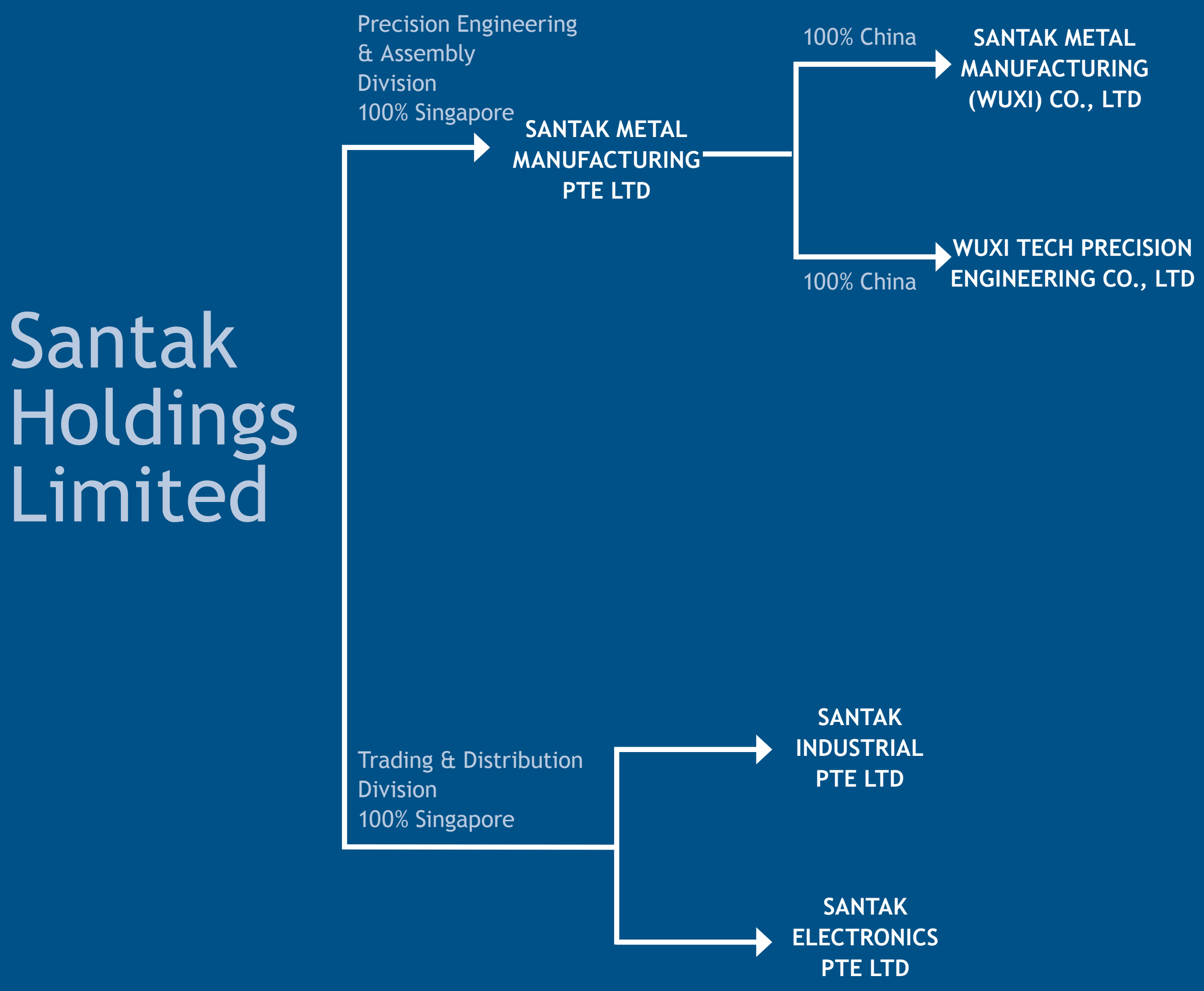
COMPANY SECRETARY
Sophia Lim Siew Fay

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)

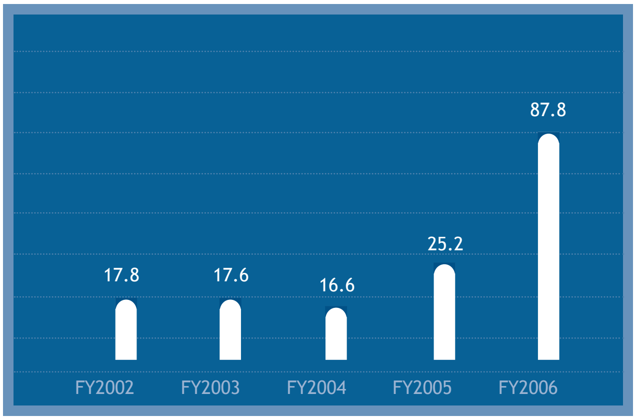
CORPORATE STRUCTURE



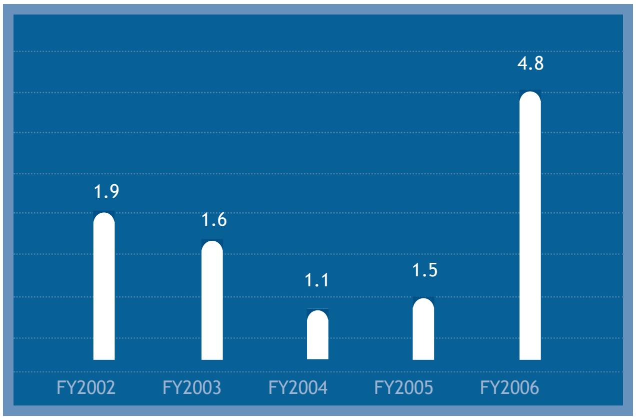
Note: The above chart shows the principal subsidiary companies of the Group.

FINANCIAL HIGHLIGHTS

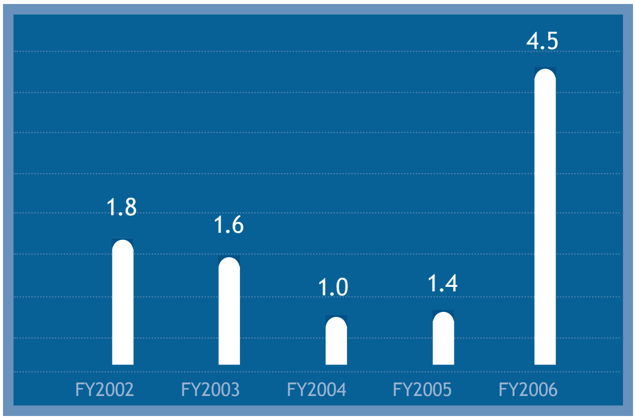
TURNOVER (in S$million)



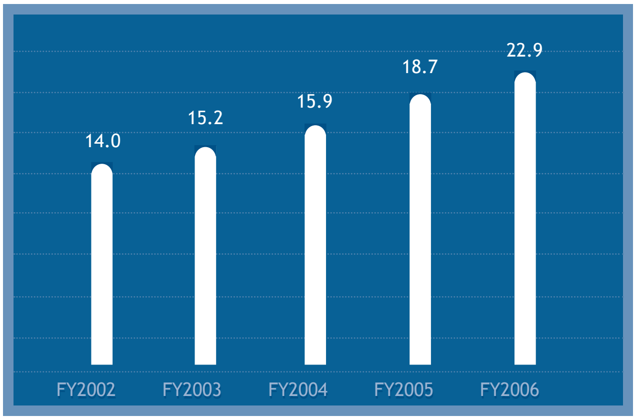
PROFIT AFTER TAX (in S$million)



DILUTED EARNINGS PER SHARE (in cents)



NET ASSET VALUE PER SHARE (in cents)



FINANCIAL REPORT

REPORT OF THE DIRECTORS

(Amounts in Singapore dollars unless otherwise stated)

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Santak Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2006.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest as at		Deemed interest as at	
Name of Director	**1 July 2005**	**30 June 2006**	**1 July 2005**	**30 June 2006**
The Company				
Ordinary shares				
Lee Keen Whye	200,000	**200,000**	-	**-**
Ng Weng Wei	1,018,000	**1,018,000**	-	**-**
Tan Sin Hock	6,704,100	**6,704,100**	-	**-**
Tan Ah Wo	16,776,810	**16,776,810**	-	**-**
Heng Kheng Hwai	4,667,000	**4,667,000**	47,858,570	**47,858,570**
Options to subscribe for ordinary shares				
Lee Keen Whye	400,000	**1,400,000**	-	**-**
Ch'ng Jit Koon	400,000	**800,000**	-	**-**
Ng Weng Wei	600,000	**1,400,000**	-	**-**

There was no change in any of the above-mentioned interests between 30 June 2006 and 21 July 2006.

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

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

Except as disclosed in this report, no Director who held office at the end of the financial year had an interest in the shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year or on 21 July 2006.

DIRECTORS' CONTRACTUAL BENEFITS

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

SHARE OPTIONS

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

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

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

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

SHARE OPTIONS (CONT'D)

During the financial year ended 30 June 2006:

- The Company has granted 6,010,000 share options at market price under the Scheme. The options to executives of the Group expire on 14 September 2015 and the options to the non-executive Directors of the Company expire on 14 September 2010 and are exercisable if the employee remains in service for one year from the date of grant ; and
- 1,610,000 ordinary shares were issued at a weighted average exercise price of $0.145, upon the exercise of options granted pursuant to the Scheme.

Details of the share options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 30 June 2006 are as follows:

Balance as at 1 July 2005	Addition	Lapsed	Exercised	Balance as at 30 June 2006	Exercise price	Exercise period
3,970,000	-	-	(1,610,000)	2,360,000	$0.145	22.6.2005 to 21.6.2014
800,000	-	-	-	800,000	$0.145	22.6.2005 to 21.6.2009
-	4,610,000	(350,000)	-	4,260,000	$0.239	15.9.2006 to 14.9.2015
-	1,400,000	-	-	1,400,000	$0.239	15.9.2006 to 14.9.2010
4,770,000	6,010,000	(350,000)	(1,610,000)	8,820,000		

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

	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
Name of Directors				
Lee Keen Whye	1,000,000	1,400,000	-	1,400,000
Ch'ng Jit Koon	400,000	800,000	-	800,000
Ng Weng Wei	800,000	1,400,000	-	1,400,000
Name of Participant				
Tan Chor Tat, Steven	800,000	1,400,000	(200,000)	1,200,000
Total	3,000,000	5,000,000	(200,000)	4,800,000

There are no participants of the Scheme who are controlling shareholders of the Company or their associates. No participant other than the above mentioned has received 5 percent or more of the total number of share options available under the Scheme. As the Company does not have any parent company, there are therefore no participants of the Scheme who are Directors or employees of the Company's parent company and its subsidiary companies.

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

SHARE OPTIONS (CONT'D)

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

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 Audit Committee are:

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

The Audit Committee performs the functions set out in the Singapore Companies Act. In performing those functions, the Audit Committee reviewed the overall plan and scope of the external audit and the assistance given by the Company's officers to the auditors. The Audit Committee met with the external auditors to discuss the results of their audit and their evaluation of the systems of internal accounting controls. The Audit Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2006, as well as the external auditor's report thereon.

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

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
12 September 2006

STATEMENT BY DIRECTORS

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

(i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flows statement together with notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2006, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Lee Keen Whye
Director

Ng Weng Wei
Director

Singapore
12 September 2006

AUDITORS' REPORT TO THE MEMBERS OF SANTAK HOLDINGS LMITED

We have audited the accompanying financial statements of Santak Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 14 to 73 for the financial year ended 30 June 2006. 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,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2006, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
12 September 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2006 (AMOUNTS IN SINGAPORE DOLLARS)

	Note	2006 $	2005 $
Revenue	3	**87,814,646**	25,216,400
Cost of sales		**(77,187,536)**	(20,255,598)
Gross profit		**10,627,110**	4,960,802
Other income	4	**545,887**	270,512
Distribution and selling expenses		**(1,848,047)**	(1,411,542)
Administrative expenses		**(3,119,148)**	(1,602,005)
Other operating expenses		**(31,433)**	(507,534)
Profit from operations	5	**6,174,369**	1,710,233
Financial expenses	6	**(925,564)**	(260,160)
Financial income	6	**41,707**	31,954
Profit before taxation		**5,290,512**	1,482,027
Taxation	7	**(503,328)**	(17,970)
Profit for the year		**4,787,184**	1,464,057
Attributable to :			
Equity holders of the Company		**4,787,184**	1,464,057
Earnings per share (cents)			
Basis	9	**4.61**	1.42
Diluted	9	**4.51**	1.42

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

BALANCE SHEETS
AS AT 30 JUNE 2006 (AMOUNTS IN SINGAPORE DOLLARS)

		Group		Company	
	Note	2006 $	2005 $	2006 $	2005 $
Non current assets					
Property, plant and equipment	10	**21,292,518**	19,191,842	**231,351**	-
Investments in subsidiary companies	11	**-**	-	**8,356,338**	8,356,338
Due from a subsidiary company (non-trade)	17	**-**	-	**-**	160,328
Other investments	12	**270,629**	303,316	**-**	-
Intangible assets	13	**537,096**	327,096	**210,000**	-
		22,100,243	19,822,254	**8,797,689**	8,516,666
Current assets					
Stocks	14	**10,390,576**	2,205,209	**-**	-
Trade debtors	15	**16,956,199**	11,351,070	**-**	-
Other debtors and deposits	16	**294,910**	228,270	**11,577**	617
Prepayments		**85,657**	74,360	**35,108**	10,946
Due from subsidiary companies (non-trade)	17	**-**	-	**3,025,420**	3,036,943
Dividend receivable		**-**	-	**1,300,000**	-
Fixed deposits	18	**1,042,122**	1,518,022	**1,025,911**	1,501,973
Cash and bank balances	18	**7,654,004**	2,897,222	**865,156**	214,469
		36,423,468	18,274,153	**6,263,172**	4,764,948
Current liabilities					
Trade creditors	19	**18,481,006**	7,211,761	**-**	-
Other creditors and accruals	20	**3,832,891**	4,577,132	**524,556**	189,906
Advances from factoring company		**-**	18,794	**-**	-
Term loans (secured) - current portion	21	**1,748,881**	378,949	**-**	-
Finance lease obligations - current portion	22	**962,368**	1,454,935	**13,117**	-
Provision for taxation		**649,423**	305,866	**8,200**	13,824
		25,674,569	13,947,437	**545,873**	203,730
Net current assets		**10,748,899**	4,326,716	**5,717,299**	4,561,218

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

BALANCE SHEETS
AS AT 30 JUNE 2006 (AMOUNTS IN SINGAPORE DOLLARS)

		Group		Company	
	Note	2006	2005	2006	2005
		$	$	$	$
Non-current liabilities					
Term loans (secured) - non-current portion	21	**6,218,536**	1,821,260	**-**	-
Finance lease obligations - non-current portion	22	**1,622,384**	2,013,840	**60,048**	-
Deferred taxation	23	**1,114,023**	1,088,900	**-**	-
		8,954,943	4,924,000	**60,048**	-
Net assets		**23,894,199**	19,224,970	**14,454,940**	13,077,884
Equity attributable to equity holders of the Company					
Share capital	24	**12,306,918**	10,278,098	**12,306,918**	10,278,098
Share premium		**-**	1,795,370	**-**	1,795,370
Share option reserve	25i	**420,711**	-	**420,711**	-
Revaluation reserve	25ii	**56,140**	56,140	**-**	-
Statutory reserves	25iii	**563,097**	-	**-**	-
Translation reserve	25iv	**(228,120)**	67,795	**-**	-
Fair value adjustment reserve	25v	**(55,870)**	-	**-**	-
Accumulated profits		**10,831,323**	7,027,567	**1,727,311**	1,004,416
		23,894,199	19,224,970	**14,454,940**	13,077,884

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2005 (AMOUNTS IN SINGAPORE DOLLARS)

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

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2005 (AMOUNTS IN SINGAPORE DOLLARS)

	Attributable to equity holders of the Company					
2005 Group	**Share capital (Note 24) $**	**Share premium $**	**Accumulated profits $**	**Revaluation reserve (Note 25ii) $**	**Translation reserve (Note 25iv) $**	**Total $**
Balance at 30 June 2004 as previously reported	10,278,098	1,795,370	3,759,176	514,054	(33,201)	16,313,497
Effect of adopting FRS 103	-	-	2,221,214	-	-	2,221,214
Balance at 1 July 2004 as restated	10,278,098	1,795,370	5,980,390	514,054	(33,201)	18,534,711
Net effect of exchange differences	-	-	-	-	100,996	100,996
Net income recognised directly in equity	-	-	-	-	100,996	100,996
Profit for the year	-	-	1,464,057	-	-	1,464,057
Total recognised income and expenses for the year	-	-	1,464,057	-	100,996	1,565,053
Dividend on ordinary shares (Note 8)	-	-	(416,880)	-	-	(416,880)
Arising from revaluation adjustment	-	-	-	(571,965)	-	(571,965)
Deferred tax liabilities written back	-	-	-	114,051	-	114,051
Balance at 30 June 2005	10,278,098	1,795,370	7,027,567	56,140	67,795	19,224,970

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

Company	Share capital (Note 24) $	Share premium $	Share option reserve (Note 25i) $	Accumulated profits $	Total $
	Attributable to equity holders of the Company				
Balance at 1 July 2004	10,278,098	1,795,370	-	1,320,227	13,393,695
Total recognised income and expenses for the year					
- Profit for the year	-	-	-	101,069	101,069
Dividend on ordinary shares (Note 8)	-	-	-	(416,880)	(416,880)
Balance at 30 June 2005 and 1 July 2005	10,278,098	1,795,370	-	1,004,416	13,077,884
Total recognised income and expenses for the year					
- Profit for the year	-	-	-	1,143,226	1,143,226
Dividend on ordinary shares (Note 8)	-	-	-	(420,331)	(420,331)
Exercise of share options	180,350	53,100	-	-	233,450
Grant of share options	-	-	420,711	-	420,711
Transfer of share premium to share capital	1,848,470	(1,848,470)	-	-	-
Balance at 30 June 2006	12,306,918	-	420,711	1,727,311	14,454,940

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006 (AMOUNTS IN SINGAPORE DOLLARS)

	2006 $	2005 $
Cash flows from operating activities		
Profit before taxation	**5,290,512**	1,482,027
Adjustments:		
Depreciation of property, plant and equipment	**3,483,229**	2,750,568
Loss on disposal of property, plant and equipment	**31,352**	12,102
Loss on disposal of other investments	**-**	43,935
Interest expense	**445,923**	204,326
Interest income	**(41,707)**	(31,954)
Goodwill written off	**-**	399,386
Impairment loss on intangible assets	**-**	15,000
Expenses on share options granted	**420,711**	-
Currency realignment	**(5,850)**	3,748
Operating profit before working capital changes	**9,624,170**	4,879,138
Decrease/(increase) in:		
Stocks	**(8,185,367)**	(184,523)
Trade debtors	**(5,605,129)**	(7,737,017)
Other debtors and deposits	**(83,641)**	753,753
Prepayments	**(11,297)**	15,694
Increase/(decrease) in:		
Trade creditors	**11,269,245**	5,242,014
Other creditors and accruals	**(2,102,738)**	(498,773)
Advances from factoring company	**(18,794)**	18,607
Cash generated from operations	**4,886,449**	2,488,893
Interest received	**27,987**	11,297
Interest paid	**(4,548)**	(10,863)
Income taxes paid	**(135,027)**	(19,560)
Net cash generated from operating activities	**4,774,861**	2,469,767
Cash flows from investing activities		
Acquisition of a subsidiary company, net of cash acquired (Note a)	**-**	(797,604)
Purchase of property, plant and equipment (Note b)	**(3,909,944)**	(2,111,896)
Purchase of intangible assets	**(210,000)**	-
Proceeds from disposal of property, plant and equipment	**102,815**	319,251
Proceeds from disposal of other investments	**-**	117,368
Addition to other investments	**(23,183)**	(25,378)
Interest received	**13,720**	20,657
Net cash used in investing activities	**(4,026,592)**	(2,477,602)

	2006 $	2005 $
Cash flows from financing activities		
Proceeds from term loans, net	**5,767,208**	851,040
Repayment of finance leases	**(1,606,339)**	(2,023,339)
Dividend paid	**(420,331)**	(416,880)
Proceeds from share issue	**233,450**	-
Interest paid	**(441,375)**	(193,463)
Net cash generated from/(used in) financing activities	**3,532,613**	(1,782,642)
Net increase/(decrease) in cash and cash equivalents	**4,280,882**	(1,790,477)
Cash and cash equivalents at beginning of year	**4,415,244**	6,205,721
Cash and cash equivalents at end of year (Note 18)	**8,696,126**	4,415,244

Note (a): Acquisition of subsidiary company

Summary of the effects of acquisition of a subsidiary company:

	2005 $
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): Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $6,007,756 (2005: $7,682,764) of which $722,316 (2004: $2,441,214) were acquired by means of lease obligations, $3,909,944 (2005: $2,111,896) has been paid and $1,375,496 (2005: $3,129,654)was payable as at 30 June 2006.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

1. CORPORATE INFORMATION

Santak Holdings Limited (the "Company") is a limited liability company incorporated and domiciled 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 investments holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of its subsidiary companies are as shown in Note 11 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act.

The financial statements, presented in Singapore dollars (SGD or $), have been prepared on a historical cost basis, except for leasehold property and available-for-sale financial assets that have been measured at their fair values.

2.2 Changes in accounting policies

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

(i) Adoption of new FRS

On 1 July 2005, the Group and the Company adopted the following standards mandatory for annual financial periods beginning on or after 1 January 2005.

- FRS 39, Financial Instruments: Recognition and Measurement
- FRS 102, Share-based Payment

(a) FRS 39, Financial Instruments: Recognition and Measurement

The Group and the Company had adopted FRS 39 prospectively on 1 July 2005. At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that were classified as financial assets at fair value through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest rate method. At 1 July 2005, differences between the carrying values and fair values of financial assets at fair value through profit or loss were recognised in accumulated profits while the differences between carrying values and fair values of available-for-sale financial assets were recognised in the fair value adjustment reserve. For investments carried at amortised cost, any differences between the carrying values and amortised costs as at 1 July 2005 were recognised in accumulated profits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(i) Adoption of new FRS (cont'd)

(a) FRS 39, Financial Instruments: Recognition and Measurement (cont'd)

At 1 July 2005, financial liabilities within the scope of FRS 39 were measured at amortised costs using the effective interest rate method. Any difference between the carrying values and amortised costs as at 1 July 2005 were recognised in accumulated profits.

Under the transitional provisions of FRS 39, the change in accounting policy on 1 July 2005 resulted in a net debit adjustment of $57,048 to the Group's fair value adjustment reserve.

(b) FRS 102, Share-based Payment

The main impact of FRS 102 on the Group and the Company is the recognition of an expense and a corresponding entry to equity for share options granted to senior executives and general employees.

The Group and the Company have applied FRS 102 retrospectively. Under the transitional provisions of FRS 102, in respect of equity-settled awards, the Group and the Company have applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on 1 July 2005.

In accurdance with the transitional provisions of FRS 102, the change in accounting policy has resulted in the following decrease in the Group's:

- Profit for the year by $420,711 (2005: $Nil) due to an increase in the employee benefits expense;
- Basic earnings per share by 0.41 cents (2005: Nil cents); and
- Diluted earnings per share by 0.39 cents (2005: Nil cents).

(ii) Adoption of revised FRS

The Group adopted the following revised standards mandatory for annual financial periods beginning on or after 1 January 2005. Comparative figures have been restated where required.

(a) FRS 21 (revised), The Effects of Changes in Foreign Exchange Rates

As a result of the adoption of revised FRS 21, any goodwill arising on the acquisition of a foreign subsidiary company and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are now treated as assets and liabilities of the foreign operation and translated at the closing rate accordingly. In accordance with the transitional provision of revised FRS 21, this policy is adopted prospectively to all acquisitions occurring after 1 July 2005. Accordingly, comparative figures are not restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

(ii) Adoption of revised FRS (cont'd)

(a) FRS 21 (revised), The Effects of Changes in Foreign Exchange Rates (cont'd)

Goodwill acquired and any fair value adjustments to the carrying amounts of assets and liabilities which arose on acquisitions before 1 July 2005 were deemed to be assets and liabilities of the parent company. This change in accounting policy has no significant impact on the financial statements as at 30 June 2006 or 30 June 2005.

(b) Other revised FRSs adopted

FRS 1 (revised)	Presentation of Financial Statements
FRS 2 (revised)	Inventories
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events after the Balance Sheet Date
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 24 (revised)	Related Party Disclosures
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	Earnings Per Share

These did not result in any significant change in accounting policies.

(iii) FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006.

FRS 19	Employee Benefits
FRS 40	Investment Property (effective for annual financial periods beginning on or after 1 January 2007)
FRS 106	Exploration for and Evaluation of Mineral Resources
FRS 107	Financial Instruments: Disclosure (effective for annual financial periods beginning on or after 1 January 2007)
INT FRS 104	Determining Whether an Arrangement Contains a Lease
INT FRS 105	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
INT FRS 107	Applying the Restatement Approach Under FRS 29, Financial Reporting in Hyperinflationary Economics
INT FRS 108	Scope of FRS 102
INT FRS 109	Reassessment of Embeded Derivatives

The Group expects that the adoption of the pronouncements listed above will not have a significant impact on the financial statements in the period of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant accounting estimates and judgements

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

(i) Key sources of estimation uncertainty

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

- **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 30 June 2006 was $257,096 (2005: $257,096). More details are given in Note 13.

- **Depreciation of plant and equipment**

The cost of plant and equipment is depreciated on a straight-line basis over the estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 2 to 10 years. The carrying amount of the Group's plant and equipment at 30 June 2006 was $17,543,172 (2005: $15,341,842). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

- **Income taxes**

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables at 30 June 2006 was $649,423 (2005: $305,866).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant accounting estimates and judgements (cont'd)

(ii) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies.

• Impairment of financial assets

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

2.4 Functional and foreign currency

(i) Functional currency and presentation currency

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

(ii) Foreign currency transactions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Foreign currency translation

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

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

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

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

2.5 Subsidiary companies and principles of consolidation

(i) Subsidiary companies

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

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

(ii) Principles of consolidation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Subsidiary companies and principles of consolidation *(cont'd)*

(ii) Principles of consolidation (cont'd)

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

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

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

2.6 Property, plant and equipment

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment *(cont'd)*

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

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

No depreciation is provided on capital work-in-progress.

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

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

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

2.7 Intangible assets

(i) Goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Intangible assets *(cont'd)*

(i) Goodwill (cont'd)

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

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

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

(ii) Other intangible assets

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

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

(a) Club membership

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
2.7 Intangible assets *(cont'd)*

(ii) Other intangible assets (cont'd)

(b) Computer software license

Costs of SAP application software license is stated at cost less impairment losses and is amortised over 10 years on a straight-line basis. The carrying value of SAP application software license is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year. Upon completion, the SAP application software license costs is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

	Club membership	*Computer software license*
Internally generated or acquired	Acquired	Acquired
Useful lives and amortisation method used	• Finite (2005: Finite) • Amortised over 18 years on straight-line basis (2005: 19 years)	• Finite • Amortised over 10 years on straight-line basis
Impairment testing	Annually and more frequently when an indication of impairment exists.	Annually for assets not yet in use and more frequently when an indication of impairment exists.
Review of Amortisation Period and Method	Amortisation period and method are reviewed at each financial year-end.	Amortisation period and method are reviewed at each financial year-end.

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

2.8 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in 'operating expenses' in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

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

The Group does not reverse any impairment loss recognised for goodwill in a subsequent period.

2.9 Financial assets

Financial assets within the scope of FRS 39 are classified as either loans and receivables or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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

(i) Loans and receivables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (cont'd)

(ii) Available-for-sale financial assets

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

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

2.11 Trade and other receivables

Trade and other receivables, including amounts due from subsidiary and related companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13 below.

2.12 Other investments

Other investments comprise annual premiums paid for life insurance policies and are classified and accounted for as available-for-sale financial assets under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.9.

2.13 Impairment of financial assets

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

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of financial assets (cont'd)

(i) Assets carried at amortised cost (cont'd)

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

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

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

2.14 Inventories

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

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

- Raw materials - purchase costs on a first-in, first-out basis; and
- Finished goods and work-in-progress - costs of direct materials and labour and a proportion of manufacturing overheads.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.16 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.17 Borrowing costs

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

2.18 Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Derecognition of financial assets and liabilities (cont'd)

(i) Financial assets (cont'd)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Provisions (cont'd)

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

2.20 Employee benefits

(i) Defined contribution plans

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

(ii) Employee leave entitlement

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

(iii) Employee share option plans

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share options ('equity-settled transactions').

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee benefits (cont'd)

(iii) Employee share option plans (cont'd)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled by the Company, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Under the transitional provisions of FRS 102, in respect of equity-settled awards, the Group has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on 1 July 2005.

2.21 Leases

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

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

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

2.22 Revenue

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

(i) Sale of goods

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Revenue (cont'd)

(ii) Commission income

Revenue is recognised on an accrual basis.

(iii) Interest income

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

Group turnover excludes intercompany transactions.

2.23 Income taxes

(i) Current tax

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

(ii) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiary companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Income taxes (cont'd)

(ii) Deferred tax (cont'd)

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of goods and services tax included.

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

2.24 Segments

For management purposes, the Group is organised on a worldwide basis into three (2005: 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

	Group 2006 $	Group 2005 $
Sale of goods	**87,807,741**	25,168,742
Commission income	**6,905**	47,658
	87,814,646	25,216,400

4. OTHER INCOME

	Group 2006 $	Group 2005 $
Sale of scrap	**533,118**	210,663
Others	**12,769**	59,849
	545,887	270,512

5. PROFIT FROM OPERATIONS

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

	Group 2006 $	Group 2005 $
Employee benefits expense (Note 26)	**9,055,480**	6,450,258
Depreciation of property, plant and equipment	**3,483,229**	2,750,568
Directors' remuneration included in staff costs		
- Directors of the Company	**302,643**	307,418
- Directors of subsidiary companies	**1,048,198**	342,396
Directors' fees	**125,000**	101,000
Operating lease expenses	**402,775**	277,948
Loss on disposal of property, plant and equipment	**31,352**	12,102
Non-audit fees to auditors of the Company	**17,000**	62,440
Goodwill written off	**-**	399,386
Loss on disposal of other investments	**-**	43,935
Impairment loss on intangible assets	**-**	15,000

6. FINANCIAL (EXPENSES)/INCOME

	Group 2006 $	Group 2005 $
(a) Financial expenses		
Interest expense		
- term loans	**(277,400)**	(44,348)
- finance leases	**(163,975)**	(149,115)
- factoring charges	**(3,985)**	(7,240)
- bank overdrafts	**(563)**	(252)
- trust receipts	**-**	(3,371)
Foreign exchange loss - net	**(479,641)**	(55,834)
	(925,564)	(260,160)
(b) Financial income		
Interest income		
- bank balances	**27,987**	11,297
- fixed deposits	**13,720**	20,657
	41,707	31,954

7. TAXATION

The major components of income tax expense for the years ended 30 June 2006 and 2005 are:

	Group 2006 $	Group 2005 $
Current tax		
- current year	**471,749**	72,636
- under/(over) provision in respect of prior years	**6,840**	(23,282)
Deferred tax		
- movement in temporary differences	**24,758**	(112,854)
- (over)/under provision in respect of prior years	**(19)**	81,470
Tax expense	**503,328**	17,970

7. TAXATION (CONT'D)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 30 June 2006 and 2005 is as follows:

	Group	
	2006	**2005**
	$	**$**
Profit before taxation	**5,290,512**	1,482,027
Tax at applicable tax rate of 20% (2005: 20%)	**1,058,102**	296,405
Adjustments:		
Tax effect of non-deductible expenses	**270,330**	90,195
Income not subject to tax	**(747,566)**	(248,432)
Effect of different tax rates in foreign jurisdictions	**(90)**	(45,353)
Investment allowance claims	**(37,610)**	(83,311)
Current year deferred tax assets	**5,240**	-
Current year amortisation of deferred tax on revaluation reserve	**(2,608)**	(5,569)
Recognition of deferred tax assets previously not recognised	**(60,229)**	-
Underprovision in respect of prior years	**6,821**	58,188
Utilisation of previously unrecognised tax losses	**-**	(44,851)
Others	**10,938**	698
	503,328	17,970

As at 30 June 2006, the Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately $182,000 (2005: $182,000) and $50,000 (2005: $50,000) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

8. DIVIDENDS

	Group and Company	
	2006	**2005**
	$	**$**
Declared and paid during the year :		
Dividend on ordinary shares :		
Final tax exempt (one-tier) dividend paid in respect of the previous financial year of 0.4056 cents (2005: 0.4056 cents) per share	**420,331**	416,880

At the Annual General Meeting scheduled to be held on 27 October 2006, a final tax exempt (one-tier) dividend of 0.50 cents per share and a special tax exempt (one-tier) dividend of 0.50 cents per share amounting to approximately $1,045,000 will be recommended. These financial statements do not reflect these dividends which will be accounted for in shareholders' equity as an appropriation of accumulated profits in the financial year ending 30 June 2007.

9. EARNINGS PER SHARE

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

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

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

	Group	
	2006	**2005**
	$	**$**
Profit for the year attributable to ordinary equity holders of the Company for basic and diluted earnings per share	**4,787,184**	1,464,057
Weighted average number of ordinary shares on issue applicable to basic earnings per share	**103,746,898**	102,780,980
Effect of dilution :		
Share options	**2,398,477**	-
Weighted average number of ordinary shares applicable to diluted earnings per share	**106,145,375**	102,780,980

10. PROPERTY, PLANT AND EQUIPMENT

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 $	Capital work-in-progress $	Total $
Cost or valuation												
At 1 July 2004	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
Additions	-	5,847,182	155,888	45,311	1,947	130,109	50,618	645,497	547,037	259,175	-	7,682,764
Disposals	-	(1,382,659)	(141,239)	(10,856)	(9,125)	(32,087)	(14,332)	(96,010)	(17,278)	(40,779)	-	(1,744,365)
Acquisition of subsidiary company	-	1,217,538	149,431	4,061	6,153	3,338	-	59,230	-	7,917	-	1,447,668
Revaluation adjustment	(571,965)	-	-	-	-	-	-	-	-	-	-	(571,965)
Net exchange differences	-	80,978	4,241	193	(60)	985	267	10,249	8,324	772	-	105,949
At 30 June and 1 July 2005	5,044,759	31,110,684	1,037,658	250,569	141,945	471,506	258,753	867,004	901,404	619,599	-	40,703,881
Additions	-	4,052,264	255,303	148,003	39,085	32,746	156,842	248,269	476,207	452,397	146,640	6,007,756
Disposals	-	(121,476)	(63,890)	-	(1,268)	(2,857)	-	(2,123)	(4,790)	(3,000)	-	(199,404)
Net exchange differences	-	(250,840)	(27,307)	(6,633)	(1,473)	(4,059)	(6,167)	(22,093)	(25,990)	(9,896)	-	(354,458)
At 30 June 2006	5,044,759	34,790,632	1,201,764	391,939	178,289	497,336	409,428	1,091,057	1,346,831	1,059,100	146,640	46,157,775
Accumulated depreciation												
At 1 July 2004	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
Depreciation charge for the 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
Disposals		(1,219,326)	(43,332)	(9,127)	(3,958)	(21,311)	(9,155)	(68,132)	(14,513)	(24,156)	-	(1,413,010)
Acquisition of subsidiary company	-	-	-	-	-	-	-	22,705	-	7,444	-	30,149
Net exchange differences	-	(35,307)	187	(126)	(109)	(625)	(262)	(54)	(331)	(187)	-	(36,814)
At 30 June and 1 July 2005	1,194,759	18,364,803	367,757	203,582	99,350	260,152	185,664	189,920	295,325	350,727	-	21,512,039
Depreciation charge for the year	100,654	2,665,228	100,874	43,049	10,363	28,313	20,758	91,350	106,192	316,448	-	3,483,229
Disposals	-	(5,010)	(52,215)	-	(717)	(2,658)	-	(2,123)	(2,139)	(375)	-	(65,237)
Net exchange differences	-	(38,104)	(11,770)	(3,242)	(352)	(465)	(1,379)	(2,302)	(3,057)	(4,103)	-	(64,774)
At 30 June 2006	1,295,413	20,986,917	404,646	243,389	108,644	285,342	205,043	276,845	396,321	662,697	-	24,865,257
Net carrying amount												
As at 30 June 2005	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 2006	3,749,346	13,803,715	797,118	148,550	69,645	211,994	204,385	814,212	950,510	396,403	146,640	21,292,518

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Computers $	Motor vehicles $	Capital work-in-progress $	Total $
Cost				
Additions and balance as at 30 June 2006	2,475	90,000	146,640	239,115
Accumulated depreciation				
Depreciation charge for the year and balance as at 30 June 2006	825	6,939	-	7,764
Net carrying amount				
At 30 June 2005	-	-	-	-
At 30 June 2006	1,650	83,061	146,640	231,351

Revaluation of leasehold property

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

If the leasehold property was stated at cost less accumulated depreciation, the net carrying amount would have been $3,260,000 (2005: $3,347,000).

Assets held under finance leases

As at 30 June 2006, the Group has plant and machinery as well as motor vehicles with a total net carrying amount of approximately $1,249,000 (2005: $6,885,000) held under finance leases.

Assets pledged as security

In addition to assets under finance leases, the Group's leasehold property, with a carrying amount of approximately $3,749,000 (2005: $3,850,000), was mortgaged to a bank as security for term loans (Note 21). The leasehold property is a Jurong Town Corporation ("JTC") detached factory located at 31 Senoko South Road on a leasehold land area of 8,944 square metres. The leasehold property is subject to a 30 years lease commencing from 16 September 1993 with an entitlement for a further term of 30 years.

11. INVESTMENTS IN SUBSIDIARY COMPANIES

(a) These comprise:

	Company 2006 $	Company 2005 $
Unquoted equity shares, at cost	**8,356,338**	8,356,338

(b) Details of investments 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 2006 %	Percentage of equity held 2005 %	Cost of investment 2006 $	Cost of investment 2005 $
Held by the Company						
Santak Metal Manufacturing Pte Ltd	Singapore	Manufacture of precision machined components	**100**	100	**8,113,173**	8,113,173
Santak Industrial Pte Ltd	Singapore	Trading and distribution of electronic, electrical and mechanical components / products	**100**	100	**243,162**	243,162
Santak Electronics Pte Ltd	Singapore	Trading and distribution of electronic, electrical and mechanical components / products	**100**	100	**3**	3
					8,356,338	8,356,338

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30 JUNE 2006

11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held 2006 %	2005 %
Held by Santak Metal Manufacturing Pte Ltd				
Santak Metal Manufacturing (Wuxi) Co., Ltd	Wuxi, People's Republic of China	Manufacture of precision machined components, sub-assembly, die-casting as well as mould/ fixture design and fabrication	**100**	100
Wuxi Tech Precision Engineering Co., Ltd	Wuxi, People's Republic of China	Manufacture of precision machined components, mould/ fixture design and fabrication	**100**	100
T.N.K. Precision Engineering Work Pte Ltd	Singapore	Manufacture of precision machined components (currently dormant)	**100**	100
Hang Yip Metal Manufacturing Pte Ltd	Singapore	Manufacture of precision machined components (currently dormant)	**100**	100
Held by Santak Electronics Pte Ltd				
Santak Electronics Sdn Bhd*	Malaysia	Manufacture of electronic, electrical and mechanical components and products (currently dormant)	**100**	100

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

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

12. OTHER INVESTMENTS

	Group 2006 $	Group 2005 $
Available-for-sale financial assets		
Life insurance policies	**270,629**	303,316

In 2005, these investments were carried at cost less impairment losses.

13. INTANGIBLE ASSETS

Group	Goodwill $	Negative goodwill $	Club membership* $	Computer software license $	Total $
Cost					
At 1 July 2004, as previously reported	605,458	(3,331,821)	150,000	-	(2,576,363)
Effect of adopting FRS 103	-	3,331,821	-	-	3,331,821
At 1 July 2004, as restated	605,458	-	150,000	-	755,458
Elimination of accumulated amortisation	(206,072)	-	-	-	(206,072)
Addition through acquisition of a subsidiary company	257,096	-	-	-	257,096
Written-off	(399,386)	-	-	-	(399,386)
At 30 June and 1 July 2005	257,096	-	150,000	-	407,096
Additions	-	-	-	210,000	210,000
At 30 June 2006	257,096	-	150,000	210,000	617,096
Accumulated amortisation and impairment					
At 1 July 2004, as previously reported	206,072	(1,110,607)	65,000	-	(839,535)
Effect of adopting FRS 103	-	1,110,607	-	-	1,110,607
At 1 July 2004, as restated	206,072	-	65,000	-	271,072
Elimination of accumulated amortisation	(206,072)	-	-	-	(206,072)
Impairment loss	-	-	15,000	-	15,000
At 30 June and 1 July 2005 and 30 June 2006	-	-	80,000	-	80,000
Net carrying amount					
At 30 June 2005	257,096	-	70,000	-	327,096
At 30 June 2006	257,096	-	70,000	210,000	537,096

* Corporate club membership has been included in "intangible assets" during the financial year. Comparative figures have been amended accordingly.

13. INTANGIBLE ASSETS (CONT'D)

Company	Computer software license 2006 $	2005 $
Cost and net carrying amount		
Addition and balance at end of year	**210,000**	-

Impairment testing of goodwill

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

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

	Precision engineering and assembly 2006 $	2005 $
North Asia	**257,096**	257,096

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

14. STOCKS

	Group 2006 $	2005 $
Raw materials	**6,728,276**	763,870
Work-in-progress	**1,955,715**	786,750
Finished goods	**1,706,585**	654,589
Total stocks at lower of cost and net realisable value	**10,390,576**	2,205,209

During the financial year, the Group wrote down $536,099 (2005: $116,838) of stocks which are recognised as an expense in the profit and loss account, and reversed $133,258 (2005: $141,432) for stocks that were untilised or sold above the carrying amounts.

15. TRADE DEBTORS

	Group 2006 $	Group 2005 $
Trade debtors	**17,219,480**	11,644,710
Less: Allowance for doubtful debts	**(263,281)**	(293,640)
	16,956,199	11,351,070

Trade debtors

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

As at 30 June 2006, trade debtors are denominated in the following currencies :

	Group 2006 $	Group 2005 $
Chinese Renminbi	**12,036,982**	6,818,818
United States dollars	**4,370,276**	4,413,183
Singapore dollars	**548,941**	119,069
	16,956,199	11,351,070

Allowance for doubtful debts

For the year ended 30 June 2006, an impairment loss of $14,227 (2005: $74,485) was recognised in the profit and loss account subsequent to a debt recovery assessment performed on trade debtors as at 30 June 2006.

16. OTHER DEBTORS AND DEPOSITS

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Deposits	**94,744**	108,146	**-**	-
Other debtors	**200,166**	120,124	**11,577**	617
	294,910	228,270	**11,577**	617

As at 30 June 2006, other debtors and deposits are denominated in the following currencies :

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Chinese Renminbi	**241,526**	146,698	**-**	-
Singapore dollars	**53,384**	72,001	**11,577**	617
Malaysia Ringgit	**-**	9,571	**-**	-
	294,910	228,270	**11,577**	617

17. DUE FROM SUBSIDIARY COMPANIES (NON-TRADE)

The amounts due from subsidiary companies are unsecured, interest-free and repayable on demand except for an amount of $Nil (2005: $160,328) due from a subsidiary company, which is not expected to be repaid within 1 year.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Fixed deposits	**1,042,122**	1,518,022	**1,025,911**	1,501,973
Cash and bank balances	**7,654,004**	2,897,222	**865,156**	214,469
	8,696,126	4,415,244	**1,891,067**	1,716,442

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from Nil to 1.15% (2005: Nil to 0.72%) per annum. Fixed deposits are made for varying periods of between 1 month and 12 months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The effective interest rates of fixed deposits range from 1.5% to 3.7% (2005: 0.575% to 3.7%) per annum.

18. CASH AND CASH EQUIVALENTS (CONT'D)

As at 30 June 2006, the Company had available, $8,847,000 (2005: $10,700,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at 30 June 2006, cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Singapore dollars	**5,119,243**	3,134,429	**1,891,067**	1,716,442
United States dollars	**1,792,489**	823,193	**-**	-
Chinese Renminbi	**1,764,285**	148,513	**-**	-
Malaysia Ringgit	**17,759**	306,516	**-**	-
Japanese Yen	**2,350**	2,593	**-**	-
	8,696,126	4,415,244	**1,891,067**	1,716,442

19. TRADE CREDITORS

Trade creditors are non-interest bearing and are generally on 30 to 90 day terms.

As at 30 June 2006, trade creditors are denominated in the following currencies:

	Group	
	2006	**2005**
	$	**$**
Chinese Renminbi	**15,749,343**	4,181,678
United States dollars	**1,977,168**	2,578,890
Singapore dollars	**748,266**	428,550
Malaysia Ringgit	**4,600**	6,232
Swedish Krona	**1,629**	-
Swiss Franc	**-**	16,411
	18,481,006	7,211,761

20. OTHER CREDITORS AND ACCRUALS

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Other creditors	**2,219,901**	3,728,733	**459,442**	138,546
Accrued operating expenses	**1,612,990**	848,399	**65,114**	51,360
	3,832,891	4,577,132	**524,556**	189,906

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

As at 30 June 2006, other creditors and accruals are denominated in the following currencies :

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Singapore dollars	**1,817,836**	844,533	**524,556**	189,906
Japanese Yen	**1,055,445**	1,398,779	**-**	-
Chinese Renminbi	**894,308**	928,872	**-**	-
United States dollars	**64,827**	1,395,916	**-**	-
Malaysia Ringgit	**475**	9,032	**-**	-
	3,832,891	4,577,132	**524,556**	189,906

21. TERM LOANS (SECURED)

	Effective interest rate per annum	Maturities	Group 2006 $	Group 2005 $
Bank loan A	4.25%	2018	**846,240**	900,209
Bank loan B	5.25%	2009	**2,277,128**	1,300,000
Bank loan C	4.50%	2011	**4,211,202**	-
Bank loan D	5.00%	2009	**632,847**	-
			7,967,417	2,200,209
Due within 12 months			**1,748,881**	378,949
Due after 12 months			**6,218,536**	1,821,260

The amount repayable within the next 12 months has been classified as "term loans (secured) – current portion" under current liabilities.

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

Bank loans A and C are secured by way of a legal mortgage over a subsidiary company's leasehold property with a net carrying amount of approximately $3,749,000 (Note 10) (2005: $3,850,000) and a corporate guarantee from the Company. The bank 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 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. The bank loan C bears interest at effective rates of 4.50% and 4.75% per annum for the first and second year commencing August 2005 respectively. Thereafter, interest shall be at the bank's prime rate for the remaining terms of loans A and C, stated at 5% in 2006 (2005: 5%). The bank loan A is repayable in 180 monthly instalments commencing July 2003 and the bank loan C is repayable in 72 monthly instalments commencing September 2005.

Bank loans B and D are secured by a corporate guarantee from the Company. The bank loan B bears interest at effective rate of 4.65% per annum for the 12 months commencing June 2005. Thereafter, interest shall be 2.5% per annum above the bank's cost of funds or otherwise as advised by the bank. Effective from 28 June 2006, the bank loan B's interest rate was reset at the bank's prime rate for the remaining term of the loan, stated at 5.25% in 2006. The bank loan B is repayable in 48 monthly instalments commencing July 2005.

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

22. FINANCE LEASE OBLIGATIONS

The Group's property, plant and equipment include leased plant and machinery and motor vehicles used in the business operations of the Precision engineering and assembly as well as Trading and distribution divisions (Note 10). These leases are classified as finance leases and expire over the next 7 years. Finance lease terms range from 4 to 7 years and do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rates in the leases range from 3.67% to 8.39% (2005: 3.67% to 8.39%) per annum.

22. FINANCE LEASE OBLIGATIONS (CONT'D)

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

	Maturities	Minimum lease payments 2006 $	Present value of payments 2006 $	Minimum lease payments 2005 $	Present value of payments 2005 $
Group					
Not later than one year	2007	**1,073,653**	**962,368**	1,596,934	1,454,935
Later than one year but not later than five years	2011	**1,700,549**	**1,610,484**	2,149,553	2,003,246
Later than five years	2011	**10,702**	**11,900**	10,707	10,594
Total minimum lease payments		**2,784,904**	**2,584,752**	3,757,194	3,468,775
Less: amounts representing finance charges		**(200,152)**	**-**	(288,419)	-
Present value of minimum lease payments		**2,584,752**	**2,584,752**	3,468,775	3,468,775
Company					
Not later than one year	2007	**16,128**	**13,117**	-	-
Later than one year but not later than five years	2011	**64,512**	**58,747**	-	-
Later than five years	2011	**1,306**	**1,301**	-	-
Total minimum lease payments		**81,946**	**73,165**	-	-
Less: amounts representing finance charges		**(8,781)**	**-**	-	-
Present value of minimum lease payments		**73,165**	**73,165**	-	-

23. DEFERRED TAXATION

Deferred tax liabilities relate to the following :

	Group 2006 $	2005 $
Deferred tax liabilities		
Excess of net carrying value over tax written down value of property, plant and equipment	**(1,001,373)**	(934,445)
Revaluation of leasehold property to fair value	**(97,812)**	(100,419)
Other sundry temporary differences	**(125,373)**	(54,036)
Gross deferred tax liabilities	**(1,224,558)**	(1,088,900)
Deferred tax assets		
Provisions	**110,535**	-
Gross deferred tax assets	**110,535**	-
Net deferred tax liabilities	**(1,114,023)**	(1,088,900)

24. SHARE CAPITAL

	2006 No. of shares	2006 $	2005 No. of shares	2005 $
Ordinary shares issued and fully paid				
At beginning of the year	**102,780,980**	**10,278,098**	102,780,980	10,278,098
Issue for cash under share option plan	**1,610,000**	**180,350**	-	-
Transfer of share premium reserve to share capital	**-**	**1,848,470**	-	-
At end of the year	**104,390,980**	**12,306,918**	102,780,980	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.

On 30 January 2006, in accordance with Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" were abolished and on that date, the shares of the Company ceased to have a par value.

25. OTHER RESERVES

(i) Share option reserve

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

	Group and Company	
	2006	**2005**
	$	**$**
Grant of equity-settled share options and balance at end of the year	**420,711**	-

(ii) Revaluation reserve

The revaluation reserve is used to record increases in the fair value of leasehold property and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

	Group	
	2006	**2005**
	$	**$**
Balance at beginning of the year	**56,140**	514,054
Revaluation adjustment on revaluation of assets	**-**	(457,914)
Balance at end of the year	**56,140**	56,140
Revaluation adjustment on revaluation of assets :		
• Leasehold property	**-**	(457,914)

(iii) Statutory reserves

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

25. OTHER RESERVES (CONT'D)

(iii) Statutory reserves (cont'd)

	Group 2006 $	Group 2005 $
Balance at beginning of the year	**-**	-
Appropriation from profit for the year	**563,097**	-
Balance at end of the year	**563,097**	-

(iv) Translation reserve

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

	Group 2006 $	Group 2005 $
Balance at beginning of the year	**67,795**	(33,201)
Net effect of exchange differences	**(295,915)**	100,996
Balance at end of the year	**(228,120)**	67,795

Net effect of exchange differences arises from :

• Translation of financial statements of foreign operations	**(295,915)**	100,996

25. OTHER RESERVES (CONT'D)

(v) Fair value adjustment reserve

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

	Group 2006 $	Group 2005 $
Balance at beginning of the year as previously reported	**-**	-
Effects of adopting FRS 39 (Note 2.2(i)(a))	**(57,048)**	-
Balance at beginning of the year as restated	**(57,048)**	-
Net change in the reserve	**1,178**	-
Balance at end of the year	**55,870**	-
Net change in the reserve arises from :		
• Net gain on fair value changes during the year	**1,178**	-

26. EMPLOYEE BENEFITS

	Group 2006 $	Group 2005 $
Employee benefits expense (including executive directors) :		
Wages, salaries and bonuses	**7,041,420**	5,214,971
Employer's contribution to defined contribution plans including Central Provident Fund	**866,023**	421,854
Expense of share options granted (Note a)	**420,711**	-
Other personnel expenses	**727,326**	813,433
	9,055,480	6,450,258

(a) Santak Share Option Scheme 2001

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

26. EMPLOYEE BENEFITS (CONT'D)

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

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

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

	No. 2006 '000	WAEP 2006 $	No.2005 '000	WAEP 2005 $
Outstanding of beginning of year [1]	**4,770**	**0.145**	5,170	0.145
Granted during the year [2]	**6,010**	**0.239**	-	-
Exercised during the year [3]	**(1,610)**	**0.145**	-	-
Lapsed during the year	**(350)**	**0.239**	(400)	0.145
Outstanding at end of year [1,4]	**8,820**	**0.205**	4,770	0.145
Exercisable at end of year	**3,160**	**0.145**	4,770	0.145

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

2 The weighted average fair value of options granted during the year was $0.096 (2005: $Nil).

3 The weighted average share price at the date of exercise for the options exercised was $0.29 (2005: $Nil).

4 The range of exercise prices for options outstanding at the end of the year was $0.145 to $0.239 (2005: $0.145). The weighted average remaining contractual life for these options is 7.5 years (2005: 8.2 years).

26. EMPLOYEE BENEFITS (CONT'D)

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

The fair value of share options as at the date of grant, is estimated using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used are shown below:

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

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

27. COMMITMENTS AND CONTINGENT LIABILITIES

(a) 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.

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

	Group	
	2006	**2005**
	$	**$**
Not later than one year	**356,372**	316,413
Later than one year but not later than five years	**1,160,260**	1,120,679
Later than five years	**4,689,309**	5,356,333
	6,205,941	6,793,425

27. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

(b) Capital commitments

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

	Group	
	2006	**2005**
	$	**$**
Commitments in respect of contracts placed not provided for in the financial statements	**1,183,000**	207,000

(c) Contingent liabilities

Corporate guarantees

The Company and a subsidiary company issued corporate guarantees amounting to approximately $10,875,000 (2005: $6,018,000) and $NIL (2005: $5,000) respectively in favour of certain financial institutions for banking and finance lease facilities granted to certain subsidiary companies.

28. RELATED PARTY DISCLOSURES

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

(a) Purchase of services

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

Related parties	**Rendering of advisory services**	
	2006	**2005**
	$	**$**
Controlling shareholder	**494,000**	132,000
Other director's interest	**120,000**	50,000

Other director's interest

The Company has entered into a contract with Strategic Alliance Capital Pte Ltd ("SAC"), a company of which a director of the Company is a member and has a substantial financial interest, for the provision of advisory and consultancy services. As at 30 June 2006, $60,000 (2005: $Nil) due to SAC was outstanding.

28. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of key management personnel

	Group	
	2006	2005
	$	$
Salaries and other short-term employee benefits	**1,327,495**	906,171
Employer's contribution to defined contribution plans including Central Provident Fund	**71,105**	57,773
Expense of share options granted	**329,910**	-
Key management personnel compensation expenses	**1,728,510**	963,944

Including in the above is total compensation paid/payable to Directors of the Company amounted to $427,643 (2005: $408,418).

Directors' interests in an employee share option plan

At 1 July 2005, three of the Company's Directors held options to purchase ordinary shares of the Company under the Santak Share Option Scheme 2001 (Note 26), as follows :

- 800,000 ordinary shares at a price of $0.145 each, exercisable between 22 June 2005 and 21 June 2009; and

- 600,000 ordinary shares at a price of $0.145 each, exercisable between 22 June 2005 and 21 June 2014.

During the year ended 30 June 2006, options were granted to the aforementioned Directors as follows :

- over 1,400,000 ordinary shares at a price of $0.239 each, exercisable between 15 September 2006 and 14 September 2010.

- over 800,000 ordinary shares at a price of $0.239 each, exercisable between 15 September 2006 and 14 September 2015.

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

29. SEGMENT INFORMATION

(i) Reporting format

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

(ii) Business segments

The Group is organised on a world wide basis into three (2005 : four) main operating divisions, namely Precision engineering and assembly, Trading and distribution and Investment and management services :

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

During the previous year ended 30 June 2005, the Company has divested the Electronics manufacturing division, which was involved in the manufacturing, trading and distribution of electronic, electrical and mechanical components and products.

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

(iii) Geographical segments

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

(iv) Allocation basis and transfer pricing

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

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

29. SEGMENT INFORMATION (CONT'D)

(a) Business segment

The following table present revenue and results information regarding the Group's business segments for the years ended 30 June 2006 and 2005.

2006	Precision engineering and assembly $	Electronics manufacturing $	Trading and distribution $	Investment and management services $	Inter-segment eliminations $	Total
Revenue						
Sales to external customers	79,389,800	-	8,424,846	-	-	87,814,646
Inter-segment sales	638,667	-	17,302	2,846,100	(3,502,069)	-
Total revenue	80,028,467	-	8,442,148	2,846,100	(3,502,069)	87,814,646
Results						
Segment results	5,842,000	-	506,002	1,454,553	(1,628,186)	6,174,369
Financial expenses (net)						(883,857)
Profit before taxation						5,290,512
Taxation						(503,328)
Profit for the year						4,787,184
Assets and liabilities						
Segment assets	53,744,246	-	3,109,296	15,060,861	(13,647,788)	58,266,615
Unallocated assets						257,096
Total assets						58,523,711
Segment liabilities	35,020,463	-	2,601,422	597,721	(5,353,539)	32,866,067
Unallocated liabilities						1,763,445
Total liabilities						34,629,512
Other segment information						
Capital expenditure						
• Property, plant and equipment	5,763,808	-	4,833	239,115	-	6,007,756
• Intangible assets	-	-	-	210,000	-	210,000
Depreciation and amortisation	3,455,570	-	19,895	7,764	-	3,483,229
Other significant non-cash expenses	581,677	-	-	-	-	581,677

29. SEGMENT INFORMATION (CONT'D)

(a) Business segment (cont'd)

2005	Precision engineering and assembly $	Electronics manufacturing $	Trading and distribution $	Investment and management services $	Inter-segment eliminations $	Total $
Revenue						
Sales to external customers	18,015,879	818,636	6,381,885	-	-	25,216,400
Inter-segment sales	-	7,971	31,512	790,200	(829,683)	-
Total revenue	18,015,879	826,607	6,413,397	790,200	(829,683)	25,216,400
Results						
Segment results	1,993,328	(300,707)	202,925	94,348	(279,661)	1,710,233
Financial expenses (net)						(228,206)
Profit before taxation						1,482,027
Taxation						(17,970)
Profit for the year						1,464,057
Assets and liabilities						
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
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
Other segment information						
Capital expenditure						
• Property, plant and equipment	7,677,747	3,237	1,780	-	-	7,682,764
Depreciation and amortisation	2,679,898	50,790	19,880	-	-	2,750,568
Other significant non-cash expenses	285,964	372,044	3,738	-	-	661,746

29. SEGMENT INFORMATION (CONT'D)

(b) Geographical segment

	Turnover $	Assets $	Capital expenditure $
2006			
Singapore	3,786,433	20,392,598	2,303,543
Asean (excluding Singapore)	14,674,629	2,970,398	-
North Asia	65,137,986	34,430,645	3,914,213
America and Europe	4,215,159	730,070	-
Others	439	-	-
Total	87,814,646	58,523,711	6,217,756
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

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group manages its interest costs by obtaining the most favourable interest rates available without increasing its foreign currency exposure. Surplus funds are placed with established financial institutions.

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

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

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

30. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

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

	Variable rate			Fixed rate				
	Within 1 year $	1 to 5 years $	Over 5 years $	Within 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At 30 June 2006								
The Group								
Assets								
Cash and cash equivalents	3,556,216	-	-	1,042,122	-	-	4,097,788	8,696,126
Trade and other debtors	-	-	-	-	-	-	17,251,109	17,251,109
Other financial assets	-	-	-	-	-	-	270,629	270,629
Non-financial assets	-	-	-	-	-	-	32,305,847	32,305,847
Total assets	3,556,216	-	-	1,042,122	-	-	53,925,373	58,523,711
Liabilities								
Term loans	974,335	5,663,796	554,740	774,546	-	-	-	7,967,417
Finance lease obligations	-	-	-	962,368	1,610,484	11,900	-	2,584,752
Trade and other creditors	-	-	-	-	-	-	22,313,897	22,313,897
Non-financial liabilities	-	-	-	-	-	-	1,763,446	1,763,446
Total liabilities	974,335	5,663,796	554,740	1,736,914	1,610,484	11,900	24,077,343	34,629,512

30. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

	Variable rate			Fixed rate				
	Within 1 year $	1 to 5 years $	Over 5 years $	Within 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
At 30 June 2005								
The Group								
Assets								
Cash and cash equivalents	971,324	-	-	1,518,022	-	-	1,925,898	4,415,244
Trade and other debtors	-	-	-	-	-	-	11,579,340	11,579,340
Other financial assets	-	-	-	-	-	-	303,316	303,316
Non-financial assets	-	-	-	-	-	-	21,798,507	21,798,507
Total assets	971,324	-	-	1,518,022	-	-	35,607,061	38,096,407
Liabilities								
Term loans	53,949	1,201,727	619,533	325,000	-	-	-	2,200,209
Finance lease obligations	-	-	-	1,454,935	2,003,246	10,594	-	3,468,775
Trade and other creditors	-	-	-	-	-	-	11,788,893	11,788,893
Other financial liabilities	18,794	-	-	-	-	-	-	18,794
Non-financial liabilities	-	-	-	-	-	-	1,394,766	1,394,766
Total liabilities	72,743	1,201,727	619,533	1,779,935	2,003,246	10,594	13,183,659	18,871,437

30. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

	Fixed rate				
	Within 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total
At 30 June 2006					
The Company					
Assets					
Cash and cash equivalents	1,025,911	-	-	865,156	1,891,067
Trade and other debtors	-	-	-	11,577	11,577
Other financial assets	-	-	-	4,325,420	4,325,420
Non-financial assets	-	-	-	8,832,797	8,832,797
Total assets	1,025,911	-	-	14,034,950	15,060,861
Liabilities					
Finance lease obligations	13,117	58,747	1,301	-	73,165
Trade and other creditors	-	-	-	524,556	524,556
Non-financial liabilities	-	-	-	8,200	8,200
Total liabilities	13,117	58,747	1,301	532,756	605,921
At 30 June 2005					
The Company					
Assets					
Cash and cash equivalents	1,501,973	-	-	214,469	1,716,442
Trade and other debtors	-	-	-	617	617
Other financial assets	-	-	-	3,197,271	3,197,271
Non-financial assets	-	-	-	8,367,284	8,367,284
Total assets	1,501,973	-	-	11,779,641	13,281,614
Liabilities					
Trade and other creditors	-	-	-	189,906	189,906
Non-financial liabilities	-	-	-	13,824	13,824
Total liabilities	-	-	-	203,730	203,730

30. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

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

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

Credit risk

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

At balance sheet date, the Group has 71% (2005: 59%) of its trade debts relating to one major customer. The carrying amount of trade and other debtors, other investments, prepayments, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Foreign currency risk

The Group is exposed to the effects of foreign exchange rate fluctuations mainly because of its foreign currency denominated operating revenues and expenses, assets and liabilities as well as net investments in foreign operations, primarily in Chinese Renminbi and US dollars. Purchase of machinery is mainly denominated in Japanese Yen and US dollars. The Group has certain investments in foreign operations mainly in the People's Republic of China, whose net assets are exposed to currency translation risks. The Group manages its foreign exchange exposure by matching, as far as possible, receipts and payments in each individual currency. The Group currently does not enter into derivative foreign exchange contracts to hedge its foreign currency risks. Nevertheless, the Group will continue to monitor its foreign exchange exposure in the future and will consider hedging any material foreign exchange exposure should the need arise.

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate their value:

Financial instruments carried at fair value

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

30. FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments whose carrying amount approximate fair value

- Finance lease obligations and term loans

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

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

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

31. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2006 were authorised for issue in accordance with a resolution of the Directors on 12 September 2006.

ADDITIONAL INFORMATION
SGX-ST LISTING MANUAL REQUIREMENTS

REPORT ON CORPORATE GOVERNANCE

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

BOARD MATTERS

The Board comprises six directors consisting of two Independent Directors, two Non-Executive Directors and two Executive Directors. The Board believes that the existing two Independent Directors, both of whom have many years of business and financial experience, are able to serve the present needs of the Group. The Board has taken into account the scope and nature of the operations of the Company and considers its current size to be adequate for effective decision-making. The composition of the Board will be reviewed regularly and changes will be made as and when appropriate. Key information regarding the directors is set out on pages 81 to 82 of the Annual Report.

The Board meets at least twice a year and additional meetings are held whenever necessary. In addition, informal discussions to exchange views on any aspect of the Group's operations or business are held as and when the need arises. The Company's Articles of Association provide for meetings of the Board to be conducted by way of telephone conference or similar means of communication. The number of meetings held in the financial year ended 30 June 2006 and the attendance of the directors are as follows:

Name of Director	Board Appointment	Date of Appointment (Date of Last Re-election)	Board		Audit Committee		Remuneration Committee	
			No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lee Keen Whye	Non-Executive Chairman/ Independent Director	12 March 2001 (13 October 2005)	2	2	2	2	3	3
Ng Weng Wei	Executive Director	12 March 2001 (13 October 2005)	2	2	2	2#	3	3
Tan Sin Hock	Executive Director	12 March 2001 (26 October 2004)	2	2	2	2#	NA	NA
Tan Ah Wo	Non-Executive Director	17 February 2001 (17 November 2003)	2	-	NA	NA	NA	NA
Heng Kheng Hwai	Non-Executive Director	12 March 2001 (26 October 2004)	2	2	2	2	NA	NA
Ch'ng Jit Koon	Independent Non-Executive Director	12 March 2001 (13 October 2005)	2	2	2	2	3	3

Notes:
NA: Not applicable
#: Attendance by invitation

BOARD MATTERS (CONT'D)

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

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

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

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

To ensure an appropriate balance of power and increased accountability, the Company has a clear division of responsibilities at the top of the Company. The Chairman is a Non-Executive Chairman who does not participate in the daily operations of the business.

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

a) the scheduling and chairing of Board meetings;
b) the controlling of the quality, quantity and timeliness of information supplied to the Board; and
c) 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 and/or her representative attends all Board Meetings.

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

NOMINATING COMMITTEE

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

NOMINATING COMMITTEE (CONT'D)

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

Pursuant to the Company's Articles of Association, all directors submit themselves for re-election at least once every three years. The Board has recommended that Mr. Tan Sin Hock and Mr. Tan Ah Wo 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. 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 (the "Scheme") 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 2006.

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	60	27	6	7	100
Tan Sin Hock	67	14	15	4	100
Tan Ah Wo	-	-	100	-	100
Heng Kheng Hwai	-	-	100	-	100
Ch'ng Jit Koon	-	-	100	-	100

Notes:
(1) The bonus amount is inclusive of annual wage supplement ("AWS") of 1 month for the financial year.
(2) These fees are subject to the approval of the shareholders at the AGM for FY2006. Non-Executive Directors are paid directors' fees compensated based on time and effort.
(3) The table above excludes Share Options which are described in the Report of the Directors on pages 8 to 11

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

The adjustments to the remuneration packages of employees who are related to a director and substantial shareholder are subject to the annual review of the RC. For the financial year ended 30 June 2006, the total remuneration paid to these employees amounted to S$201,000 (2005: S$181,000). There is no employee who is an immediate family member of a director or substantial shareholder whose remuneration exceeds S$150,000 for the financial year ended 30 June 2006.

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.

ACCOUNTABILITY AND AUDIT (CONT'D)

Audit Committee (Cont'd)

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

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

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

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

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

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 as disclosed separately under Interested Person transactions on page 80.

ADDITIONAL INFORMATION

SGX-ST LISTING MANUAL REQUIREMENTS

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.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transaction conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Tan Chee Hawai(1)	S$494,000	-
Strategic Alliance Capital Pte Ltd ("SAC") (2)	S$120,000	-

Notes:

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

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

RISK MANAGEMENT

Operation Risks

The main operational risks facing the Group include our dependence on the telecommunication, hard disk drive, 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, increased costs, failure of our key suppliers to meet demand, adverse changes in political, economic and regulatory environments in those countries that we operate in or trade with.

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

FINANCIAL RISKS

These are set out in Note 30 to the Financial Statements, on pages 68 to 73 of this Annual Report.

DIRECTORS AND KEY EXECUTIVES PROFILE

Directors

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

Mr Ng Weng Wei is the Executive Director for Group Finance and Administration of our Group. He oversees the accounting, human resources and administrative functions as well as information systems in the Group. In addition, he handles our Group's corporate finance and treasury activities. Mr Ng 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.

DIRECTORS AND KEY EXECUTIVES PROFILE (CONT'D)

Directors (cont'd)

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

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

Key Executives

Mr Tan Chor Tat, Steven is the General Manager/Director of our Precision Engineering 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 13 SEPTEMBER 2006

Authorised Share Capital	:	$25,000,000
Issued and Fully Paid-Up Share Capital	:	$12,314,168
Class of Shares	:	Ordinary Shares
Voting Right	:	One Vote Per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	10	2.87	1,983	0.00
1,000 -10,000	183	52.59	682,018	0.65
10,001 - 1,000,000	144	41.38	11,951,999	11.45
1,000,001 and above	11	3.16	91,804,980	87.90
Total	348	100.00	104,440,980	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Tan Chee Hawai	37,580,570	35.98
2.	Tan Ah Wo	16,776,810	16.06
3.	Hong Leong Finance Nominees Pte Ltd	12,615,000	12.08
4.	Tan Sin Hock	6,704,100	6.42
5.	OCBC Securities Private Ltd	5,388,000	5.16
6.	Heng Kheng Hwai	4,667,000	4.47
7.	Kim Eng Securities Pte. Ltd.	2,397,000	2.30
8.	Yap Lem @ Yap Kee Lum	1,867,000	1.79
9.	Phillip Securities Pte Ltd	1,734,000	1.66
10.	Ip Wan Keung	1,057,500	1.01
11.	Ng Weng Wei	1,018,000	0.97
12.	Law Kung Ying	771,000	0.74
13.	United Overseas Bank Nominees (Private) Limited	631,000	0.60
14.	OCBC Nominees Singapore (Private) Limited	525,000	0.50
15.	Chan Peck Sim	522,000	0.50
16.	Soh Cheng Lock	486,000	0.47
17.	Fong Yow Wai	470,000	0.45
18.	Choo Hook Kee	430,000	0.41
19.	Loi Peng Choon	430,000	0.41
20.	Loo Hwee Beng	271,000	0.26
Total :		96,340,980	92.24

Approximately 25% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct	Deemed Interest
Tan Chee Hawai	47,858,570	4,667,000
Tan Ah Wo	16,776,810	-
Tan Sin Hock	6,704,100	-

Notes:
Mr Tan Chee Hawai's direct interest is derived from shares held in his own name and shares held in the name of a custodian account.
Mr Tan Chee Hawai's deemed interest is derived from shares held by his spouse.

NOTICE OF ANNUAL GENERAL MEETING
SANTAK HOLDINGS LIMITED

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

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of Santak Holdings Limited ("the Company") will be held at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 on Friday, 27 October 2006 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2006 together with the Auditors' Report thereon.

   (Resolution 1)

2. To declare a final dividend of 0.50 cents per ordinary share (one-tier tax exempt) and a special dividend of 0.50 cents per ordinary share (one-tier tax exempt) for the year ended 30 June 2006 [previous year: 0.4056 cents per share (one-tier tax exempt)].

   (Resolution 2)

3. To re-elect the following Directors retiring pursuant to Article 91 of the Company's Articles of Association:-

   Mr Tan Sin Hock (Resolution 3)

   Mr Tan Ah Wo (Resolution 4)

4. 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 and will be considered independent for the purpose of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To approve the payment of Directors' fees for the year ended 30 June 2006.

   (Resolution 6)

6. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration.

   (Resolution 7)

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

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 shares in the 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 shares in the capital of the Company and that such authority shall, unless revoked or varied by the Company in a 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 approval be and is hereby given to the Directors 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: 11 October 2006

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, make or grant instruments convertible into shares and to allot and issue shares pursuant to such instruments, up to a number not exceeding, in total 50% of the issued shares in the capital of the Company at the time of the passing of this resolution, of which up to 20% may be issued other than a pro-rata basis to shareholders.

For the purpose of this resolution, the percentage of issued shares in the capital of the Company is based on the issued shares in the capital of the Company 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 shares in the 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.

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SANTAK HOLDINGS LIMITED

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

IMPORTANT:
1. For investors who have used their CPF monies to buy Santak Holdings Limited's share, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Sixth Annual General Meeting (the "Meeting") of the Company to be held on Friday, 27 October 2006 at 11.00 a.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 2006		
2	Payment of proposed final and special dividends		
3	Re-election of Mr Tan Sin Hock as a Director		
4	Re-election of Mr Tan Ah Wo 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 ______________ 2006

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

____
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.