

**SANTAK** 

**SANTAK HOLDINGS LIMITED**  
Annual Report 2011

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This document has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“Sponsor”), Asian Corporate Advisors Pte. Ltd. for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“Exchange”). The Company’s Sponsor has not independently verified the contents of this document including the correctness of any of the figures used, statements or opinions made.

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The contact person for the Sponsor is Mr. Liau H.K.  
Telephone number: 6221 0271

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

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

The Group's factories are located in Singapore and the People's Republic of China. Strategic investments have been made in high precision and automated production machinery in addition to the training and development of the Group's workforce. On-going marketing efforts are supported by manufacturing and engineering expertise, built up over the past 33 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 2011 ("FY2011").

The Group registered a turnover of S\$43.12 million, a substantial increase of S\$15.95 million or 59% for the Financial Year ended 30 June 2011 ("FY2011") compared to a turnover of S\$27.17 million for the previous financial year ("FY2010"). Revenue of the Group's Precision Engineering and Assembly Division ("PE&A") reached S\$40.86 million, higher by S\$15.48 million or 61% as compared to FY2010. The increase in sales in PE&A were mainly due to the higher sales arising from additional precision engineering projects in FY2011 for the consumer electronics sector in both our Singapore and China operations. The Group's Trading & Distribution Division ("T&D") also registered higher sales at S\$2.26 million compared to S\$1.79 million in FY2010 mainly resulted from stronger demand from the telecommunication sector.

The increase in cost of sales was in line with the higher turnover achieved by the Group in FY 2011. The Group's gross profit was substantially higher in FY2011 compared to FY2010 in line with the significant increase in turnover and change in mix of sales to predominantly sales of precision-machined components in FY2011. The Group had significantly scaled-back our assembly operation in China and concentrated on expanding our core precision engineering operation since second half of FY2010. Precision-machined components have higher value add and gross margin compared to assembled products.

The increase in distribution, selling and administrative expenses were in line with the growth in revenue in FY2011. The increase in other operating expenses in FY2011 were mainly a result of higher foreign exchange losses arising from the weakening of both the USD and RMB against the SGD. On the other hand, the higher other income was mainly due to increase in sales of scrap materials arising from higher production activities during the year. The increase in financial expenses was the results of higher bank borrowings during FY2011 following drawdown of finance leases and loans. The higher depreciation and amortisation expenses were the results of additional plant and machinery invested during FY2011. The Group recorded a profit before tax of S\$2.16 million in FY2011 compared to a loss before tax of S\$4.86 million in the previous corresponding year. The tax credit in FY2011 was mainly due to lower deferred tax liabilities required and the claiming of Productivity and Innovation Credit Scheme incentives by a subsidiary in Singapore. Our basic and diluted earnings per share were both 2.11 cents for FY2011 versus loss per share of 4.71 cents in the prior comparative year. The Group's net asset value per share was 25.70 cents as at 30 June 2011 compared to 25.06 cents as at 30 June 2010.

The increase in property, plant and equipment was mainly due to our continued investment in CNC precision automatic machines in FY2011 to meet the requirements of our precision machining projects. The absence of other investments as at 30 June 2011 was attributable to the disposal of investments in life insurance policies during the year. The increase in Group's trade receivables and inventories by S\$3.69 million and S\$0.93 million respectively as at 30 June 2011 were in line with the growth in turnover in FY2011. Similarly, the higher trade

## CHAIRMAN'S STATEMENT

payables by approximately S\$2.71 million to S\$6.98 million was due to the increase in cost of sales during the year.

The decline in other receivables and prepayments by approximately S\$0.65 million was mainly the results of the absence of down payments for purchase of machinery and equipment in FY2011 compared to prior corresponding year. The derivatives balance as at 30 June 2011 arose from foreign exchange forward contracts entered into during the year for hedging purposes. Other liabilities increased by S\$0.59 million to S\$3.00 million mainly as a result of higher accruals for payroll cost and operating expenses in line with the increase in turnover. Deferred tax liabilities were lower mainly arising from lower capital allowances claimed by a subsidiary in Singapore. Term loans decreased by approximately S\$0.73 million due to repayments made during the year net of loan drawdown. Finance lease obligations increased by S\$1.59 million following new addition of S\$2.13 million finance lease obligations net of repayments made during the year.

In line with the increase in profit before tax and sales revenue, the Group's operations generated net cash inflow of approximately S\$5.29 million in FY2011, compared to S\$1.91 million net cash outflow used in operating activities in previous year. Cash utilised in investing activities decreased by S\$1.71 million mainly as a result of higher purchase of machines by means of finance leases in FY2011. Net cash used in financing activities was higher by S\$1.05 million mainly arising from higher repayment of term loans during FY2011. Overall, cash and cash equivalents increased by S\$0.81 million during FY2011 to S\$6.39 million as at 30 June

2011 as compared to the balance as at 30 June 2010.

Subject to the approval of shareholders at the forthcoming Annual General Meeting ("AGM"), the Board is pleased to recommend a first and final dividend of 0.50 cents on a tax-exempt basis for FY2011.

The market in which the Group operates remains competitive. Going forward in the current financial year ending 30 June 2012 ("FY2012"), we continue to invest in the expansion of our precision engineering production capacity and capabilities to meet the demands and requirements of our precision engineering projects. While the business environment remains tough, with the commencement of additional precision engineering projects in progress, barring any unforeseen circumstances, the Group is cautiously optimistic that our sales will be higher for FY2012. Nevertheless, cost and pricing pressures as well as foreign exchange volatility will remain challenging.

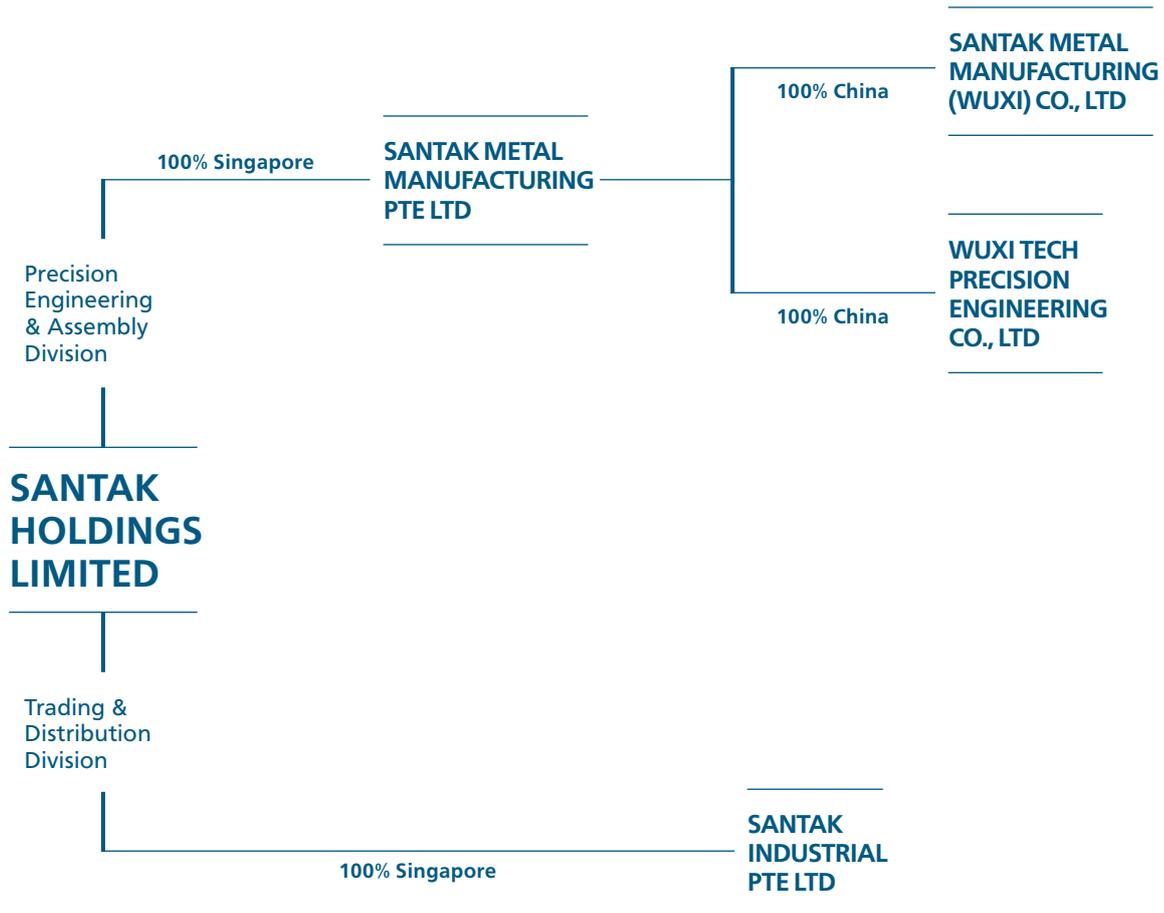
Our heartfelt appreciation goes to all our customers, business associates and shareholders for their support, confidence and trust throughout the years. I would also like to extend my gratitude to the Board members for their counsel and guidance. Last but not least, we would like to thank the management and staff of the Group for their contributions and dedication. We look forward to your continued support in the future.

**Lee Keen Whye**  
Chairman

## CORPORATE DATA

<b>COMPANY REGISTRATION NUMBER</b>	200101065H
<b>BOARD OF DIRECTORS</b>	Lee Keen Whye (Non-Executive Chairman/Independent Director) Ng Weng Wei (Executive Director) Tan Sin Hock (Executive Director) Heng Kheng Hwai (Non-Executive Director) Ch'ng Jit Koon (Independent Director)
<b>AUDIT COMMITTEE</b>	Lee Keen Whye (Chairman) Ch'ng Jit Koon Heng Kheng Hwai
<b>REMUNERATION COMMITTEE</b>	Lee Keen Whye (Chairman) Ch'ng Jit Koon Ng Weng Wei
<b>COMPANY SECRETARY</b>	Lai Foon Kuen
<b>REGISTERED OFFICE</b>	31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084  Tel: 6755 4788 Fax: 6754 7088/6754 7388 Email: santak.holdings@santak.com.sg
<b>SHARE REGISTRAR</b>	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623
<b>AUDITORS</b>	Ernst & Young LLP Public Accountants and Certified Public Accountants One Raffles Quay North Tower Level 18 Singapore 048583  Partner-in-charge: Low Bek Teng (since FY2010)

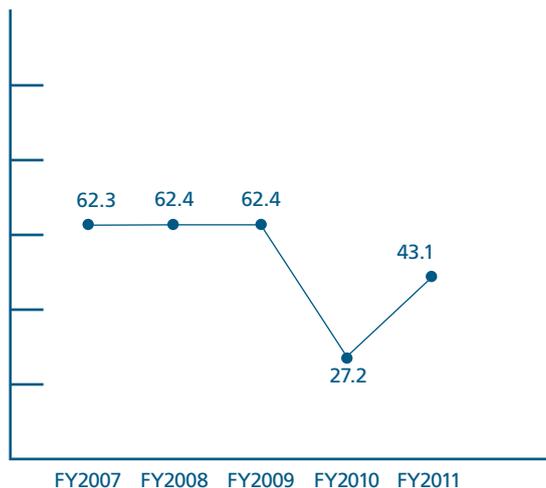
# CORPORATE STRUCTURE



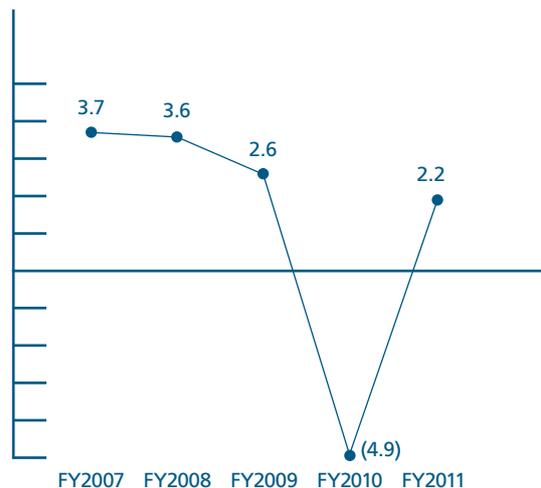
Note: The above chart shows the principal subsidiary companies of the Group.

# FINANCIAL HIGHLIGHTS

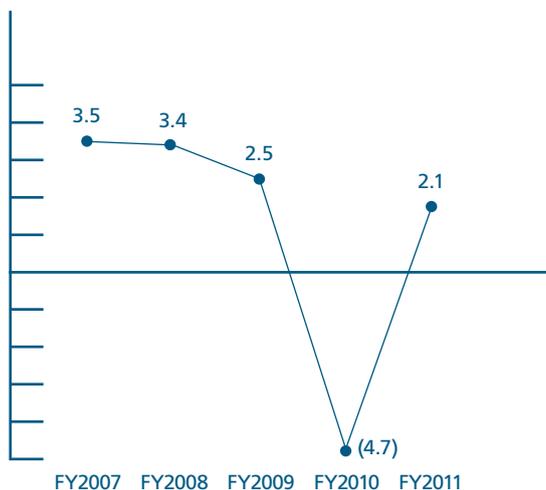
TURNOVER (IN S\$MILLION)



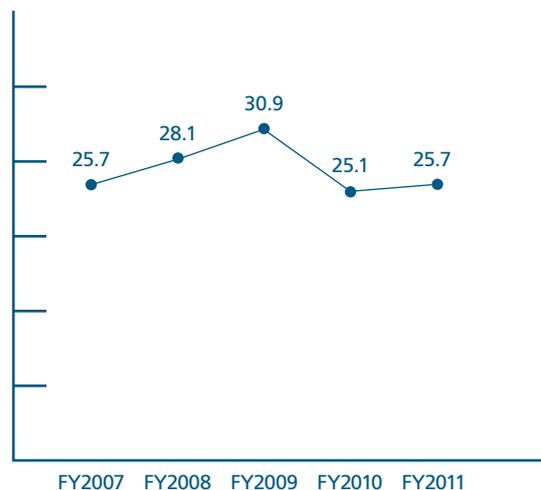
PROFIT/(LOSS) AFTER TAX (IN S\$MILLION)



DILUTED EARNINGS/(LOSS) PER SHARE (IN CENTS)



NET ASSET VALUE PER SHARE (IN CENTS)



# FINANCIAL REPORT

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## DIRECTOR'S REPORT

The Directors 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 2011.

### DIRECTORS

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

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

### ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of Director	Direct interest as at		Deemed interest as at	
	1 July 2010	30 June 2011	1 July 2010	30 June 2011
<b>The Company</b>				
<i>Ordinary shares</i>				
Lee Keen Whye	200,000	200,000	-	-
Ng Weng Wei	1,018,000	1,018,000	-	-
Tan Sin Hock	6,704,100	6,704,100	-	-
Heng Kheng Hwai	4,667,000	4,667,000	47,858,570	47,858,570
<i>Options to subscribe for ordinary shares</i>				
Lee Keen Whye	1,000,000	-	-	-
Ch'ng Jit Koon	400,000	-	-	-
Ng Weng Wei	1,400,000	1,400,000	-	-

# DIRECTOR'S REPORT

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2011.

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 2011.

## 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.

## DIRECTOR'S REPORT

### SHARE OPTIONS (CONT'D)

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

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

Details of the share options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 30 June 2011 are as follows:

Balance as at 30 June 2011	Exercise price	Exercise period
2,310,000	\$0.145	22.6.2005 to 21.6.2014
<u>3,380,000</u>	\$0.239	15.9.2006 to 14.9.2015
<u>5,690,000</u>		

## DIRECTOR'S REPORT

### SHARE OPTIONS (CONT'D)

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

<i>Name of Director</i>	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme to end of financial year under review	Aggregate options exercised or expired since commencement of Scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Lee Keen Whye	–	1,400,000	(1,400,000)	–
Ch'ng Jit Koon	–	800,000	(800,000)	–
Ng Weng Wei	–	1,400,000	–	1,400,000
<i>Name of participant</i>				
Tan Chor Tat, Steven	–	1,400,000	(200,000)	1,200,000
Total	–	5,000,000	(2,400,000)	2,600,000

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

### AUDIT COMMITTEE

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

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

The AC will perform the functions set out in the Companies Act, the Listing Manual and Best Practices Guide issued by Singapore Exchange Securities Trading Ltd. In performing those functions, the AC will review the overall scope of the external audit functions and the assistance given by the Company's officers to the auditors.

## DIRECTOR'S REPORT

### AUDIT COMMITTEE (CONT'D)

The AC had met with the external auditors to discuss the results of their audit. The AC had reviewed the financial statements of the Company and the consolidated statements of the Group for the financial year ended 30 June 2011, as well as the external auditors' report thereon.

The AC had reviewed the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

### AUDITORS

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

On behalf of the Board of Directors,

**Lee Keen Whye**  
Director

**Ng Weng Wei**  
Director

Singapore  
15 September 2011

## 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 income statement, consolidated statement of comprehensive income, 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 2011, and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the 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

15 September 2011

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SANTAK HOLDINGS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Santak Holdings Limited and its subsidiary companies, which comprise the balance sheets of the Group and the Company as at 30 June 2011, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Managements' responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

#### *Auditors' responsibility*

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

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

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

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF SANTAK HOLDINGS LIMITED

### Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**Ernst & Young LLP**  
Public Accountants and  
Certified Public Accountants  
Singapore

15 September 2011

# CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Revenue</b>	3	<b>43,121,703</b>	27,169,445
Cost of sales		<u>(35,842,565)</u>	<u>(27,645,731)</u>
<b>Gross profit/(loss)</b>		<b>7,279,138</b>	(476,286)
Other operating income	4	<b>744,381</b>	108,823
Distribution and selling expenses		<b>(2,036,134)</b>	(1,639,196)
Administrative expenses		<b>(2,399,414)</b>	(2,041,358)
Other operating expenses		<b>(1,160,598)</b>	(637,264)
Finance costs	5	<b>(288,970)</b>	(240,603)
Finance income	5	<b>20,523</b>	68,309
<b>Profit/(loss) before taxation</b>	6	<b>2,158,926</b>	(4,857,575)
Tax credit/(expense)	7	<b>49,558</b>	(65,495)
<b>Profit/(loss) for the year</b>		<b><u>2,208,484</u></b>	<b><u>(4,923,070)</u></b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		<u><b>2,208,484</b></u>	<u>(4,923,070)</u>
<b>Earnings/(loss) per share attributable to equity holders of the Company (cents per share)</b>			
Basic	9	<b>2.11</b>	(4.71)
Diluted	9	<b>2.11</b>	(4.71)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Profit/(loss) for the year</b>		<b>2,208,484</b>	<b>(4,923,070)</b>
<b>Other comprehensive income:</b>			
Foreign currency translation	26iv	<b>(1,054,706)</b>	<b>(162,341)</b>
Net gain on fair value changes of available-for-sale financial assets	26v	<b>30,721</b>	<b>25,149</b>
<b>Total other comprehensive income for the year</b>		<b>(1,023,985)</b>	<b>(137,192)</b>
<b>Total comprehensive income for the year</b>		<b>1,184,499</b>	<b>(5,060,262)</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>1,184,499</b>	<b>(5,060,262)</b>

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

# BALANCE SHEETS

for the year ended 30 June 2011

	Note	Group		Company	
		2011 \$	2010 \$	2011 \$	2010 \$
<b>Non-current assets</b>					
Property, plant and equipment	10	19,269,925	18,916,618	436,621	189,695
Investments in subsidiary companies	11	–	–	8,356,338	8,356,338
Other investments	12	–	386,922	–	–
Intangible assets	13	400,330	438,638	108,500	129,500
		<b>19,670,255</b>	<b>19,742,178</b>	<b>8,901,459</b>	<b>8,675,533</b>
<b>Current assets</b>					
Inventories	14	5,647,146	4,713,878	–	–
Prepayments		335,703	1,044,115	17,503	29,306
Trade receivables	15	12,394,193	8,706,097	–	–
Other receivables	16	201,011	139,626	–	4,214
Due from subsidiary companies (non-trade)	17	–	–	5,433,703	4,651,115
Derivatives	18	44,464	–	–	–
Dividend receivable from a subsidiary company		–	–	548,000	–
Cash and cash equivalents	19	6,385,723	5,576,209	100,536	1,187,254
		<b>25,008,240</b>	<b>20,179,925</b>	<b>6,099,742</b>	<b>5,871,889</b>
<b>Current liabilities</b>					
Trade payables	20	6,975,179	4,269,009	–	–
Other liabilities	21	3,003,761	2,414,989	355,796	273,653
Term loans	22	1,887,400	2,675,170	–	–
Obligations under finance leases	23	486,961	205,366	42,325	28,348
Provision for taxation		4,351	11,655	930	802
		<b>12,357,652</b>	<b>9,576,189</b>	<b>399,051</b>	<b>302,803</b>
<b>Net current assets</b>		<b>12,650,588</b>	<b>10,603,736</b>	<b>5,700,691</b>	<b>5,569,086</b>

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

# BALANCE SHEETS

for the year ended 30 June 2011

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Non-current liabilities</b>					
Term loans	22	3,415,571	3,354,257	–	–
Obligations under finance leases	23	1,350,130	44,851	310,294	34,274
Deferred tax liabilities	24	717,957	771,915	19,120	32,532
		<b>5,483,658</b>	<b>4,171,023</b>	<b>329,414</b>	<b>66,806</b>
<b>Net assets</b>		<b>26,837,185</b>	<b>26,174,891</b>	<b>14,272,736</b>	<b>14,177,813</b>
<b>Equity attributable to equity holders of the Company</b>					
Share capital	25	12,314,168	12,314,168	12,314,168	12,314,168
Share option reserve	26i	542,228	542,228	542,228	542,228
Revaluation reserve	26ii	894,502	894,502	–	–
Statutory reserves	26iii	694,645	694,645	–	–
Translation reserve	26iv	(858,204)	196,502	–	–
Fair value adjustment reserve	26v	–	(30,721)	–	–
Retained profits		13,249,846	11,563,567	1,416,340	1,321,417
		<b>26,837,185</b>	<b>26,174,891</b>	<b>14,272,736</b>	<b>14,177,813</b>

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 2011

2011 Group	Attributable to equity holders of the Company							Total equity \$
	Share capital (Note 25) \$	Share option reserve (Note 26i) \$	Retained profits \$	Revaluation reserve (Note 26ii) \$	Statutory reserves (Note 26iii) \$	Translation reserve (Note 26iv) \$	Fair value adjustment reserve (Note 26v) \$	
At 1 July 2010	12,314,168	542,228	11,563,567	894,502	694,645	196,502	(30,721)	26,174,891
Profit for the year	-	-	2,208,484	-	-	-	-	2,208,484
Other comprehensive income for the year	-	-	-	-	-	(1,054,706)	30,721	(1,023,985)
Total comprehensive income for the year	-	-	2,208,484	-	-	(1,054,706)	30,721	1,184,499
Dividends on ordinary shares (Note 8)	-	-	(522,205)	-	-	-	-	(522,205)
At 30 June 2011	12,314,168	542,228	13,249,846	894,502	694,645	(858,204)	-	26,837,185

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 2011

2010 Group	Attributable to equity holders of the Company							Total equity \$
	Share capital (Note 25) \$	Share option reserve (Note 26i) \$	Retained profits \$	Revaluation reserve (Note 26ii) \$	Statutory reserves (Note 26iii) \$	Translation reserve (Note 26iv) \$	Fair value adjustment reserve (Note 26v) \$	
At 1 July 2009	12,314,168	542,228	17,531,047	894,502	694,645	358,843	(55,870)	32,279,563
Loss for the year	-	-	(4,923,070)	-	-	-	-	(4,923,070)
Other comprehensive income for the year	-	-	-	-	-	(162,341)	25,149	(137,192)
Total comprehensive income for the year	-	-	(4,923,070)	-	-	(162,341)	25,149	(5,060,262)
Dividends on ordinary shares (Note 8)	-	-	(1,044,410)	-	-	-	-	(1,044,410)
At 30 June 2010	12,314,168	542,228	11,563,567	894,502	694,645	196,502	(30,721)	26,174,891

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 2011

Company	Attributable to equity holders of the Company			Total equity
	Share capital (Note 25) \$	Share option reserve (Note 26i) \$	Retained profits \$	
<b>2011</b>				
At 1 July 2010	12,314,168	542,228	1,321,417	14,177,813
Profit for the year	–	–	617,128	617,128
Total comprehensive income for the year	–	–	617,128	617,128
Dividends on ordinary shares (Note 8)	–	–	(522,205)	(522,205)
At 30 June 2011	12,314,168	542,228	1,416,340	14,272,736
<b>2010</b>				
At 1 July 2009	12,314,168	542,228	2,201,821	15,058,217
Profit for the year	–	–	164,006	164,006
Total comprehensive income for the year	–	–	164,006	164,006
Dividends on ordinary shares (Note 8)	–	–	(1,044,410)	(1,044,410)
At 30 June 2010	12,314,168	542,228	1,321,417	14,177,813

# CONSOLIDATED CASH FLOWS STATEMENT

for the year ended 30 June 2011

	2011 \$	2010 \$
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation	2,158,926	(4,857,575)
Adjustments for:		
Depreciation of property, plant and equipment	3,897,142	3,522,618
Amortisation of intangible assets	36,895	47,468
Loss on disposal of property, plant and equipment	9,763	21,579
Fair value gain on derivatives	(44,464)	-
Interest expense	288,970	240,603
Interest income	(20,523)	(68,309)
Loss on disposal of other investments	1,798	-
Fair value loss on available-for-sale financial assets (transferred from equity on disposal of other investments)	30,721	-
<b>Operating cash flows before working capital changes</b>	<b>6,359,228</b>	<b>(1,093,616)</b>
(Increase)/decrease in:		
Inventories	(933,268)	622,708
Trade receivables	(3,688,096)	1,994,805
Other receivables and prepayments	390,126	(775,036)
Increase/(decrease) in:		
Trade payables	2,706,170	(2,740,417)
Other liabilities	523,850	101,186
Currency realignment	(75,079)	149,573
<b>Total changes in working capital</b>	<b>(1,076,297)</b>	<b>(647,181)</b>
<b>Cash flows generated from/(used in) operations</b>	<b>5,282,931</b>	<b>(1,740,797)</b>
Interest received	20,523	47,157
Income taxes paid, net	(11,612)	(211,895)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>5,291,842</b>	<b>(1,905,535)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (Note (a))	(2,865,810)	(4,160,734)
Purchase of intangible assets	-	(7,888)
Proceeds from disposal of property, plant and equipment	75,714	50,597
Proceeds from disposal of other investments	392,681	-
Purchase of other investments	(7,556)	(22,668)
Interest received	-	21,152
<b>Net cash flows used in investing activities</b>	<b>(2,404,971)</b>	<b>(4,119,541)</b>

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

# CONSOLIDATED CASH FLOWS STATEMENT

for the year ended 30 June 2011 (cont'd)

	2011 \$	2010 \$
<b>Cash flows from financing activities</b>		
Repayment of term loans	(4,763,468)	(2,165,625)
Proceeds from term loans	4,037,012	3,000,000
Repayment of finance leases	(539,726)	(579,274)
Dividends paid	(522,205)	(1,044,410)
Interest paid	(288,970)	(240,603)
<b>Net cash flows used in financing activities</b>	<u>(2,077,357)</u>	<u>(1,029,912)</u>
Net increase/(decrease) in cash and cash equivalents	809,514	(7,054,988)
Cash and cash equivalents at beginning of year	5,576,209	12,631,197
<b>Cash and cash equivalents at end of year (Note 19)</b>	<u>6,385,723</u>	<u>5,576,209</u>

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

During the financial year, the Group acquired plant and machinery and motor vehicles with an aggregate cost of \$2,126,600 (2010: \$Nil) by means of finance leases. The cash outflow on acquisition of plant and machinery and motor vehicles amounted to \$2,865,810 (2010: \$4,160,734).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 1. CORPORATE INFORMATION

Santak Holdings Limited is a limited liability company, which is incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited.

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.

There have been no significant changes in the nature of these activities during the financial year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 July 2010. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Revised FRS 24 <i>Related Party Disclosures</i>	1 January 2011
Amendments to INT FRS 114 <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
INT FRS 115 <i>Agreements for the Construction of Real Estate</i>	1 January 2011
Amendments to FRS 107 <i>Disclosures – Transfers to Financial Assets</i>	1 July 2011
Amendments to FRS 12 <i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.3 *Standards issued but not yet effective (cont'd)*

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

#### **Revised FRS 24 Related Party Disclosures**

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Company is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company when implemented in the next financial year.

### 2.4 *Significant accounting judgments and estimates*

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### **(a) Key sources of estimation uncertainty**

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

##### **(i) Useful lives of property, plant and equipment**

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets, except for leasehold property, to be written 2 to 10 years. The carrying amount of the Group's plant and equipment at 30 June 2011 was \$15,032,699 (2010: \$14,548,005). 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.4 Significant accounting judgments and estimates (cont'd)

#### (a) Key sources of estimation uncertainty (cont'd)

##### (ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill, are disclosed in Note 13.

##### (iii) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 32.

#### (b) 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 that have the most significant effect on the amounts recognised in the financial statements:

##### (i) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. The valuation of financial instruments is described in more detail in Note 32.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.4 Significant accounting estimates and judgments (cont'd)

#### (b) Critical judgements made in applying accounting policies (cont'd)

##### (ii) Deferred tax liabilities and income tax payable/recoverable

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's tax payables, deferred tax liabilities and income tax recoverable as at 30 June 2011 were summarised as follows:

Provision for income tax	:	\$4,351 (2010: \$11,655)
Deferred tax liabilities	:	\$717,957 (2010: \$771,915)
Income tax recoverable	:	\$Nil (2010: \$38,025)

##### (iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has tax losses, capital allowances and tax rebates carry forward amounting to \$2,547,000 (2010: \$3,965,000), \$50,000 (2010: \$50,000) and \$268,000 (2010: \$283,000) respectively. These losses and capital allowances relate to subsidiary companies that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiary companies have no temporary taxable differences which could partly support the recognition of deferred tax assets. Also, there is no tax planning opportunity available that would further provide a basis for recognition.

The carrying value of unrecognised deferred tax assets at 30 June 2011 was \$945,000 (2010: \$1,215,000).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.5 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses arising from intra-group transactions are eliminated in full.

Subsidiaries are 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.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with FRS 39 either in income statement or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in income statement on the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.5 *Basis of consolidation (cont'd)*

#### **Business combinations before 1 January 2010**

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

### 2.6 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries 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 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 profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operations.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.6 *Foreign currency (cont'd)*

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

### 2.7 *Subsidiaries*

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.

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

### 2.8 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Leasehold property is measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold property at the balance sheet date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

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 whole of 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.8 *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

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 value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 income statement in the year the asset is derecognised.

### 2.9 *Intangible assets*

#### (a) **Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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 acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.9 Intangible assets (cont'd)

#### (a) Goodwill (cont'd)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating 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 fair values of the operations disposed of and the portion of the cash-generating unit retained.

#### (b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated 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 are reviewed at least at end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

#### (i) Club membership

Club membership is stated at cost less impairment losses and is amortised over 18 years on a straight-line basis starting from the financial year 1994.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.9 Intangible assets (cont'd)

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

##### (ii) Computer software licenses

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

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

	<i>Club membership</i>	<i>Computer software licenses</i>
Internally generated or acquired	Acquired	Acquired
Useful lives and amortisation method used	<ul style="list-style-type: none"> <li>▪ Finite (2010: Finite)</li> <li>▪ Amortised over 18 years on straight-line basis (2010: 18 years)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Finite (2010: Finite)</li> <li>▪ Amortised over 3 to 10 years on straight-line basis (2010: 3 to 10 years)</li> </ul>
Impairment testing	Annually and more frequently when an indication of impairment exists.	Annually and more frequently when an indication of impairment exists.
Review of amortisation period and method	Amortisation period and method are reviewed at end of each financial year.	Amortisation period and method are reviewed at end of each financial year.

### 2.10 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 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 group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.10 Impairment of non-financial assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.11 Financial assets

#### Initial recognition and measurement

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. The Group determines the classification of its financial assets at initial recognition.

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.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.11 *Financial assets (cont'd)*

#### (a) **Financial assets at fair value through profit or loss (cont'd)**

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### (b) **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. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

#### (c) **Available-for-sale financial assets**

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.11 *Financial assets (cont'd)*

#### **Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

### 2.12 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

#### **(a) Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

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

#### (a) Financial assets carried at amortised cost (cont'd)

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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

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

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

#### (b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

#### (c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.12 *Impairment of financial assets (cont'd)*

#### (c) *Available-for-sale financial assets (cont'd)*

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

### 2.13 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, 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.

### 2.14 *Inventories*

Inventories are stated 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 weighted average cost basis; and
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.15 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.16 Financial liabilities

#### Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities other than derivatives plus directly attributable transaction costs.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

#### Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.16 *Financial liabilities (cont'd)*

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When 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 profit or loss.

### 2.17 *Employee benefits*

#### **(a) Defined contribution plans**

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

#### **(b) Employee leave entitlement**

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

#### **(c) Employee share option plans**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.17 *Employee benefits (cont'd)*

#### (c) *Employee share option plans (cont'd)*

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

### 2.18 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.19 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

#### **As lessee**

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 income statement. 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 income statement 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.20 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. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

#### (a) Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers. 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.

#### (b) Commission income

Revenue is recognised on an accrual basis.

#### (c) Interest income

Interest income is recognised using the effective interest method.

### 2.21 Taxes

#### (a) Current income tax

Current income 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 end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.21 Taxes (cont'd)

#### (b) Deferred tax

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

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

- Where the deferred tax 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 subsidiaries, associates and interests in joint ventures, 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 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:

- Where the deferred 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 income 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 tax assets is reviewed at the end of each reporting period 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.21 Taxes (cont'd)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

#### (c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax 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 sales tax included.

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

### 2.22 Segment reporting

The Group's operation is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the top management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### 2.23 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

## 3. REVENUE

	2011	Group	2010
	\$		\$
Sale of goods	43,020,695		27,117,220
Commission income	101,008		52,225
	<u>43,121,703</u>		<u>27,169,445</u>

## 4. OTHER OPERATING INCOME

	2011	Group	2010
	\$		\$
Sale of scrap	705,148		88,507
Others	39,233		20,316
	<u>744,381</u>		<u>108,823</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 5. FINANCE COSTS FINANCE INCOME

	2011	Group	2010
	\$		\$
<b>(A) FINANCE COSTS</b>			
Interest expense on:			
- term loans	(231,628)		(211,015)
- finance leases	(57,342)		(29,588)
	<u>(288,970)</u>		<u>(240,603)</u>
<b>(B) FINANCE INCOME</b>			
Interest income from:			
- bank balances	20,523		47,157
- fixed deposits	-		21,152
	<u>20,523</u>		<u>68,309</u>

## 6. PROFIT / (LOSS) BEFORE TAXATION

The following items have been included in arriving at profit/(loss) before tax:

	2011	Group	2010
	\$		\$
Employee benefits expense (Note 27)	11,213,861		8,607,463
Depreciation of property, plant and equipment	3,897,142		3,522,618
Amortisation of intangible assets	36,895		47,468
Directors' remuneration included in staff costs			
- Directors of the Company	295,285		272,108
- Directors of subsidiary companies	670,534		683,197
Directors' fees	110,000		110,000
Foreign exchange loss, net	1,090,966		553,936
Operating lease expenses	534,942		500,925
Loss on disposal of property, plant and equipment	9,763		21,579
Loss on disposal of other investments	32,519		-
Non-audit fees to auditors of the Company	<u>12,860</u>		<u>14,370</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 7. TAX CREDIT / (EXPENSE)

*Major components of tax credit/(expense)*

The major components of tax credit/(expense) for the years ended 30 June 2011 and 2010 are:

	Group	
	2011	2010
	\$	\$
Current income tax		
- Current income taxation	(5,718)	-
- Overprovision in respect of previous years	1,318	33,922
Deferred tax		
- Original and reversal of temporary differences	53,958	144,435
- Overprovision in respect of previous years	-	228,829
- Write-down of deferred tax assets	-	(472,681)
	<u>49,558</u>	<u>(65,495)</u>
Tax credit/(expense)		

*Relationship between tax credit/(expense) and accounting profit/(loss)*

The reconciliation between tax credit/(expense) and the product of accounting profit/(loss) multiplied by the applicable tax rate for the years ended 30 June 2011 and 2010 is as follows:

	Group	
	2011	2010
	\$	\$
Profit/(loss) before taxation	<u>2,158,926</u>	<u>(4,857,575)</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	(364,333)	1,225,918
Adjustments:		
Non-deductible expenses	(85,808)	(74,553)
Income not subject to taxation	320	26,559
Effect of partial tax exemption and tax relief	399,828	50,812
Benefits from previously unrecognised tax losses	299,900	-
Deferred tax assets not recognised	(210,952)	(1,089,140)
Overprovision in respect of previous years	1,318	262,751
Write-down of deferred tax assets	-	(472,681)
Others	9,285	4,839
	<u>49,558</u>	<u>(65,495)</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 7. TAX CREDIT / (EXPENSE) (CONT'D)

As at 30 June 2011, the Group has unutilised tax losses, and unabsorbed capital allowances and tax rebate amounting to approximately \$2,547,000 (2010: \$3,965,000) and \$50,000 (2010: \$50,000) and \$268,000 (2010: \$283,000) respectively that are available for offset against future taxable profits of the respective companies in which the tax losses or rebate 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	
	2011	2010
	\$	\$
<b>Declared and paid during the financial year :</b>		
<i>Dividends on ordinary shares :</i>		
First and final exempt (one-tier) dividend for 2010: 0.50 cents (2009: 0.50 cents) per share	522,205	522,205
Special exempt (one-tier) dividend for 2010: Nil (2009: 0.50 cents) per share	–	522,205
	<b>522,205</b>	<b>1,044,410</b>

At the Annual General Meeting scheduled to be held on 25 October 2011, a first and final tax exempt (one-tier) dividend of 0.50 cents per share amounting to approximately \$522,205 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of accumulated profits in the financial year ending 30 June 2012.

## 9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit/(loss) for the year, net of tax, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit/(loss) for the year, net of tax, 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 9. EARNINGS PER SHARE (CONT'D)

The following reflects the profit/(loss) for the year and share data used in the computation of basic and diluted earnings/(loss) per share for the years ended 30 June 2011 and 2010:

	Group	
	2011	2010
	\$	\$
Net profit/(loss) net of tax attributable to ordinary equity holders of the Company for basic and diluted earnings/(loss) per share	<u>2,208,484</u>	<u>(4,923,070)</u>
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings/(loss) per share	<u>104,440,980</u>	<u>104,440,980</u>

The share options granted under the Santak Share Option Scheme 2001 have not been included in the calculation of diluted earnings/(loss) per share because they are anti-dilutive for the current and previous financial years.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 10. PROPERTY, PLANT AND EQUIPMENT

Group	At valuation	At cost										Total	
		Leasehold property	Plant and machinery	Motor vehicles	Computers	Office equipment	Air-conditioners	Furniture and fittings	Renovation	Electrical installation	Tools and equipment		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Cost or valuation</b>													
At 1 July 2009	4,500,000	42,444,822	1,019,764	738,505	185,295	570,709	549,143	1,320,878	1,638,681	1,714,658	54,682,455		
Additions	-	3,413,616	-	20,152	334	42,338	16,417	212,759	470,942	185,253	4,364,811		
Disposals	-	(23,540)	(6,123)	(7,430)	(8,550)	(1,236)	-	(21,755)	(55,609)	-	(124,243)		
Exchange differences	-	(461,222)	(7,730)	(5,338)	(1,429)	(6,206)	(9,538)	(31,000)	(36,593)	(28,547)	(587,603)		
At 30 June and 1 July 2010	4,500,000	45,373,676	1,005,911	745,889	175,650	605,605	556,022	1,480,882	2,017,421	1,871,364	58,332,420		
Additions	-	4,477,188	369,343	13,346	6,600	41,058	14,262	65,375	19,400	304,441	5,311,013		
Disposals	-	-	(371,630)	(4,041)	(2,674)	(45,519)	-	-	-	-	(423,864)		
Exchange differences	-	(1,539,913)	(20,319)	(16,687)	(4,066)	(19,575)	(27,468)	(99,305)	(130,919)	(97,784)	(1,956,036)		
At 30 June 2011	4,500,000	48,310,951	983,305	738,507	175,510	581,569	542,816	1,446,952	1,905,902	2,078,021	61,263,533		
<b>Accumulated depreciation</b>													
At 1 July 2009	-	31,399,985	494,294	568,494	140,525	386,225	306,019	603,984	796,418	1,511,407	36,207,351		
Depreciation charge for the year	131,387	2,663,966	86,222	85,437	9,056	35,105	36,805	119,133	151,153	204,354	3,522,618		
Disposals	-	(10,789)	(3,860)	(7,430)	(5,130)	(412)	-	(3,624)	(20,822)	-	(52,067)		
Exchange differences	-	(200,634)	(3,124)	(4,707)	(630)	(2,384)	(3,304)	(11,209)	(13,235)	(22,873)	(262,100)		
At 30 June and 1 July 2010	131,387	33,852,528	573,532	641,794	143,821	418,534	339,520	708,284	913,514	1,692,888	39,415,802		
Depreciation charge for the year	131,387	3,032,714	84,616	71,991	7,827	37,609	36,182	127,213	163,374	204,229	3,897,142		
Disposals	-	-	(290,793)	(4,005)	(2,674)	(44,135)	-	-	-	-	(341,607)		
Exchange differences	-	(755,525)	(10,190)	(15,366)	(2,383)	(8,727)	(12,680)	(41,720)	(49,353)	(81,785)	(977,729)		
At 30 June 2011	262,774	36,129,717	357,165	694,414	146,591	403,281	363,022	793,777	1,027,535	1,815,332	41,993,608		
<b>Net carrying amount</b>													
At 30 June 2010	4,368,613	11,521,148	432,379	104,095	31,829	187,071	216,502	772,598	1,103,907	178,476	18,916,618		
At 30 June 2011	4,237,226	12,181,234	626,140	44,093	28,919	178,288	179,794	653,175	878,367	262,689	19,269,925		

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

Company	Computers \$	Motor vehicles \$	Total \$
<b>Cost</b>			
At 1 July 2009	273,510	176,557	450,067
Additions	2,430	–	2,430
At 30 June and 1 July 2010	275,940	176,557	452,497
Additions	4,622	321,418	326,040
At 30 June 2011	280,562	497,975	778,537
<b>Accumulated depreciation</b>			
At 1 July 2009	143,749	48,346	192,095
Depreciation charge for the year	56,126	14,581	70,707
At 30 June and 1 July 2010	199,875	62,927	262,802
Depreciation charge for the year	55,011	24,103	79,114
At 30 June 2011	254,886	87,030	341,916
<b>Net carrying amount</b>			
At 30 June 2010	76,065	113,630	189,695
At 30 June 2011	25,676	410,945	436,621

### *Revaluation of leasehold property*

Leasehold property of the Group was revalued at 30 June 2009 based on valuations performed by an accredited independent valuer. The valuations are based on the direct comparison method that makes reference to estimated market selling price.

If the leasehold property was stated at cost less accumulated depreciation, the net carrying amount would have been \$2,819,000 (2010: \$2,929,000).

### *Assets held under finance leases*

The carrying amount of plant and machinery and motor vehicles of the Group held under finance leases at the balance sheet date were \$2,045,000 (2010: \$1,113,000) and \$496,000 (2010: \$215,000) respectively. The Company's motor vehicles were held under finance leases.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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

### *Assets pledged as security*

In addition to assets under finance leases, the Group's leasehold property was mortgaged to a bank as security for term loans (Note 22). 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	
	2011	2010
	\$	\$
Unquoted equity shares, at cost	<u>8,356,338</u>	<u>8,356,338</u>

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held		Cost of investment	
			2011	2010	2011	2010
			%	%	\$	\$
<b>Held by the Company</b>						
Santak Metal Manufacturing Pte Ltd <sup>(1)</sup>	Singapore	Manufacture of precision machined components	100	100	8,113,173	8,113,173
Santak Industrial Pte Ltd <sup>(1)</sup>	Singapore	Trading and distribution of electronic, electrical and mechanical components/products	100	100	243,162	243,162
Santak Electronics Pte Ltd <sup>(1)</sup>	Singapore	Trading and distribution of electronic, electrical and mechanical components/products (currently dormant)	100	100	3	3
					<u>8,356,338</u>	<u>8,356,338</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held	
			2011 %	2010 %
<b>Held by Santak Metal Manufacturing Pte Ltd</b>				
Santak Metal Manufacturing (Wuxi) Co., Ltd <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(1)</sup>	Singapore	Manufacture of precision machined components (currently dormant)	100	100
Hang Yip Metal Manufacturing Pte Ltd <sup>(1)</sup>	Singapore	Manufacture of precision machined components (currently dormant)	100	100
<b>Held by Santak Electronics Pte Ltd</b>				
Santak Electronics Sdn Bhd <sup>(3)</sup>	Malaysia	Manufacture of electronic, electrical and mechanical components and products (currently dormant)	100	100

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(2)</sup> Audited by Wuxi Zhongxin Certified Public Accountants Co., Ltd, a firm of Certified Public Accountants in Wuxi, People's Republic of China.

<sup>(3)</sup> Audited by Low & Co., a firm of Chartered Accountants in Malaysia.

As required by Rule 716 of the Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited: Rules of Catalist, the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for its overseas subsidiary companies would not compromise the standard and effectiveness of the audit of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 12. OTHER INVESTMENTS

	2011	Group	2010
	\$		\$
<i>Available-for-sale financial assets</i>			
Life insurance policies	–		386,922

## 13. INTANGIBLE ASSETS

Group	Goodwill	Club membership	Computer software licenses	Total
	\$	\$	\$	\$
<b>Cost</b>				
At 1 July 2009	257,096	150,000	371,071	778,167
Additions	–	–	7,888	7,888
Net exchange differences	–	–	(4,559)	(4,559)
At 30 June and 1 July 2010	257,096	150,000	374,400	781,496
Net exchange differences	–	–	(12,768)	(12,768)
At 30 June 2011	257,096	150,000	361,632	768,728
<b>Accumulated amortisation</b>				
At 1 July 2009	–	113,833	185,111	298,944
Amortisation	–	2,333	45,135	47,468
Net exchange differences	–	–	(3,554)	(3,554)
At 30 June and 1 July 2010	–	116,166	226,692	342,858
Amortisation	–	2,334	34,561	36,895
Net exchange differences	–	–	(11,355)	(11,355)
At 30 June 2011	–	118,500	249,898	368,398
<b>Net carrying amount</b>				
At 30 June 2010	257,096	33,834	147,708	438,638
At 30 June 2011	257,096	31,500	111,734	400,330

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 13. INTANGIBLE ASSETS (CONT'D)

<b>Company</b>	<b>Computer software license</b>	<b>\$</b>
<b>Cost</b>		
At 1 July 2009, 30 June and 1 July 2010 and 30 June 2011	<u>210,000</u>	
<b>Accumulated amortisation</b>		
At 1 July 2009	59,500	
Amortisation	<u>21,000</u>	
At 30 June and 1 July 2010	80,500	
Amortisation	21,000	
At 30 June 2011	<u>101,500</u>	
<b>Net carrying amount</b>		
At 30 June 2010	<u>129,500</u>	
At 30 June 2011	<u>108,500</u>	

### *Impairment testing of goodwill*

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

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

	<b>Precision engineering and assembly</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
North Asia	<u>257,096</u>	<u>257,096</u>

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections is 4.6% (2010: 9.4%) per annum. The weighted average growth rates used are consistent with the average growth rate for the industry. The discount rate used is pre-tax and reflects specific risks relating to the precision engineering and assembly segment.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 14. INVENTORIES

	2011	Group	2010
	\$		\$
<b>Balance sheet:</b>			
Raw materials	1,546,323		1,575,357
Work-in-progress	2,149,308		1,668,010
Finished goods	1,951,515		1,470,511
			<hr/>
Total inventories at lower of cost and net realisable value	5,647,146		4,713,878
			<hr/>
<b>Income statement:</b>			
Inventories recognised as an expense in cost of sales	35,842,565		27,645,731
Inclusive of the following charge/(credit)			
- inventories written down	297,180		641,546
- reversal of write down of inventories	(322,588)		(469,592)
			<hr/>

The reversal of write down of inventories are made when the related inventories were utilised or sold above their carrying amounts.

## 15. TRADE RECEIVABLES

	2011	Group	2010
	\$		\$
Trade receivables	12,484,497		8,798,290
Less : Allowance for doubtful receivables	(90,304)		(92,193)
			<hr/>
	12,394,193		8,706,097
			<hr/>

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

Trade receivables denominated in foreign currencies at 30 June are as follows:

	2011	Group	2010
	\$		\$
United States Dollar	6,846,636		2,659,271
Renminbi	5,382,311		5,873,777
			<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 15. TRADE RECEIVABLES (CONT'D)

### *Receivables that are past due but not impaired*

The Group has trade receivables amounting to \$4,221,761 (2010: \$3,274,822) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2011	2010
	\$	\$
Trade receivables past due:		
Less than 30 days	3,010,755	2,480,008
30 to 90 days	1,203,425	718,837
91 to 120 days	7,581	75,977
	<u>4,221,761</u>	<u>3,274,822</u>

### *Receivables that are impaired*

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

	Group	
	Individually impaired	
	2011	2010
	\$	\$
Trade receivables - nominal	90,304	92,193
Less : Allowance for doubtful receivables	<u>(90,304)</u>	<u>(92,193)</u>
	-	-
<b>Movement in allowance</b>		
At 1 July	92,193	141,744
Charge for the year	-	199
Write-back	-	(49,198)
Exchange differences	<u>(1,889)</u>	<u>(552)</u>
At 30 June	<u>90,304</u>	<u>92,193</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 16. OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Income tax recoverable	–	38,025	–	–
Deposits	199,354	53,365	–	–
Sundry receivables	1,657	48,236	–	4,214
	<b>201,011</b>	<b>139,626</b>	<b>–</b>	<b>4,214</b>

## 17. DUE FROM SUBSIDIARY COMPANIES (NON-TRADE)

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

## 18. DERIVATIVES

	Group 2011	
	Contract/ Notional amount \$	Asset \$
Forward currency contracts	<b>2,132,730</b>	<b>44,464</b>

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales denominated in USD for which firm commitments existed at the end of the financial year, extending to November 2011.

## 19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Fixed deposits	–	1,004,379	–	1,004,379
Cash at banks and on hand	6,385,723	4,571,830	100,536	182,875
	<b>6,385,723</b>	<b>5,576,209</b>	<b>100,536</b>	<b>1,187,254</b>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 30 June 2011, the Company had available, undrawn committed banking facilities of \$6,084,000 (2010: \$7,212,000) in respect of which all conditions precedent had been met.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 19. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents denominated in foreign currencies at 30 June are as follows:

	Group	
	2011	2010
	\$	\$
United States Dollar	1,341,896	1,195,553
Renminbi	4,071,023	698,690
	<u>5,412,919</u>	<u>1,894,243</u>

## 20. TRADE PAYABLES

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

Trade payables denominated in foreign currencies at 30 June are as follows:

	Group	
	2011	2010
	\$	\$
United States Dollar	605,872	237,533
Renminbi	5,644,515	3,299,857
	<u>6,250,387</u>	<u>3,537,390</u>

## 21. OTHER LIABILITIES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Accrued operating expenses	1,820,751	1,524,450	189,208	170,678
Sundry payables	1,183,010	890,539	166,588	102,975
	<u>3,003,761</u>	<u>2,414,989</u>	<u>355,796</u>	<u>273,653</u>

Other liabilities are non-interest bearing and are granted average credit terms of three to six months.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 22. TERM LOANS

	Maturities	Group	
		2011 \$	2010 \$
Bank loan A	2018	522,718	611,048
Bank loan B	2013	738,888	1,096,822
Bank loan C	2013	1,982,903	2,736,453
Bank loan D	2011	58,669	860,104
Bank loan E	2012	–	725,000
Bank loan F	2014	1,999,793	–
		<u>5,302,971</u>	<u>6,029,427</u>
Due within 12 months		1,887,400	2,675,170
Due after 12 months		<u>3,415,571</u>	<u>3,354,257</u>
		<u>5,302,971</u>	<u>6,029,427</u>

Bank loans A and B are secured by way of a legal mortgage over a subsidiary company's leasehold property and a corporate guarantee from the Company. Effective from 19 June 2008, the bank loan A's interest rate was reset at effective rates of 3.75% and 4.25% per annum for the first and second year commencing June 2008 respectively. Interest was at the bank's prime rate of 5% per annum till November 2010. Repayment of this bank loan is over 180 monthly installments commencing July 2003.

Bank loan B bears interest at effective rates of 4.50% and 4.75% per annum for the first and second year commencing July 2007 respectively and interest was at the bank's prime rate stated at 5% per annum till November 2010. The bank loan B is repayable in 72 monthly installments commencing August 2007.

Effective from November 2010, both bank loans A and B were converted to United States Dollar ("USD") denominated loans at effective rate of 1.5% per annum over the 1-month Singapore Inter Bank Offer Rate ("SIBOR").

Bank loan C bears interest at 5.00% per annum and is repayable in 48 monthly instalments commencing December 2009. This loan is secured by a corporate guarantee from the Company.

Bank loan D denominated in USD is secured by way of a legal mortgage over a subsidiary company's leasehold property and a corporate guarantee from the Company. The loan bears effective interest rate of 1.78% (2010: 1.81%) in 2011 and is repayable over a period of 72 months, commencing August 2005.

Bank loan F is secured by way of a legal mortgage over a subsidiary company's leasehold property and a corporate guarantee from the Company. The loan bears interest at 2.25% per annum over the 6-month SIBOR and is repayable over a period of 48 months, commencing October 2010.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 23. OBLIGATIONS UNDER FINANCE LEASES

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 division. These leases are classified as finance leases, which expire over the next 10 years and do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rates in the leases range from 3.59% to 6.61% (2010: 3.67% to 6.61%) per annum.

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

Group	Maturities	Minimum lease payments 2011 \$	Present value of payments 2011 \$	Minimum lease payments 2010 \$	Present value of payments 2010 \$
Not later than one year	2012	557,276	486,961	211,074	205,366
Later than one year but not not later than five years	2013 - 2016	1,307,562	1,212,570	47,668	44,851
More than five years	2021	147,430	137,560	-	-
Total minimum lease payments		2,012,268	1,837,091	258,742	250,217
Less: amounts representing finance charges		(175,177)	-	(8,525)	-
Present value of minimum lease payments		1,837,091	1,837,091	250,217	250,217

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 23. OBLIGATIONS UNDER FINANCE LEASES (CONT'D)

Company	Maturities	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
		2011	2011	2010	2010
		\$	\$	\$	\$
Not later than one year	2012	55,078	42,325	31,428	28,348
Later than one year but not later than five years	2013 - 2016	212,730	172,734	36,976	34,274
More than five years	2021	147,430	137,560	-	-
Total minimum lease payments		415,238	352,619	68,404	62,622
Less: amounts representing finance charges		(62,619)	-	(5,782)	-
Present value of minimum lease payments		352,619	352,619	62,622	62,622

## 24. DEFERRED TAXATION

Deferred income tax as at 30 June relates to the following:

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
<i>Deferred tax liabilities</i>						
Differences in depreciation for tax purposes	(480,652)	(615,487)	(134,835)	(58,345)	(19,120)	(32,532)
Revaluation of leasehold property to fair value	(237,305)	(244,663)	(7,358)	(7,358)	-	-
Undistributed earnings of subsidiary companies	-	-	-	(108,114)	-	-
Other sundry temporary differences	-	-	-	(125,374)	-	-
	(717,957)	(860,150)				

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 24. DEFERRED TAXATION (CONT'D)

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
<i>Deferred tax assets</i>						
Differences in depreciation for tax purposes	-	-	-	214,654	-	-
Provisions	-	-	-	232,454	-	-
Unutilised tax loss	-	88,235	88,235	(66,135)	-	-
Tax rebates	-	-	-	17,635	-	-
	-	88,235				
			(53,958)	99,417	-	-

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxable authority. The amounts determined after appropriate offsetting are included in the balance sheets as follows:

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Net deferred tax liabilities	717,957	771,915	19,120	32,532

## 25. SHARE CAPITAL

	Group and Company			
	2011	2011	2010	2010
	No. of shares	\$	No. of shares	\$
<i>Ordinary shares issued and fully paid</i>				
At beginning and end of the year	104,440,980	12,314,168	104,440,980	12,314,168

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

The Company has a share option scheme (Note 27) under which options to subscribe for the Company's ordinary shares have been granted to employees.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 26. OTHER RESERVES

### (i) Share option reserve

Share option reserve represents the equity-settled share options granted to employees (Note 27). 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	
	2011	2010
	\$	\$
At beginning and end of the year	<u>542,228</u>	<u>542,228</u>

### (ii) Revaluation reserve

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

	Group	
	2011	2010
	\$	\$
At beginning and end of the year	<u>894,502</u>	<u>894,502</u>

### (iii) Statutory reserves

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

	Group	
	2011	2010
	\$	\$
At beginning and end of the year	<u>694,645</u>	<u>694,645</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 26. OTHER RESERVES (CONT'D)

### (iv) Translation reserve

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

	Group	
	2011	2010
	\$	\$
At beginning of the year	196,502	358,843
Net effect of exchange differences arising from translation of financial statements of foreign operations	<u>(1,054,706)</u>	<u>(162,341)</u>
At end of the year	<u>(858,204)</u>	<u>196,502</u>

### (v) Fair value adjustment reserve

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

	Group	
	2011	2010
	\$	\$
At beginning of the year	(30,721)	(55,870)
Net gain on fair value changes of available-for-sale financial assets	-	25,149
Realisation of fair value loss on disposal of available-for-sale financial assets	<u>30,721</u>	<u>-</u>
At end of the year	<u>-</u>	<u>(30,721)</u>

## 27. EMPLOYEE BENEFITS

	Group	
	2011	2010
	\$	\$
<b>Employee benefits expense (including executive directors):</b>		
Salaries, wages and bonuses	8,803,133	6,876,294
Central Provident Fund contributions	1,722,123	1,158,830
Other personnel expenses	<u>688,605</u>	<u>572,339</u>
	<u>11,213,861</u>	<u>8,607,463</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 27. EMPLOYEE BENEFITS (CONT'D)

### Santak Share Option Scheme 2001

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

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

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

	No. 2011	WAEP 2011 \$	No. 2010	WAEP 2010 \$
Outstanding at beginning of year	7,090,000	0.209	7,090,000	0.209
Lapsed during the year	(1,400,000)	0.239	-	-
Outstanding at end of year <sup>1</sup>	<u>5,690,000</u>	<u>0.201</u>	<u>7,090,000</u>	<u>0.209</u>
Exercisable at end of year	<u>5,690,000</u>	<u>0.201</u>	<u>7,090,000</u>	<u>0.209</u>

<sup>1</sup> The range of exercise prices for options outstanding at the end of the year was \$0.145 to \$0.239 (2010: \$0.145 to \$0.239). The weighted average remaining contractual life for these options is 3.7 years (2010: 3.5 years).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 27. EMPLOYEE BENEFITS (CONT'D)

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

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

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

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

## 28. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Operating lease commitments

The Group has various operating lease agreements for its offices and factory premises. These leases have an average tenure of between 5 and 60 years with no contingent rent provision included in the contracts. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Operating lease payments recognised in the consolidated income statement during the year amounted to \$534,942 (2010: \$500,925).

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

	Group	
	2011	2010
	\$	\$
Not later than one year	512,949	538,313
Later than one year but not later than five years	1,447,093	1,911,707
Later than five years	<u>4,875,450</u>	<u>4,746,759</u>
	<u>6,835,492</u>	<u>7,196,779</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 28. 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	
	2011	2010
	\$	\$
Commitments in respect of plant and machinery	<u>6,262,000</u>	<u>4,120,000</u>

### (c) Contingent liabilities

#### *Corporate guarantees*

The Company issued corporate guarantees amounting to approximately \$7,204,000 (2010: \$6,504,000) in favour of certain financial institutions for banking and finance lease facilities granted to and utilised by certain subsidiary companies.

## 29. RELATED PARTY TRANSACTIONS

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	
	2011	2010
	\$	\$
Controlling shareholder	386,000	313,000
Other director's interest	<u>113,000</u>	<u>88,000</u>

#### *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 2011, \$17,000 (2010: \$Nil) due to SAC was outstanding.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 29. RELATED PARTY TRANSACTIONS (CONT'D)

### (b) Compensation of key management personnel

	2011 \$	Group 2010 \$
Salaries and other short-term employee benefits	1,191,957	1,135,104
Central Provident Fund contributions	59,704	58,705
	<u>1,251,661</u>	<u>1,193,809</u>
Comprise amounts paid to:		
Directors of the Company	405,285	382,108
Other key management personnel	846,376	811,701
	<u>1,251,661</u>	<u>1,193,809</u>

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

At 30 June 2011, one of the Company's Directors held options to purchase ordinary shares of the Company under the Santak Share Option Scheme 2001 (Note 27), as follows:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 30. SEGMENT INFORMATION

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

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

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments took place at terms agreed between the parties during the financial years.

### (a) Operating segment

The following table presents revenue and results information regarding the Group's operating segments for the years ended 30 June 2011 and 2010.

2011	Precision engineering and assembly \$	Trading and distribution \$	Investment and management services \$	Adjustments and eliminations \$	Notes	Total \$
<b>Revenue</b>						
Sales to external customers	40,863,240	2,258,463	–	–		43,121,703
Inter-segment sales	1,053,709	9,479	1,934,000	(2,997,188)	A	–
<b>Total revenue</b>	<b>41,916,949</b>	<b>2,267,942</b>	<b>1,934,000</b>	<b>(2,997,188)</b>		<b>43,121,703</b>
<b>Results</b>						
Interest income	20,287	236	–	–		20,523
Interest expenses	(284,931)	–	(4,039)	–		(288,970)
Depreciation and amortisation	(3,833,372)	(551)	(100,114)	–		(3,934,037)
Other non-cash expenses	(339,462)	–	–	–	B	(339,462)
Taxation	35,762	1,314	12,482	–		49,558
<b>Segment profit/(loss)</b>	<b>2,320,014</b>	<b>(177,470)</b>	<b>617,128</b>	<b>(551,188)</b>	C	<b>2,208,484</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 30. SEGMENT INFORMATION (CONT'D)

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

2011	Precision engineering and assembly \$	Trading and distribution \$	Investment and management services \$	Adjustments and eliminations \$	Notes	Total \$
<b>Assets</b>						
Additions to non-current assets	4,984,443	530	326,040	–	D	5,311,013
Segment assets	43,398,314	761,671	15,001,201	(14,482,691)	E	44,678,495
<b>Liabilities</b>						
Segment liabilities	22,614,048	882,176	728,465	(6,383,379)	F	17,841,310
<b>2010</b>						
<b>Revenue</b>						
Sales to external customers	25,383,541	1,785,904	–	–		27,169,445
Inter-segment sales	756,452	17,784	1,326,000	(2,100,236)	A	–
Total revenue	26,139,993	1,803,688	1,326,000	(2,100,236)		27,169,445
<b>Results</b>						
Interest income	60,675	273	7,361	–		68,309
Interest expenses	(236,026)	–	(4,577)	–		(240,603)
Depreciation and amortisation	(3,476,936)	(1,443)	(91,707)	–		(3,570,086)
Other non-cash expenses	(661,018)	(2,306)	–	–	B	(663,324)
Taxation	(202,660)	124,117	13,048	–		(65,495)
Segment (loss)/profit	(5,043,345)	(43,963)	164,030	208	C	(4,923,070)
<b>Assets</b>						
Additions to non-current assets	4,389,806	–	131	2,430	D	4,392,367
Segment assets	37,623,516	977,639	14,547,422	(13,226,474)	E	39,922,103
<b>Liabilities</b>						
Segment liabilities	17,582,762	924,600	369,610	(5,129,760)	F	13,747,212

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 30. SEGMENT INFORMATION (CONT'D)

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

Notes: *Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements*

A *Inter-segment revenues are eliminated on consolidation.*

B *Other non-cash expenses consist of provisions and fixed assets disposal as presented in the respective notes to the financial statements.*

C *The following item is added to/(deducted from) segment profit/(loss) to arrive at "Profit/(loss) before taxation" presented in the consolidated income statement:*

	2011 \$	2010 \$
Unallocated exchange differences	3,188	208
Inter-segment income	548,000	-
	<u>551,188</u>	<u>208</u>

D *Additions to non-current assets mainly consists of addition to plant and machinery and other investments.*

E *The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet:*

	2011 \$	2010 \$
Investments in subsidiary companies	(8,356,338)	(8,356,338)
Inter-segment assets	(6,126,353)	(4,870,136)
	<u>(14,482,691)</u>	<u>(13,226,474)</u>

F *The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:*

	2011 \$	2010 \$
Inter-segment liabilities	<u>(6,383,379)</u>	<u>(5,129,760)</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 30. SEGMENT INFORMATION (CONT'D)

### (b) Geographical segment

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue \$	Non-current assets \$
<b>2011</b>		
Singapore	1,543,272	8,592,164
Asean (excluding Singapore)	7,854,501	–
North Asia	32,714,539	11,078,091
America and Europe	980,344	–
Others	29,047	–
	<hr/>	<hr/>
Total	43,121,703	19,670,255
<b>2010</b>		
Singapore	1,280,813	6,779,181
Asean (excluding Singapore)	8,693,557	–
North Asia	16,593,331	12,576,075
America and Europe	489,060	–
Others	112,684	–
	<hr/>	<hr/>
Total	27,169,445	19,355,256

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

#### Information about major customers

Revenue from two major customers amount to \$19,159,000 (2010: \$19,667,000), arising from sales from the precision engineering and assembly segment.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The main risks arising from the Group's financial instruments are interest rate risk, 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*

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

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

### Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 50 (2010: 50) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been approximately \$1,000 (2010: \$17,000) higher/lower, arising mainly as a result of lower/higher expense on floating rate bank borrowings and lower/higher interest income from floating rate bank balances.

### *Liquidity risk*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *Liquidity risk (cont'd)*

#### Analysis of financial instruments by remaining contractual maturities

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

2011 Group	Within 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
<i>Financial assets:</i>				
Trade and other receivables	12,595,204	-	-	12,595,204
Derivatives	44,464	-	-	44,464
Cash and cash equivalents	6,385,723	-	-	6,385,723
Total undiscounted financial assets	<u>19,025,391</u>	-	-	<u>19,025,391</u>
<i>Financial liabilities:</i>				
Trade payables	(6,975,179)	-	-	(6,975,179)
Other liabilities	(3,003,761)	-	-	(3,003,761)
Term loans	(2,035,792)	(3,375,134)	(158,651)	(5,569,577)
Obligations under finance leases	(557,276)	(1,307,562)	(147,430)	(2,012,268)
Total undiscounted financial liabilities	<u>(12,572,008)</u>	<u>(4,682,696)</u>	<u>(306,081)</u>	<u>(17,560,785)</u>
Total net undiscounted financial assets/(liabilities)	<u>6,453,383</u>	<u>(4,682,696)</u>	<u>(306,081)</u>	<u>1,464,606</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Liquidity risk (cont'd)

	Within 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
<b>2010</b>				
<b>Group</b>				
<i>Financial assets:</i>				
Trade and other receivables	8,845,723	-	-	8,845,723
Cash and cash equivalents	5,576,209	-	-	5,576,209
Total undiscounted financial assets	14,421,932	-	-	14,421,932
<i>Financial liabilities:</i>				
Trade payables	(4,269,009)	-	-	(4,269,009)
Other liabilities	(2,414,989)	-	-	(2,414,989)
Term loans	(2,912,742)	(3,347,071)	(278,497)	(6,538,310)
Obligations under finance leases	(211,074)	(47,668)	-	(258,742)
Total undiscounted financial liabilities	(9,807,814)	(3,394,739)	(278,497)	(13,481,050)
Total net undiscounted financial assets/(liabilities)	4,614,118	(3,394,739)	(278,497)	940,882
<b>2011</b>				
<b>Company</b>				
<i>Financial assets:</i>				
Due from subsidiary companies (non-trade)	5,433,703	-	-	5,433,703
Dividend receivable from a subsidiary company	548,000	-	-	548,000
Cash and cash equivalents	100,536	-	-	100,536
Total undiscounted financial assets	6,082,239	-	-	6,082,239
<i>Financial liabilities:</i>				
Other liabilities	(355,796)	-	-	(355,796)
Obligations under finance leases	(55,078)	(212,730)	(147,430)	(415,238)
Total undiscounted financial liabilities	(410,874)	(212,730)	(147,430)	(771,034)
Total net undiscounted financial assets/(liabilities)	5,671,365	(212,730)	(147,430)	5,311,205

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### Liquidity risk (cont'd)

	Within 1 year	1 to 5 years	Total
<b>2010</b>			
<b>Company</b>			
<i>Financial assets:</i>			
Other receivables	4,214	–	4,214
Due from subsidiary companies (non-trade)	4,651,115	–	4,651,115
Cash and cash equivalents	1,187,254	–	1,187,254
Total undiscounted financial assets	<u>5,842,583</u>	<u>–</u>	<u>5,842,583</u>
<i>Financial liabilities:</i>			
Other liabilities	(273,653)	–	(273,653)
Obligations under finance leases	(31,428)	(36,976)	(68,404)
Total undiscounted financial liabilities	<u>(305,081)</u>	<u>(36,976)</u>	<u>(342,057)</u>
Total net undiscounted financial assets/(liabilities)	<u>5,537,502</u>	<u>(36,976)</u>	<u>5,500,526</u>

### Credit risk

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

At balance sheet date, the Group has 63% (2010: 69%) of its trade debts relating to two customers. The carrying amount of trade and other receivables, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. Cash and bank balances are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains an allowance for doubtful trade debts based upon expected collectability of all trade debts.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *Credit risk (cont'd)*

#### Credit risk concentration profile

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

	2011		Group		2010	
	\$	% of total	\$		\$	% of total
<b>By country:</b>						
People's Republic of China	10,584,228	86	6,831,544			78
Asia excluding Singapore	1,355,041	11	1,432,251			17
Singapore	292,126	2	362,859			4
Other countries	162,798	1	79,443			1
	<b>12,394,193</b>	<b>100</b>	<b>8,706,097</b>			<b>100</b>
<b>By operating segments:</b>						
Precision engineering and assembly	11,925,515	96	8,244,677			95
Trading and distribution	468,678	4	461,420			5
	<b>12,394,193</b>	<b>100</b>	<b>8,706,097</b>			<b>100</b>

#### Financial assets that are neither past due nor impaired

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

#### Financial assets that are either past due or impaired

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### *Foreign exchange risk*

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

The Group currently entered into derivative foreign exchange contracts to hedge its foreign exchange risk resulting from cash flows from transactions denominated in USD. Approximately 36% (2010: 63%) of the Group's sales are denominated in the functional currency of the operating unit making the sale, while almost 98% (2010: 98%) of costs are denominated in the respective functional currencies of the Group's entities. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group also held cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly USD and RMB. At the balance sheet date, working capital denominated in foreign currency balances amounts to \$7,035,000 (2010: \$2,927,000).

At 30 June 2011, the Group had hedged approximately 31% of its foreign currency denominated trade receivables.

### Sensitivity analysis for foreign currency risk

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

		Group Profit net of tax	
		2011	2010
		\$'000	\$'000
USD/SGD	- strengthened 5% (2010: 5%)	+278	+119
	- weakened 5% (2010: 5%)	-278	-119
USD/RMB	- strengthened 3% (2010: 3%)	+9	-
	- weakened 3% (2010: 3%)	-9	-
SGD/USD	- strengthened 5% (2010: 5%)	+1	+2
	- weakened 5% (2010: 5%)	-1	-2

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

### A. Fair value of financial instruments that are carried at fair value

The following table shows an analysis of the financial instrument carried at fair value by level of fair value hierarchy:

	Group 2011			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Financial assets:</b>				
Fair value through profit and loss (Note 18)				
Derivatives	–	44,464	–	44,464
At 30 June 2011	–	44,464	–	44,464

#### Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

#### Determination of fair value

*Derivatives (Note 18):* Forward currency contracts are valued using a valuation technique with market observable inputs.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

### B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

*Cash and cash equivalents, short term receivables, short-term payables and term loans of floating rates*

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

*Obligations under finance leases*

It is not practicable to estimate the fair value of the Group's long-term finance leases because of the inability to estimate fair value without incurring excessive costs. However, management believes that the carrying amount recorded at the balance sheet date approximates its fair value.

Set out below is the carrying amount of each of the category of the Group's and the Company's financial instruments that are carried in the financial statements:

<b>Group</b>	<b>Loans and receivables</b>	<b>Fair value through profit and loss</b>	<b>Liabilities at amortised cost</b>
<i>At 30 June 2011</i>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Trade receivables (Note 15)	12,394,193	-	-
Other receivables (Note 16)	201,011	-	-
Derivatives (Note 18)	-	44,464	-
Cash and cash equivalents (Note 19)	6,385,723	-	-
<b>Liabilities</b>			
Trade payables (Note 20)	-	-	(6,975,179)
Other liabilities (Note 21)	-	-	(3,003,761)
Term loans (Note 22)	-	-	(5,302,971)
Obligations under finance leases (Note 23)	-	-	(1,837,091)
<b>Total</b>	<b>18,980,927</b>	<b>44,464</b>	<b>(17,119,002)</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

### B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)

Group At 30 June 2010	Loans and receivables \$	Available for sale \$	Liabilities at amortised cost \$
<b>Assets</b>			
Other investments (Note 12)	-	386,922	-
Trade receivables (Note 15)	8,706,097	-	-
Other receivables (Note 16)	139,626	-	-
Cash and cash equivalents (Note 19)	5,576,209	-	-
<b>Liabilities</b>			
Trade payables (Note 20)	-	-	(4,269,009)
Other liabilities (Note 21)	-	-	(2,414,989)
Term loans (Note 22)	-	-	(6,029,427)
Obligations under finance leases (Note 23)	-	-	(250,217)
<b>Total</b>	<b>14,421,932</b>	<b>386,922</b>	<b>(12,963,642)</b>
Company At 30 June 2011	Loans and receivables \$	Liabilities at amortised cost \$	
<b>Assets</b>			
Due from subsidiary companies, non-trade (Note 17)		5,433,703	-
Dividend receivable from a subsidiary company		548,000	-
Cash and cash equivalents (Note 19)		100,536	-
<b>Liabilities</b>			
Other liabilities (Note 21)		-	(355,796)
Obligations under finance leases (Note 23)		-	(352,619)
<b>Total</b>		<b>6,082,239</b>	<b>(708,415)</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

- B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)

Company At 30 June 2010	Loans and receivables \$	Liabilities at amortised cost \$
<b>Assets</b>		
Other receivables (Note 16)	4,214	–
Due from subsidiary companies, non-trade (Note 17)	4,651,115	–
Cash and cash equivalents (Note 19)	1,187,254	–
<b>Liabilities</b>		
Other liabilities (Note 21)	–	(273,653)
Obligations under finance leases (Note 23)	–	(62,622)
<b>Total</b>	<u>5,842,583</u>	<u>(336,275)</u>

## 33. CAPITAL MANAGEMENT

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

As disclosed in Note 26(iii), two subsidiary companies of the Group are required by the laws and regulations of the PRC to contribute to and maintain a restricted statutory reserve whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary companies for the financial years ended 30 June 2011 and 2010.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 33. CAPITAL MANAGEMENT (CONT'D)

	2011	Group
	\$	2010
		\$
Term loans (Note 22)	5,302,971	6,029,427
Trade payables (Note 20)	6,975,179	4,269,009
Other liabilities (Note 21)	3,003,761	2,414,989
Obligations under finance leases (Note 23)	1,837,091	250,217
Less: - Cash and cash equivalents (Note 19)	<u>(6,385,723)</u>	<u>(5,576,209)</u>
<i>Net debt</i>	<u>10,733,279</u>	<u>7,387,433</u>
Equity attributable to the equity holders of the Company	26,837,185	26,174,891
Less: - Fair value adjustment reserve (Note 26v)	-	30,721
- Statutory reserves fund (Note 26iii)	<u>(694,645)</u>	<u>(694,645)</u>
<i>Total capital</i>	<u>26,142,540</u>	<u>25,510,967</u>
<b>Capital and net debt</b>	<u><b>36,875,819</b></u>	<u><b>32,898,400</b></u>
<b>Gearing ratio</b>	<u><b>29%</b></u>	<u><b>22%</b></u>

## 34. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 15 September 2011.

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### REPORT ON CORPORATE GOVERNANCE

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

#### BOARD MATTERS

The Board comprises five directors, of which consist of two Independent Directors, one Non-Executive Director 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 page 93 of the Annual Report.

The Board meets at least twice a year and additional meetings are held whenever necessary. The Board of Directors are free to request for further clarification and information from management on all matters within their purview. In addition, informal discussions among Non-Executive Directors 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 2011 and the attendance of the directors are as follows:

Name of Director	Board Appointment	Date of Appointment (Date of Last Re-election/ *Re-appointment)	Board		Audit Committee		Remuneration Committee	
			No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lee Keen Whye	Non-Executive Chairman/ Independent Director	12 March 2001 (25 October 2010)	2	2	2	2	1	1
Ng Weng Wei	Executive Director	12 March 2001 (29 October 2008)	2	2	2	2#	1	1
Tan Sin Hock	Executive Director	12 March 2001 (28 October 2009)	2	2	2	2#	NA	NA
Heng Kheng Hwai	Non-Executive Director	12 March 2001 (30 October 2007)	2	2	2	2	NA	NA
Ch'ng Jit Koon	Independent Non-Executive Director	12 March 2001 (*25 October 2010)	2	2	2	2	1	1

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### BOARD MATTERS (CONT'D)

Notes:

NA: Not applicable

#: Attendance by invitation

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

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) reviews and monitors the performance of management;
- (v) approves nominations of directors and appointments to Board committees; and
- (vi) sets the Group value and assumes responsibility for corporate governance.

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

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

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

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### BOARD MATTERS (CONT'D)

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

- a) the scheduling and chairing of Board meetings;
- b) the controlling of the quality, quantity and timeliness of information supplied to the Board;
- c) ensuring compliance with the Company's guidelines on corporate governance; and
- d) encourages constructive relations between the Board and Management as well as Executive Directors and Non-Executive Directors
- e) facilitates the effective contribution of Non-Executive Directors; and
- f) ensures effective communication with shareholders.

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. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

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

#### NOMINATING COMMITTEE

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

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

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

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

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

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

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### REMUNERATION COMMITTEE

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

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

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate directors and senior management with the required experience and expertise to run the Group successfully. In setting remuneration packages, the RC may take into consideration the pay and employment conditions within the industry and in comparable companies. 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. The service contracts with the Executive Directors are not subject to onerous removal clauses and may be terminated by either the Company or the Executive Directors by giving 3 months notice to the other party.

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

The following table shows a breakdown of the remuneration of directors of the Company for the financial year ended 30 June 2011.

#### DIRECTORS' REMUNERATION

Remuneration Bands	Salary	Bonus <sup>(1)</sup>	Fee <sup>(2)</sup>	Other Benefits	Total
Directors	%	%	%	%	%
<b>Below S\$250,000</b>					
Lee Keen Whye	–	–	100	–	100
Ng Weng Wei	74	12	7	7	100
Tan Sin Hock	74	8	14	4	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 FY2011. Non-Executive Directors are paid directors' fees compensated based on time and effort.
- (3) The table above excludes Share Options which are described in the Report of the Directors on pages 8 to 12.

# ADDITIONAL INFORMATION

## SGX-ST Listing Manual Requirements

### DIRECTORS' REMUNERATION (CONT'D)

Total annual remuneration received by each of the five key executives in the Group (excluding the Executive Directors of the Company) did not exceed S\$250,000 except for Mr Tan Chor Tat, Steven who was in the remuneration band of S\$250,000 to S\$499,999 for the financial year. Details on share options granted to the eligible employees pursuant to the Scheme are set out in the Report of Directors on pages 8 to 12.

The adjustments to the remuneration packages of employees who are related to a director and substantial shareholder are subject to the annual review of the RC. For the financial year ended 30 June 2011, the total remuneration paid to these employees amounted to S\$182,000 (2010: S\$180,000). 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 2011.

### ACCOUNTABILITY AND AUDIT

#### *Audit Committee*

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

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

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

- (1) reviewing with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit;
- (2) reviewing with external auditors, their evaluation of the system of internal financial controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls and management's response thereon;
- (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 Rules of Catalyst.

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 at least once a year.

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### ACCOUNTABILITY AND AUDIT (CONT'D)

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

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

The Board reviews the framework of internal controls and 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 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 nor whistle-blowing policy. The Company will review the need for such arrangements 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 Rules of Catalyst.

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

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

#### DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by key employees within the Group. This internal code has been disseminated to key employees of the Group. The Directors and key employees are prohibited from dealing in the securities of the Company one month before the announcement of the Company's half year and full year results and ending on the date of the announcement and also should not deal in the Company's securities on short term considerations. The Company has confirmed that it has complied with Rule 1204 (18) of the Rules of Catalyst.

#### 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 92.

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### SPONSORSHIP

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Asian Corporate Advisors Pte. Ltd. There was no non-sponsor fee paid to the Sponsor or any of its affiliates for financial year ended 30 June 2011.

#### INTERESTED PERSON TRANSACTIONS

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Tan Chee Hawai <sup>(1)</sup>	S\$386,000	–
Strategic Alliance Capital Pte Ltd ("SAC") <sup>(2)</sup>	S\$113,000	–

#### Notes:

- (1) Mr. Tan, a controlling shareholder, has entered into an agreement with the Company in relation to the provision of strategic advisory services.  
 (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

##### Operational Risks

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

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

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### RISK MANAGEMENT (CONT'D)

##### Financial risks

These are set out in Note 31 to the Financial Statements, on pages 75 to 80 of this Annual Report.

#### DIRECTORS AND MANAGEMENT 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 STX OSV Holdings Limited, Ntegrator International Ltd, Ultro Technologies Limited and Oniontech Limited which are listed on the SGX-ST. Mr Lee holds a Master's Degree in Business Administration from Harvard Business School and a Bachelor's Degree in Business Administration from the University of Singapore.

**Mr Ng Weng Wei** is the Executive Director for Group Finance and Administration of our Group. He oversees the accounting, human resources and administrative functions as well as information systems in the Group. In addition, he handles our Group's corporate finance and treasury activities. Mr Ng is also involved in the development of the business policies and strategies of our Group. Mr Ng joined our Group in March 2000 and before that, he was a Manager in an international accounting firm in Singapore. Prior to that, he worked as a Senior Accountant at an international accounting firm in Sydney from 1994 to 1996. Mr. Ng also serves as an independent director on the board of another public-listed company. 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 more than 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.

**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 January 1997. Mr Ch'ng, appointed a Justice of the Peace, is currently also serving in several community organizations.

## ADDITIONAL INFORMATION

### SGX-ST Listing Manual Requirements

#### DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE (CONT'D)

##### Management Executives

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

**Mr Leong Chung Meng, Anthony** is the General Manager (Operation & Business)/Director of our Precision Engineering & Assembly Division's subsidiary companies in Wuxi, China. Mr Leong is responsible for the manufacturing operation and marketing functions of our subsidiary companies in China. He joined the Group in 2005 when the Group acquired Wuxi Tech Precision Engineering Co., Ltd where he was a co-founder. He holds a Diploma in Business Efficiency & Productivity (Industrial Engineering ) from the NPB Institute for Productivity Training in Singapore.

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

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

# STATISTICS OF SHAREHOLDINGS

As at 15 September 2011

Number of Shares	:	104,440,980
Class of Shares	:	Ordinary Shares
Voting Right	:	One Vote Per Ordinary Share

There are no treasury shares held in the issued share capital of the Company.

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 - 999	10	2.88	2,711	0.00
1,000 - 10,000	178	51.30	685,731	0.66
10,001 - 1,000,000	149	42.94	12,644,517	12.11
1,000,001 and above	10	2.88	91,108,021	87.23
<b>Total</b>	<b>347</b>	<b>100.00</b>	<b>104,440,980</b>	<b>100.00</b>

## Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	TAN CHEE HAWAI	37,580,570	35.98
2.	TAN AH WO	16,776,810	16.06
3.	HONG LEONG FINANCE NOMINEES PTE LTD	10,278,000	9.84
4.	TAN SIN HOCK	6,704,100	6.42
5.	OCBC SECURITIES PRIVATE LTD	5,911,041	5.66
6.	YAP QUAN OR CHRISTINE YAP LYE KUM	5,647,000	5.41
7.	HENG KHENG HWAI	4,667,000	4.47
8.	KIM ENG SECURITIES PTE. LTD.	1,468,000	1.41
9.	IP WAN KEUNG	1,057,500	1.01
10.	NG WENG WEI	1,018,000	0.97
11.	GO MEI LIN	918,000	0.88
12.	LAW KUNG YING	771,000	0.74
13.	UNITED OVERSEAS BANK NOMINEES PTE LTD	598,000	0.57
14.	CHAN PECK SIM	522,000	0.50
15.	LIM YEE MIN	500,000	0.48
16.	TAN SEH MIA	485,000	0.46
17.	SOH CHENG LOCK	476,000	0.46
18.	SINGAPORE NOMINEES PTE LTD	427,000	0.41
19.	OCBC NOMINEES SINGAPORE PTE LTD	322,000	0.31
20.	LOO HWEE BENG	271,000	0.26
<b>Total</b>		<b>96,398,021</b>	<b>92.30</b>

## STATISTICS OF SHAREHOLDINGS

As at 15 September 2011

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

### Substantial shareholders

Name of Shareholder		Direct	Deemed Interest
1.	Tan Chee Hawai <sup>a</sup>	47,858,570	4,667,000
2.	Tan Ah Wo	16,776,810	–
3.	Tan Sin Hock	6,704,100	–
4.	Heng Kheng Hwai <sup>b</sup>	4,667,000	47,858,570
5.	Yap Quan or Christine Yap Lye Kum	5,647,000	–

#### Notes:

<sup>a)</sup> Mr Tan Chee Hawai's direct interest is derived from shares held in his own name and shares in the name of a custodian account. Mr Tan Chee Hawai's deemed interest is derived from 4,667,000 shares held by his spouse, Ms Heng Kheng Hwai.

<sup>b)</sup> Ms Heng Kheng Hwai's deemed interest is derived from 47,858,570 shares held by her spouse, Mr Tan Chee Hawai.

# NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Santak Holdings Limited (“the Company”) will be held at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 on Tuesday, 25 October 2011 at 10.30 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 2011 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 0.50 Singapore cents per ordinary share (tax exempt one-tier) for the year ended 30 June 2011 (previous year: first and final dividend of 0.50 Singapore cents per ordinary share). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Articles of Association of the Company:  
  
Ms Heng Kheng Hwai **(Resolution 3)**  
Mr Ng Weng Wei **(Resolution 4)**  
  
Ms Heng Kheng Hwai will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered non-independent.
4. To re-appoint Mr Ch’ng Jit Koon, a director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.  
[See Explanatory Note (i)]  
  
*Mr Ch’ng Jit Koon will, upon re-appointment as a Director of the Company, remain as a Member of the Audit Committee and Remuneration Committee respectively and will be considered independent.* **(Resolution 5)**
5. To approve the payment of Directors’ fees for the year ended 30 June 2011. **(Resolution 6)**
6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

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

## AS SPECIAL BUSINESS

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

### 8. Authority to issue shares

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

- (a) (i) issue shares in the Company ("shares") whether by way of rights 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, debentures or other instruments convertible into shares,

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;

# NOTICE OF ANNUAL GENERAL MEETING

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

## AS SPECIAL BUSINESS (cont'd)

### 8. Authority to issue shares (cont'd)

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.  
[See Explanatory Note (ii)]

**(Resolution 8)**

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

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

**(Resolution 9)**

By Order of the Board

Lai Foon Kuen  
Company Secretary  
Singapore, 10 October 2011

# NOTICE OF ANNUAL GENERAL MEETING

(Company Registration No. 200101065H)

(Incorporated in Singapore with limited liability)

## Explanatory Notes:

- (i) The effect of the Ordinary Resolution 5 proposed in item 4 above is to re-appoint a director of the Company who is over 70 years of age.
- (ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.
- (iii) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

## Notes:

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

# Santak Holdings Limited

[Company Registration No. 200101065H]

(Incorporated In The Republic of Singapore)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

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

I/We, \_\_\_\_\_

of \_\_\_\_\_

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Tuesday, 25 October 2011 at 10.30 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 2011		
2	Payment of proposed first & final dividend		
3	Re-election of Ms Heng Kheng Hwai as a Director		
4	Re-election of Mr Ng Weng Wei as a Director		
5	Re-appointment of Mr Ch'ng Jit Koon as a Director		
6	Approval of Directors' fees		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to issue new shares		
9	Authority to issue shares under the Santak Share Option Scheme 2001		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

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

**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 not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

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



**SANTAK HOLDINGS LIMITED**

CO. REG. NO. 200101065H

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