

ENGINEERING

GROWTH AND VALUE

ANNUAL REPORT 2007



SPINDEX INDUSTRIES LIMITED was founded in 1981. Today it is a highly integrated solution provider of precision-machined components and assemblies with manufacturing locations in Singapore, Malaysia, China and Vietnam. The Company serves diverse market sectors consisting of MNCs in imaging and printing, machinery & automotive systems and consumer-related products. Through investments in flexible manufacturing and information technology and an agile organisation, the Company is able to constantly re-configure its resources to customise its products and services to the individual needs of



its customers. Spindex prides itself on its ability to integrate into the supply chain of its worldwide customer base and continuously re-invent itself to be at the forefront of today's global marketplace. It is one of the first machining companies in the region to be certified by ISO 14001, ISO/TS 16949, ISO 19001 and OHSAS 18001. It also has a comprehensive ITE certified in-house training program and is an approved ITE Training Centre in the ITE Skills Certification in Autonomous Maintenance.



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“With record turnover of \$72.5 million and effective cost management, net profit for FY2007 jumped 137% to \$5.3 million.”

Dear Fellow Shareholders,

The Year in Review

For the twelve months ended 30 June 2007, I am pleased to report that group turnover rose 30% to a record \$72.5 million, and more importantly, net profit jumped 137% to \$5.3 million. This strong performance in FY2007 was achieved following a 48% growth in net profit in FY2006.

The foundation for the two consecutive years of strong net profit growth was laid back in 2004. At that time, we were less efficient in utilising our resources due to a relatively diverse customer base from various industries. You will recall that under challenging market conditions in FY2005, we rationalised our customer base to focus on key accounts and market sectors where we believed we have a competitive advantage. The results of FY2006 and FY2007 confirmed that we have moved in the right direction.

Growth in FY2007 was broad based. In Imaging & Printing (IP), we recorded a 32% increase in turnover to \$36.0 million. Contributions from Machinery and Automotive Systems (MA) rose 47% to \$20.5 million with positive sales growth registered in both machine tools and automotive systems. Turnover from the remaining sector, classified as “Others”, also improved by 10% to \$15.9 million due to higher sales of consumer-related products. The overall strong performance was underpinned by robust demand from existing major customers where we benefited from higher allocation of existing business and our involvement in more higher value-added projects.

With record turnover and effective cost management, net profit jumped 137% to \$5.3 million. To reward our loyal shareholders for the good results, your Directors have proposed a final gross dividend of 1.4 cents per share. This represents an increase of 100% over the previous year. Subject to shareholders' approval at the forthcoming Annual General Meeting on 19 October 2007, the dividend will be paid on 12 November 2007.

Building the Foundation for Sustained Growth

The consolidation and rationalisation of our customer base is central to our customer-centric strategy. This strategy has deepened our relationship with key customers and enabled us to be their strategic business partner in our areas of competence.

In addition to customer base consolidation, we have also invested in manpower training and development. Our pool of skilled and knowledge workforce has strengthened our integrated capabilities to undertake new projects and has also contributed to our higher productivity.

Due to above initiatives, we were able to reap considerable improvement in capacity utilisation in FY2007. For the year, turnover increased by \$16.7 million from a capital expenditure of \$5.0 million. As a result, our new plant in Hanoi turned profitable after one year of operation and the plants in Malaysia and Suzhou also achieved significant improvement in capacity utilisation.

“The overall strong performance was underpinned by robust demand from existing major customers where we benefited from higher allocation of existing business and our involvement in more higher value-added projects.”

In the current financial year, we intend to further increase our capacity with a capital expenditure of up to \$5 million. We expect an increase in turnover for the additional capital investment, albeit at a lower rate.

Prospects

Despite our efforts in establishing a firm foundation for growth, we are mindful of the challenges in the macroeconomic environment. Uncertainties such as volatility in foreign exchange rates and any sudden increase in raw material prices could affect the performance of the Group. We will remain vigilant in managing these costs to mitigate any negative impact on profitability.

In the current year, the Group will continue with its customer-centric strategy in order to drive towards higher capacity utilisation. This will be supported by our on-going training programmes in manpower development.

Although we place great emphasis on serving the needs of existing customers, we are open to exploring new business opportunities with companies that have a close fit to our capabilities and future expansion plans.

Going forward, we expect growth to remain broad-based across our key market sectors but it is likely to moderate as excess capacity in the Group is being utilised. Barring unforeseen circumstances, the Group is cautiously optimistic of its business prospects in FY2008.



“The Group will continue with its customer-centric strategy in order to drive towards higher capacity utilisation. This will be supported by our on-going training programmes in manpower development.”

Appreciation

On behalf of my fellow directors, I would like to express my gratitude to our management and staff for their commitment and team work in overcoming the many challenges in the past year. I would also like to thank our customers, shareholders, bankers, business associates and suppliers for their continuing support.

Last but not least, I also wish to record my appreciation to all my fellow board members for their insightful contributions and invaluable guidance during the year. I look forward to working closely with them for the continued success of the Group in FY2008.

Tan Choo Pie @ Tan Chang Chai
Chairman



STRATEGIC LOCATIONS



Our investment is consistent with our customer-centric initiative, which is to focus on existing customers and being in close proximity to them.



Johor, Malaysia



Shanghai, China



Hanoi, Vietnam



Suzhou, China



Singapore (Headquarters)



From left to right: Chew Heng Ching, Sim Beng Chye, Tan Choo Pie @ Tan Chang Chai, Chen Chang Rong, Choo Heng Thong

Tan Choo Pie @ Tan Chang Chai - Chairman

Mr Tan Choo Pie @ Tan Chang Chai is a shareholder of the Company and has been the Executive Chairman of the Spindex Group since July 1989. He plays an important role in setting the investment, expansion, diversification and overall strategy of the Group. Mr Tan's working experience for the last twenty years include positions as senior manager, general manager, managing director and chairman for various companies in the die-casting, electroplating, precision turning, precision machining and various assembly businesses. Mr Tan was also previously Vice-Chairman of Wah Chang International Corporation Pte Ltd and Non-Executive Chairman of MMI Holdings Limited. Mr Tan holds a Bachelor of Chemical Engineering degree.

Choo Heng Thong - Managing Director

Mr Choo Heng Thong is the founding shareholder of the Spindex Group and the Managing Director of the Company. Prior to setting up the Company in 1983, he had worked for about 3 years in a local precision engineering firm, and another 3 years as a production manager in a multinational corporation involved in the manufacturing of electronics components. He currently oversees the overall operations of the Group. Mr Choo holds a Bachelor of Mechanical Engineering degree with Honours from the University of Newcastle, Australia.

Chew Heng Ching - Independent Director

Mr Chew has been an Independent Director of the Company since 1998 and Chairman of the Audit Committee. He has more than 30 years of corporate management experience. Mr Chew is the Founding President of the Singapore Institute of Directors ("SID") and currently Chairman of its Governing Council. He is also director of various other listed companies and Chairman of their audit/remuneration/nominating committees. Mr Chew was a member of the Corporate Governance Committee that formulated the Code of Corporate Governance for Singapore companies, and a member of the Council on Corporate Governance and Disclosure. He is a board member and Immediate Past Chairman of the Singapore International Chamber of Commerce. Mr Chew was also a Member of Parliament and Deputy Speaker of the Singapore Parliament. A Colombo Plan scholar, Mr Chew is a graduate in Industrial Engineering (First Class Honours) and Economics and is a university gold medalist from the University of Newcastle, Australia. He also holds an honorary Doctorate degree in Engineering and is a Fellow member of SID and CPA Australia.

Sim Beng Chye - Independent Director

Mr Sim Beng Chye was appointed as an Independent Director of the Company since 2003 and he is the Chairman of the Nominating Committee. Mr Sim was a founding member of Omni Industries. He became the Executive Director after Omni Industries Limited's listing on SGX in 1997. Upon Omni's merger with Celestica, he assumed the position of Vice President for the Global Plastics Operations. Mr Sim is currently doing his own investments. Mr Sim has extensive experience in the components and contract manufacturing industries. Mr Sim holds a Diploma in Chemical Process Technology and a Certificate in Industrial Management from the Singapore Polytechnic. He also holds a Graduate Diploma in Business Administration from the Singapore Institute of Management.

Chen Chang Rong - Independent Director

Mr Chen Chang Rong was appointed as Independent Director of the Company from August 2005 and he is the Chairman of the Remuneration Committee. He has extensive working experience in manufacturing industries and has held senior management positions of General Manager and CEO for the past 15 years. He was the Deputy General Manager of BOSCH Power Tools (China) for more than 7 years. He is currently an Independent Director of a company listed in the Shanghai Stock Exchange and a consultant to several international companies in China. Mr Chen is also a member in a committee of experts to the People's Government for the provinces of Zhejiang and Jiangsu. In addition to his Bachelor degree in Mechanical Engineering from Zhejiang University, he holds a MBA degree from China Central University.

Quek Bee Lian

Group Operations Manager

Ms Quek is responsible for the Group's operations. She joined Spindex Industries Limited in July 1995. Prior to joining the Company, Ms Quek had been working in the accounting field for about 8 years with a number of local manufacturing companies. The last position she held before joining Spindex was an Accounting Manager with a local personal computer manufacturing company. Ms Quek joined the Company as the Finance Manager and was promoted to Financial Controller in July 1999. In July 2006, she was transferred to manage group operations. Ms Quek has a Bachelor degree in Business Administration from the National University of Singapore, a Master of Commerce degree in Professional Accounting from University of New South Wales, Australia and is a CPA.

Ng Ching Siang

General Manager, Headquarters

Mr Ng is responsible for Singapore operations. He joined Spindex Industries Limited in January 1988. Prior to joining the Company, Mr Ng had various working experience as production supervisor and quality control executive with MNCs. He has been working with the Company for the past 18 years as manager in quality control, planning and materials and was promoted to General Manager in February 2006. Mr Ng holds a Bachelor of Arts degree from Nanyang University, Singapore.

Francis Wong Liang Kwang

General Manager, Spindex Malaysia and Vietnam

Mr Wong is currently responsible for Malaysia and Vietnam operations. He joined Spindex Industries Limited in May 1986. Prior to joining the Company, Mr Wong had about 11 years of working experience, with a number of local precision engineering firms. Mr Wong was a Production Engineering Manager with a local precision engineering company before he joined the Company. He first joined Spindex Industries Limited as Production Manager. He was responsible for the establishment of our Malaysia and Shanghai operations and was eventually promoted to General Manager of Spindex Shanghai in May 1997. In August 2005, Mr Wong was seconded back to Malaysia to oversee the expansion and set-up of both Malaysia and Vietnam plants. Mr Wong holds a Certificate in Industrial Engineering from the then National Productivity Board.

Jason Loh Chun Shen

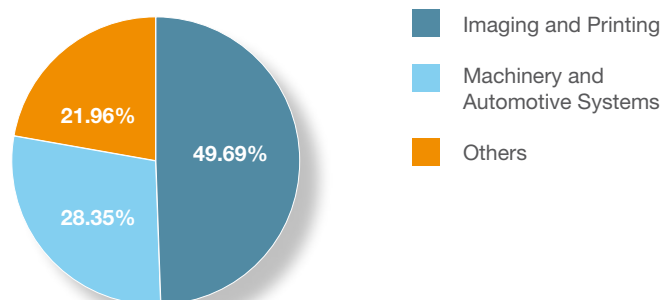
Financial Controller

Mr Loh is responsible for the Group's Accounts and Finance. He first joined the Malaysia plant as an Accountant in July 2000, transferred to Spindex Industries Limited in May 2005 as Finance Manager and promoted to Financial Controller in July 2006. He has operation experience in audit and accounting prior to joining Spindex Industries Limited. His prior employment in public practice includes stints in statutory and regulatory reporting, financial planning, budgeting and forecasting, taxation as well as managerial skills in various fields. He is a Fellow member of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant with the Malaysia Institute of Accountants (MIA).

Segmental Information

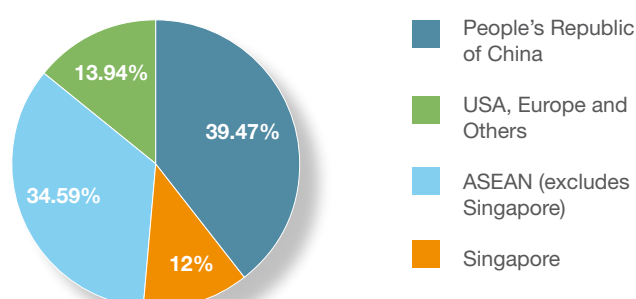
Business Segments \$'000

Imaging and Printing	36,020
Machinery and Automotive Systems	20,549
Others	15,915
	72,484

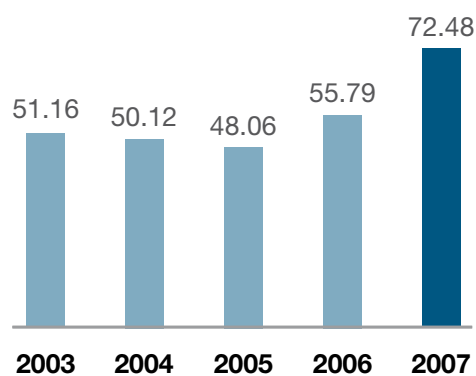


Geographical Segments \$'000

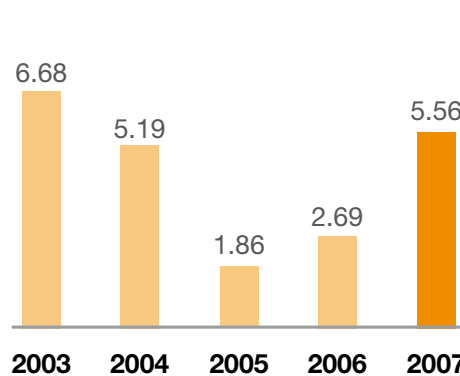
People's Republic of China	28,606
Singapore	8,701
ASEAN (excludes Singapore)	25,073
USA, Europe and Others	10,104
	72,484



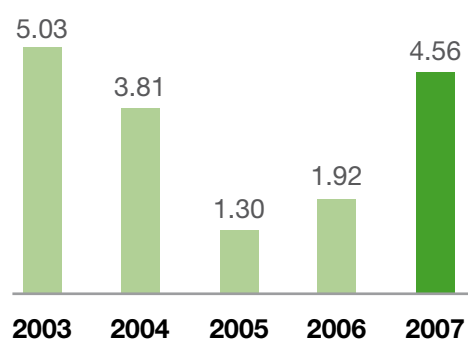
Turnover (\$'m)



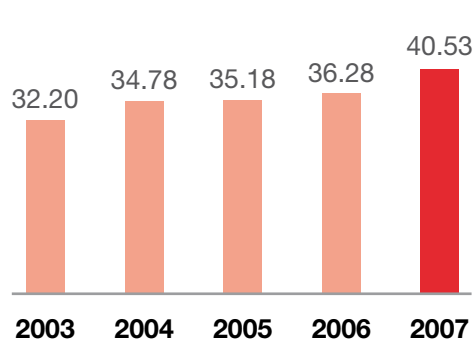
Profit Before Tax (\$'m)



Earnings Per Share (\$ cents)



Net Tangible Assets Per Share (\$ cents)



BOARD OF DIRECTORS

Mr Tan Choo Pie @ Tan Chang Chai - *Chairman*
Mr Choo Heng Thong - *Managing Director*
Mr Chew Heng Ching
Mr Sim Beng Chye
Mr Chen Chang Rong

AUDIT COMMITTEE

Mr Chew Heng Ching - *Chairman*
Mr Sim Beng Chye
Mr Chen Chang Rong

REMUNERATION COMMITTEE

Mr Chen Chang Rong - *Chairman (w.e.f 1 Sept. 2007)*
Mr Chew Heng Ching
Mr Sim Beng Chye

NOMINATING COMMITTEE

Mr Sim Beng Chye - *Chairman*
Mr Tan Choo Pie @ Tan Chang Chai
Mr Chew Heng Ching

REGISTERED OFFICE

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SHARE REGISTRAR

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#08-01 Samsung Hub
Singapore 049483

COMPANY SECRETARIES

Mr Abdul Jabbar Bin Karam Din
Ms Loh Lee Eng

AUDITORS

ERNST & YOUNG
Certified Public Accountants
One Raffles Quay
Level 18 North Tower
Singapore 048583

AUDIT PARTNER-IN-CHARGE

Mr Max Loh Khum Whai
Date of Appointment : Financial year
ended 30 June 2007

BANKERS

DBS Bank
Standard Chartered Bank
Malayan Banking Berhad
United Overseas Bank



Spindex Industries Limited (the “Company”) is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance (the “Code”). Good corporate governance establishes and maintains an ethical environment and enhances the interest of all shareholders. The Company has generally adhered to the principles and guidelines as set out in the Code.

This report describes the Company’s corporate governance processes and activities that were in place throughout the financial year, with specific reference to the Code.

BOARD MATTERS

PRINCIPLE 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.

Board’s Conduct of its Affairs

The Board comprises 5 Directors as follows:-

Executive

Tan Choo Pie @ Tan Chang Chai (Chairman)
Choo Heng Thong (Managing Director)

Independent

Chew Heng Ching
Sim Beng Chye
Chen Chang Rong

The primary role of the Board of Directors (the “Board”) is to lead and control the Company’s operations and affairs and to protect and enhance long-term shareholder’s value. The Board sets the overall strategy for the Group and supervises executive management. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

To assist in the execution of its responsibilities, the Board has established 3 Board committees, namely, the Nominating Committee (“NC”), the Remuneration Committee (“RC”) and the Audit Committee (“AC”). The composition of each Board committee can also be found in the ‘Corporate Information’ section of the Annual Report.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. The Board is furnished with detailed information concerning the Group from time to time, to enable the Board to fulfill its responsibilities and to be fully cognizant of the actions of the Group’s executive management. All the directors have unrestricted access to the Company’s records and information. Detailed Board papers are prepared for each meeting of the Board and include sufficient information from Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. All the independent directors have access to all levels of senior executives in the Group. Frequency of Board meeting and Committee meetings held during the financial year are disclosed in this Report.

The Company has adopted internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines are listed below:-

1. Approval of results announcements;
2. Approval of annual reports and accounts;
3. Proposal of final dividends;
4. Convening of shareholders’ meetings; and
5. Authorisation of material acquisitions and disposal of assets.

The details of the number of Board meetings held during the financial year as well as the attendance of each Board member at those meeting of various Board committees are disclosed below:-

Name of Directors	Board		Audit Committee		Nominating 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	No of meetings held	No of meetings attended
Tan Choo Pie @ Tan Chang Chai	2	2	2	2	1	1	1	1
Choo Heng Thong	2	2	2	2	1	1	1	1
Chew Heng Ching	2	2	2	2	1	1	1	1
Sim Beng Chye	2	2	2	2	1	-	1	1
Chen Chang Rong	2	2	2	2	1	1	1*	1

* Appointed as Chairman of the Remuneration Committee ("RC") on 1 September 2007.

The Company provides ongoing education on Board processes, governance practices and updates on changes to laws and regulations during board meetings. In addition, the Company has adopted a policy where Directors are encouraged to request for further explanations or informal discussions on any aspects of the Company's operations. The Chairman and Managing Director will make the necessary arrangements for the informal discussions or explanations as requested by the Directors.

BOARD COMPOSITION AND BALANCE

PRINCIPLE 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board has satisfied the Code of Corporate Governance (the "Code") as at least one third of the Directors are independent. The Board is of the opinion that its current size is reasonably effective and efficient considering the nature and size of the Group's activities.

The independence of the Directors is reviewed annually by the Nominating Committee ("NC"). The NC adopts the Code's definition of what constitutes an independent director in its review.

Key information regarding the Directors is found on page 9. The Board considers that its directors possess the necessary competencies to lead and govern the Company effectively.

CHAIRMAN AND GROUP MANAGING DIRECTOR

PRINCIPLE 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman is the uncle of the Managing Director. Notwithstanding this, given the separate roles and responsibilities held by them, the Board is of the opinion that their relationship does not affect the independent and effective running of the Board. The Managing Director is responsible for daily management of the Group, whereas the Chairman plays an important role in steering the strategic direction of the Group.

The Chairman ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Managing Director. The Chairman also reviews Board papers before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information. Management staff members who have prepared the papers or who can provide additional insight into the matters to be discussed are invited to present the paper or attend at the relevant time during the Board meeting.

BOARD MEMBERSHIP AND BOARD PERFORMANCE

PRINCIPLE 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

PRINCIPLE 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

Nominating Committee

The Nominating Committee (“NC”) was formed on 13 February 2003 and it comprises three members, two of whom are independent Directors. The members are:-

Mr Sim Beng Chye	(Chairman)
Mr Tan Choo Pie @ Tan Chang Chai	(Member)
Mr Chew Heng Ching	(Member)

The NC is regulated by a set of written Terms of Reference and its key functions include:-

1. To review annually the independence of each director with reference to the criteria set out in the Code.
2. To review all nominations for new appointments and re-appointments of Directors and put forth their recommendations for approval by the Board.
3. To determine whether a director is able to and has been adequately carrying out his duties as a director of the Company, particularly, where a Director has multiple Board representations.

New Directors are at present appointed by way of a Board Resolution, after the NC has deliberated and recommended their appointments. These new Directors submit themselves for re-election by shareholders at the next Annual General Meeting (‘AGM’). The Company’s Articles of Association require one third of the Board to retire by rotation at every AGM. In addition, all Directors (other than the Managing Director) retire from office at least once every 3 years.

The NC has formulated evaluation procedures and the performance criteria for the assessment of the Board’s performance as a whole. It had concluded a Board performance evaluation for the financial year ended 30 June 2007.

ACCESS OF INFORMATION

PRINCIPLE 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

The Board has unrestricted access to the Company secretaries, the external auditors as well as the senior management of the Company. At least one Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures and all other rules and regulations applicable to the Company are adhered to.

Remuneration Committee

PRINCIPLE 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Remuneration Committee

The Remuneration Committee ("RC") consists of independent Directors and its members are:-

Mr Chen Chang Rong (Chairman w.e.f 1 September 2007, in place of Mr Chew Heng Ching)
Mr Chew Heng Ching (Member)
Mr Sim Beng Chye (Member)

The RC has adopted a set of Terms of Reference which among others, include the following functions:-

1. To review and recommend a framework of remuneration for the Chairman, Directors and members of senior management. The framework will cover director's fees, basic salaries, allowances, bonuses and benefits in kind;
2. To review the remuneration packages of all managerial staff that are related to any of the executive Directors; and
3. To oversee the administration of the Spindex Employees' Share Option Scheme ('ESOS').

No director or member of the RC is involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist in its deliberations.

The RC is able to obtain expert professional advice on remuneration matters as and when necessary.

The RC will review and recommend to the Board any grant of options to eligible employees pursuant to the ESOS. During the financial year, no options were granted to any employee. Details on share options granted to the eligible employees pursuant to the ESOS are set out in the Directors' Report on page 21.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the Company successfully but companies should avoid paying more than for this purpose. A significant proportion of the executive directors' remuneration, should be structured so as to link rewards to corporate and individual performance.

The RC will review and determine the remuneration packages for the Chairman and the Managing Director.

The Executive Directors have service agreements. The Service Agreements may be terminated by either the Company or the Executive Directors giving 6 months' written notice of termination to the other party. The RC is tasked to review and make recommendations on the terms of the service contracts.

Non-executive Directors have no service contracts and are paid Directors' fees. Directors' fees are determined by the Board taking into consideration the remuneration framework adopted by the RC. Payment of Directors' fees is subject to approval of the Company at each AGM.

DISCLOSURE OF REMUNERATION

PRINCIPLE 9: Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration and the procedure for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown of the remuneration of the Directors for the financial year ended 30 June 2007 are set out as below:-

Name of Directors	Salary	Bonus	Directors' Fees	Total
\$500,000 and above				
NIL	-	-	-	-
\$250,000 to \$499,999				
Choo Heng Thong	64%	36%	-	100%
Below \$250,000				
Tan Choo Pie @ Tan Chang Chai	64%	36%	-	100%
Chew Heng Ching	-	-	100%	100%
Sim Beng Chye	-	-	100%	100%
Chen Chang Rong	-	-	100%	100%

No Directors were granted options pursuant to the ESOS during the financial year ended 30 June 2007 .

Key Executives

The remuneration of the key management executives of the Group for the financial year ended 30 June 2007 is shown in the following bands:-

Below \$250,000

Ng Chin Siang
Francis Wong Liang Kwang
Eddie Lee Chui Huat
Quek Bee Lian
Jason Loh Chun Shen

Immediate Family Member of Director

There is no immediate family member of the Directors and the Managing Director whose remuneration exceeds \$150,000 for the financial year ended 30 June 2007.

At the present time, the Board is of the view that it is not necessary to present its remuneration policy to the shareholders for approval at the AGM.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

PRINCIPLE 11: The Board should establish an Audit Committee (“AC”) with written Terms of Reference which clearly set out its authority and duties.

Audit Committee

The Audit Committee (“AC”) comprises of three members, all of whom are independent Directors.

Mr Chew Heng Ching (Chairman)
Mr Sim Beng Chye (Member)
Mr Chen Chang Rong (Member)

The Board is of the opinion that the members of the AC have sufficient expertise and experience to discharge their duties.

The role of the AC is to assist the Board with discharging its responsibilities, maintaining adequate accounting records and developing and maintaining effective internal control systems. In addition to pursuing this goal, the AC will:-

1. recommend to the Board the appointment or re-appointment of the external auditors;
2. review with external auditors the audit plan, their evaluation of the system of internal controls, monitor management’s response and actions to correct any noted deficiencies;
3. review the scope and results of the audit and the independence and objectivity of the external auditors;
4. determine that no unwarranted management restrictions are being placed upon the external auditors;
5. review of the internal audit program including the scope and results of the internal audit;
6. review the financial statements with Management and external auditors for submission to the Board; and
7. review interested person transaction.

The AC met twice with the external auditors with the presence of the Company’s Management. In the review of the financial statements for the financial year ended 30 June 2007, the AC discussed with Management and the external auditors the accounting principles that were applied and their judgement of items that might affect the financial statements. Based on the review and discussions, the AC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects.

The AC has in place a whistle-blowing framework, which provides an avenue for the staff of the Company to access the AC members, Chairman and Managing Director to raise concerns about improprieties. Contact details of these persons have been made available to all staff.

The AC has reviewed the non-audit services provided by the external auditors, Messrs Ernst & Young, and is of the opinion that the provision of such services does not affect their independence. The AC has recommended the re-appointment of Messrs Ernst & Young as external auditors at the forthcoming Annual General Meeting.

INTERNAL CONTROLS AND INTERNAL AUDIT

PRINCIPLE 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders’ investments and the Company’s assets.

PRINCIPLE 13: The Company should establish an internal audit function that is an independent of the activities it audits.

The AC has explicit authority to investigate any matter relating to the Group’s accounting, auditing, internal controls and financial practices, with full access to and co-operation of the Management as well as full discretion to invite any director or executive director to attend its meetings and has been given reasonable resources to enable it to perform its functions properly. Both the internal and external auditors have unrestricted access to the AC.

Internal auditors, in the course of their audit, review the effectiveness of the Group's material internal controls. Material non-compliance, internal control weaknesses and key business risks noted in their audit and alignment plans to address these risks and weaknesses are communicated to the Management accordingly and tabled for discussion at AC meetings with updates by the Management on the status of these action plans.

The AC and the Board have reviewed the Company's risk assessment based on the internal and external audit reports and are assured that adequate internal controls, including financial, operational and compliance control and risk management, are in place.

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14: Companies should engage in regular, effective and fair communication with shareholders.

PRINCIPLE 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The Board of Directors is accountable to the shareholders while the Management of the Company is accountable to the Board.

All announcements, half-year and full year financial results are released to SGX-ST via SGXNET. The Company has appointed an investor relations firm on a retainer basis, to communicate regularly with the analysts and they monitor the dissemination of material information to ensure that it is disclosed to the market in a timely manner.

All shareholders of the Company receive the Annual Report and notice of AGM. The notice is also advertised in the newspaper. At AGMs, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company. In addition, the external auditors and Chairmen of the various Board committees are present and available to address questions.

The Articles of Association of the Company allow shareholders of the Company to appoint one or two proxies to attend and vote on their behalf.

DEALINGS IN SECURITIES

The Company observes the provisions of the Best Practices Guide issued by the SGX-ST. All staffs of the Group are reminded not to deal in the Company's securities during the period commencing one month before the announcement of the Company's half-year and full year's results, as the case may be, and ending on the date of announcement of the relevant results.

The Board confirmed that for the financial year ended 30 June 2007, the Company has complied with Listing rule 1207 (18) issued by SGX-ST.



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The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Spindex Industries Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet, profit and loss account and statement of changes in equity of the Company for the financial year ended 30 June 2007.

Directors

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

Tan Choo Pie @ Tan Chang Chai (Chairman)
 Choo Heng Thong (Managing Director)
 Chew Heng Ching
 Sim Beng Chye
 Chen Chang Rong

In accordance with Article 104 of the Company's Articles of Association, Mr. Sim Beng Chye and Mr. Chen Chang Rong retire and, being eligible, offer themselves for re-election.

Arrangements to enable Directors to acquire shares or debentures

Except for the Spindex Employees' Share Option Scheme (the "Spindex ESOS"), 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 Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

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

Name of Director	Held in the name of Directors as at		
	1 July 2006	30 June 2007	21 July 2007
The Company (ordinary shares)			
Tan Choo Pie @ Tan Chang Chai	28,175,670	28,175,670	28,175,670
Choo Heng Thong	28,175,670	28,175,670	28,175,670
Chew Heng Ching	20,000	20,000	20,000
Sim Beng Chye	50,000	50,000	50,000

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr. Tan Choo Pie @ Tan Chang Chai and Mr. Choo Heng Thong are deemed to be interested in the shares held by the Company in all its subsidiaries.

Except as disclosed in this report, no Director who held office at the end of the financial year had an interest in the shares or debentures of any company, or of related corporations, either at the beginning or the end of the financial year.

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 (other than emoluments received from related corporations) 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

At an Extraordinary General Meeting held on 28 March 2000, the shareholders of the Company approved the Spindex ESOS. The Spindex ESOS is administered by a committee comprising the following members:-

Chew Heng Ching (Chairman)
Chen Chang Rong
Choo Heng Thong

Only confirmed full-time employees as well as Directors of the Company are eligible to receive options granted under the Spindex ESOS.

The aggregate number of ordinary shares subject to outstanding options granted under the Spindex ESOS will not at any time exceed 15% of the issued share capital of the Company. The exercise price of the options shall be determined by the Committee and fixed at:-

- (i) a price (the "Market Price") equal to the average of the last dealt prices of the Company's shares, as determined by reference to the Financial News or other publications published by the SGX-ST for the 5 consecutive trading days immediately preceding the date of grant, rounded up to the nearest whole cent in the event of fractional prices; or
- (ii) a price which is set at a discount to the Market Price, provided that:-
 - (a) the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the SGX-ST); and
 - (b) the shareholders of the Company in general meeting shall have authorised the making of offers and grants of options under the Spindex ESOS at a discount not exceeding the maximum discount as aforesaid.

The exercise period of the option with exercise price at Market Price commences on the first anniversary of the date of grant while the exercise period for options with exercise price at a discount to the Market Price commences on the second anniversary of the date of grant. Options granted to Directors and employees expire on the tenth anniversary of the date of grant.

Share Options (cont'd)

The following options were granted to employees under the Spindex ESOS:

Date of grant	Expiry date	Number of shares under options			As at 30 June 2007	Exercise price
		Aggregate options granted since commence- ment of plan to end of financial year	Aggregate options lapsed since commence- ment of plan to end of financial year	Aggregate options exercised since commence- ment of plan to end of financial year		
5 March 2001	4 March 2011	1,875,000	469,000	1,365,000	41,000	\$0.24
1 October 2003	30 September 2013	2,161,000	691,000	-	1,470,000	\$0.49

None of the Directors and controlling shareholders were granted options under the Spindex ESOS and no participants received 5% or more of the total number of options available under the Spindex ESOS.

During the financial year, there were no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or any subsidiaries. Other than as disclosed above, there were no other shares issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries.

Except as disclosed above, there were no unissued shares of the Company or of any subsidiaries under option at end of the financial year.

Audit Committee

The Audit Committee performed the functions specified in the Singapore Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited as detailed in the Report on Corporate Governance.

Other information required by the Singapore Exchange Securities Trading Limited

No material contracts to which the Company or any subsidiary, is a party and which involve Directors' interests subsisted at the end of the financial year, or have been entered into since the end of the previous financial year.

Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors of the Company.

On behalf of the Board of Directors,

Tan Choo Pie @ Tan Chang Chai
Director

Choo Heng Thong
Director

Singapore
5 September 2007

We, Tan Choo Pie @ Tan Chang Chai and Choo Heng Thong, being two of the Directors of Spindex Industries Limited (the "Company"), do hereby state that, in the opinion of the Directors,

- (i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 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 financial year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Tan Choo Pie @ Tan Chang Chai
Director

Choo Heng Thong
Director

Singapore
5 September 2007

We have audited the accompanying financial statements of Spindex Industries Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 27 to 66, which comprise the balance sheets of the Group and the Company as at 30 June 2007, the statements of changes in equity of the Group and the Company, and the profit and loss account of the Group and the Company, and cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group and the balance sheet, profit and loss account 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 2007 and the results, changes in equity and cash flows of the Group and the results and the changes in equity of the Company for the financial year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
5 September 2007

(Amounts expressed in Singapore Dollars)

	Note	Group		Company	
		2007 \$'000	2006 \$'000 (Restated)	2007 \$'000	2006 \$'000 (Restated)
Non-current assets					
Property, plant and equipment	3	29,938	29,092	9,446	10,311
Subsidiaries	4	-	-	12,169	12,169
		29,938	29,092	21,615	22,480
Current assets					
Stocks	5	8,080	7,044	2,967	1,809
Trade receivables	6	17,480	13,017	6,920	5,005
Other receivables and deposits	7	649	359	36	191
Prepayments		548	461	147	97
Tax recoverable		-	331	-	-
Due from subsidiaries (trade)		-	-	1,161	4,566
Due from subsidiaries (non-trade)	8	-	-	2,035	2,808
Fixed deposits	9	7,651	1,280	6,537	1,280
Cash and bank balances	9	10,446	10,063	2,381	2,323
		44,854	32,555	22,184	18,079
Current liabilities					
Derivative financial instruments	10	560	-	560	-
Trade payables	11	11,874	9,486	4,148	4,067
Other payables and accruals	12	7,305	4,482	3,329	2,098
Provision for defects	13	1,039	356	696	126
Due to subsidiaries (trade)		-	-	1,107	2,778
Due to subsidiaries (non-trade)	8	-	-	47	15
Short term loans	14	1,765	1,000	1,535	1,000
Long term loans - current portion	15	1,039	929	767	929
Provision for tax		269	357	171	273
Deferred income		22	22	22	22
		23,873	16,632	12,382	11,308
Net current assets		20,981	15,923	9,802	6,771
Non-current liabilities					
Long term loans					
- non-current portion	15	2,551	995	1,726	995
Deferred tax liabilities	16	1,485	2,025	1,132	1,668
Deferred income		45	67	45	67
Provision for restoration costs		77	80	-	-
		(4,158)	(3,167)	(2,903)	(2,730)
Net assets		46,761	41,848	28,514	26,521
Equity attributable to equity holders of the Company					
Share capital	17	13,145	13,145	13,145	13,145
Reserves	18	33,616	28,703	15,369	13,376
Total equity		46,761	41,848	28,514	26,521

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

Profit and Loss Account

For the financial year ended 30 June 2007

(Amounts expressed in Singapore Dollars)

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Turnover	19	72,484	55,786	32,303	28,369
Cost of sales		(58,551)	(45,966)	(28,258)	(23,748)
Gross profit		13,933	9,820	4,045	4,621
Other operating income	20	1,622	824	3,676	437
Distribution and selling expenses		(1,102)	(940)	(352)	(242)
Administrative expenses		(8,207)	(6,879)	(4,936)	(4,229)
Other operating expenses		(477)	-	-	-
Profit from operations	21	5,769	2,825	2,433	587
Financial expenses	24	(206)	(136)	(153)	(135)
Profit before tax		5,563	2,689	2,280	452
Income tax	25	(308)	(470)	359	(156)
Net profit attributable to equity holders of the Company		5,255	2,219	2,639	296
Earnings per share (cents)					
- Basic	26	4.56	1.92		
- Diluted	26	4.56	1.92		

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

Statement of Changes in Equity
For the financial year ended 30 June 2007

(Amounts expressed in Singapore Dollars)

Group	Attributable to equity holders of the Company							Total equity \$'000
	Share capital \$'000	Share premium \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Reserve fund \$'000	Accumulated profit \$'000	Total reserves \$'000	
At 1 July 2005								
- as previously reported	11,536	1,609	-	(315)	1,330	26,428	29,052	40,588
- effects of adopting FRS 102	-	-	357	-	-	(357)	-	-
- as restated	11,536	1,609	357	(315)	1,330	26,071	29,052	40,588
Net profit for the financial year	-	-	-	-	-	2,219	2,219	2,219
Net effect of exchange differences	-	-	-	(644)	-	-	(644)	(644)
Total recognised income and expenses for the financial year	-	-	-	(644)	-	2,219	1,575	1,575
Cost of share based payments	-	-	54	-	-	-	54	54
Appropriation to/(from) reserve fund/accumulated profits	-	-	-	-	117	(117)	-	-
Dividends on ordinary shares (Note 30)	-	-	-	-	-	(369)	(369)	(369)
Transfer of share premium to share capital account	1,609	(1,609)	-	-	-	-	(1,609)	-
At 30 June 2006 and 1 July 2006								
Net profit for the financial year	13,145	-	411	(959)	1,447	27,804	28,703	41,848
Net effect of exchange differences	-	-	-	-	-	5,255	5,255	5,255
Total recognised income and expenses for the financial year	-	-	-	304	-	-	304	304
Appropriation to/(from) reserve fund/accumulated profits	-	-	-	-	205	(205)	-	-
Dividends on ordinary shares (Note 30)	-	-	-	-	-	(646)	(646)	(646)
At 30 June 2007	13,145	-	411	(655)	1,652	32,208	33,616	46,761

Statement of Changes in Equity
For the financial year ended 30 June 2007

(Amounts expressed in Singapore Dollars)

Company	Attributable to equity holders of the Company					
	Share capital \$'000	Share premium \$'000	Share option reserve \$'000	Accumulated profit \$'000	Total reserves \$'000	Total equity \$'000
At 1 July 2005	11,536	1,609	-	13,327	14,936	26,472
- as previously reported	-	-	357	(289)	68	68
- effects of adopting FRS 102						
- as restated	11,536	1,609	357	13,038	15,004	26,540
Net profit for the financial year	-	-	-	296	296	296
Total recognised income and expenses for the financial year	-	-	-	296	296	296
Cost of share based payments	-	-	54	-	54	54
Dividends on ordinary shares (Note 30)	-	-	-	(369)	(369)	(369)
Transfer of share premium to share capital account	1,609	(1,609)	-	-	(1,609)	-
At 30 June 2006 and 1 July 2006	13,145	-	411	12,965	13,376	26,521
Net profit for the financial year	-	-	-	2,639	2,639	2,639
Total recognised income and expenses for the financial year	-	-	-	2,639	2,639	2,639
Dividends on ordinary shares (Note 30)	-	-	-	(646)	(646)	(646)
At 30 June 2007	13,145	-	411	14,958	15,369	28,514

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

Consolidated Cash Flow Statement
For the financial year ended 30 June 2007

(Amounts expressed in Singapore Dollars)

	2007	2006
	\$'000	\$'000
		(Restated)
Cash flows from operating activities		
Profit before tax	5,563	2,689
Adjustments for:		
Depreciation of property, plant and equipment (Note 3)	4,238	4,130
Gain on disposal of property, plant and equipment	(108)	-
Interest expense	206	136
Interest income	(192)	(110)
Allowance for stocks obsolescence	833	614
Write-back of allowance for stocks obsolescence	(633)	(194)
Stocks written off	242	118
Allowance for doubtful debts	92	40
Write-back of allowance for doubtful debts	(3)	(55)
Provision for defects	788	160
Write-back of provision for defects	(109)	(24)
Deferred income	(22)	89
Share-based payments	-	54
Unrealised exchange loss/(gain)	296	(127)
Operating profit before working capital changes	11,191	7,520
(Increase)/decrease in:		
Stocks	(1,474)	(1,016)
Trade receivables	(4,555)	(1,066)
Other receivables, deposits and prepayments	(377)	57
(Decrease)/increase in:		
Trade payables	2,388	2,626
Other payables and accruals	3,380	1,008
Cash generated from operations	10,553	9,129
Income tax paid	(936)	(679)
Tax refund	331	224
Interest paid	(206)	(136)
Interest received	192	110
Net cash generated from operating activities	9,934	8,648
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	108	-
Purchase of property, plant and equipment	(5,007)	(3,205)
Net cash used in investing activities	(4,899)	(3,205)
Cash flows from financing activities		
Proceeds from additional term loans	4,524	2,155
Dividends paid on ordinary shares by the Company	(646)	(369)
Repayment of term loans	(2,093)	(1,907)
Increase in cash and bank balances (pledged)	(8)	(28)
Net cash generated from/(used in) financing activities	1,777	(149)
Net increase in cash and cash equivalents	6,812	5,294
Cash and cash equivalents at beginning of financial year	11,195	5,981
Currency alignment on opening cash balances	(66)	(80)
Cash and cash equivalents at end of financial year (Note 9)	17,941	11,195

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

(Amounts expressed in Singapore Dollars)

1. Corporation information

Spindex Industries Limited (the “Company”) is a limited liability company, which is incorporated and domiciled in the Republic of Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 6 Neythal Road, Singapore 628573.

The principal activities of the Company are to carry on the business as manufacturer, importer, exporter and dealer of mechanical, electrical and electronic parts. The principal activities of the subsidiaries are manufacturing and trading of mechanical, electrical, electronic parts, precision machine parts and other engineering materials.

Details of these subsidiaries are disclosed in Note 4 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

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

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

2.2 Change in accounting policies

(a) Adoption of revised FRS

On 1 July 2006, the Group and the Company adopted the following revised FRS and Interpretation of FRS (“INT FRS”) which is relevant to its operations.

Amendments to FRS 39 – Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Previously, financial guarantees issued by the Company to banks in relation to borrowings by subsidiaries are accounted for as contingent liabilities of the Company and are not recognised in the financial statements until the Company has an obligation to make payment under the guarantee in accordance with FRS 37.

(Amounts expressed in Singapore Dollars)

2.2 *Changes in accounting policies* (cont'd)

(a) *Adoption of revised FRS* (cont'd)

On 1 July 2006, the Company adopted the amendments to FRS 39 which requires financial guarantees to be accounted for initially at fair value and subsequently at the higher of:

- (i) the amount initially recognised, less accumulated amortisation; and
- (ii) the amount of obligation that arises under the guarantee.

The adoption of the Amendments to FRS 39 is assessed to have no material financial impact on the results and the accumulated profit of the Company for the financial year ended 30 June 2007. This change has no impact to the Group's financial statements.

(b) *FRS and INT FRS not yet effective*

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

		Effective date (annual periods beginning on or after)
FRS 1	: Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 107	: Financial Instruments: Disclosures	1 January 2007
FRS 108	: Operating Segments	1 January 2009
INT FRS 110	: Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	: Group and Treasury Share Transactions	1 March 2007
INT FRS 112	: Service Concession Arrangements	1 January 2008

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application.

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

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

(Amounts expressed in Singapore Dollars)

2.3 *Significant accounting estimates and judgements*

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

(a) *Key sources of estimation uncertainty*

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

- Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. The carrying amount of the Group's plant and equipment at 30 June 2007 was \$18,564,000 (2006: \$17,396,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

- Income taxes

The Group has exposure to income taxes in numerous 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 amounts of the Group's provision for tax and deferred tax liability at 30 June 2007 were \$269,000 and \$1,485,000 (2006: \$357,000 and \$2,025,000).

(b) *Critical judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Impairment of investments and financial assets

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

There are no other significant judgements or accounting estimates made in the preparation of the financial statements.

2.4 *Functional and foreign currency*

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods including major operating expenses are primarily influenced by fluctuation in SGD.

(b) *Foreign currency transactions*

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

(c) *Foreign currency translation*

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

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

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

2.5 *Subsidiaries and principles of consolidation*

(a) *Subsidiaries*

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

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

(Amounts expressed in Singapore Dollars)

2.5 *Subsidiaries and principles of consolidation* (cont'd)

(b) *Principles of consolidation*

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

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

Acquisitions of subsidiaries are accounted for using the purchase method. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. 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:

Factory building – freehold land	50 years
Leasehold land and buildings	25 – 40 years
Leasehold improvements	3 – 5 years
Plant and machinery	5 – 10 years
Furniture and fittings	6 years
Motor vehicles	6 years
Office equipment	3 – 6 years
Quality control equipment	5 years
Warehouse equipment	5 – 6 years

Assets under construction included in plant and equipment are not depreciated as these assets are not available for use.

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

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

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

2.7 *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 groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account.

2.8 *Financial assets*

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.22.

(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. Such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(Amounts expressed in Singapore Dollars)

2.9 *Cash and cash equivalents*

Cash and cash equivalents are defined as cash on hand, fixed deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in values. The accounting policy for this category of financial assets is stated in Note 2.8.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and in banks and fixed deposits.

2.10 *Trade and other receivables*

Trade and other receivables, including amounts due from subsidiaries are classified, are accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.8.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.11 below.

2.11 *Impairment of financial assets*

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

(a) *Assets carried at amortised cost*

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

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

(b) *Assets carried at cost*

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 *Derecognition of financial assets*

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

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

2.13 *Stocks*

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

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

- Raw materials – purchase cost, freight and other transportation and incidental costs on a weighted average basis; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

2.14 *Financial liabilities*

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

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

2.15 *Borrowing costs*

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

(Amounts expressed in Singapore Dollars)

2.16 Provisions

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

2.17 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes 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.

For the subsidiaries incorporated in the People's Republic of China ("PRC"), pursuant to PRC laws and regulations, contribution to the basic old age insurance for the subsidiaries' local staff are to be made monthly to a government agency based on 30.5% (2006: 30.5%) of the standard salary set by the provincial government, of which 22.5% (2006: 22.5%) are borne by the subsidiaries and the remaining are borne by the staff. The government agency is responsible for the pension liabilities relating to such staff upon their retirement. The subsidiaries account for these contributions on an accrual basis. The subsidiaries have no obligation for the payment of pension benefits beyond the contribution described above.

(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 scheme

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

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

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 profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

2.18 *Operating leases*

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

2.19 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(a) *Sale of goods*

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

(b) *Interest income*

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

(c) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

2.20 *Grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

Government grants and contributions from other organisations utilised for the purchase/construction of depreciable assets are taken to the deferred income account.

Deferred income are recognised in the profit and loss account over the period necessary to match the depreciation of the assets purchased with the related grants. Upon disposal of property, plant and equipment, the balance of the related deferred capital grants is recognised in the profit and loss account to match the net book value of the assets written-off.

Government grants to meet the current financial year's operating expenses are recognised as income in the financial year in which the operating expenses are incurred.

Grants relating to tax rebates received from the People's Republic of China ("PRC") government for the Company's reinvestment of its subsidiaries' profits are recognised as deferred income on the balance sheet. The balance is amortised to the profit and loss account over the required period to maintain the reinvestment in the PRC.

(Amounts expressed in Singapore Dollars)

2.21 *Income taxes*

(a) *Current tax*

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

(b) *Deferred tax*

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

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

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

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

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

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

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

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

2.21 Income taxes (cont'd)

(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 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each balance sheet date.

Any gains or losses arising from changes in the fair value of derivative financial instruments are taken to the profit and loss account for the financial year.

(Amounts expressed in Singapore Dollars)

3. Property, plant and equipment

Group	Freehold land \$'000	Factory building -freehold land \$'000	Lease-hold land and buildings \$'000	Lease-hold improvements \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Quality control equipment \$'000	Warehouse equipment \$'000	Construction-in-progress \$'000	Total \$'000
Cost												
At 1.7.2005	1,354	2,348	9,198	947	41,987	807	721	2,015	580	1,967	906	62,830
Additions	-	-	1,058	15	1,838	8	101	140	4	41	-	3,205
Disposals	-	-	-	-	(1,657)	-	-	(121)	(42)	(7)	-	(1,827)
Reclassification	-	-	888	-	-	-	-	-	-	-	(888)	-
Exchange difference on translation	(30)	(52)	(145)	(15)	(384)	(3)	(6)	(26)	(3)	(16)	(18)	(698)
At 30.6.2006	1,324	2,296	10,999	947	41,784	812	816	2,008	539	1,985	-	63,510
Additions	-	-	17	60	4,625	8	154	110	6	27	-	5,007
Disposals	-	-	-	-	(1,000)	(26)	(442)	(65)	-	(59)	-	(1,592)
Exchange difference on translation	35	61	(48)	13	183	2	3	15	1	15	-	280
At 30.6.2007	1,359	2,357	10,968	1,020	45,592	796	531	2,068	546	1,968	-	67,205
Accumulated depreciation												
At 1.7.2005	-	259	2,708	502	24,395	505	645	1,300	331	1,729	-	32,374
Charge for the year	-	47	345	39	3,111	69	66	275	54	124	-	4,130
Disposals	-	-	-	-	(1,657)	-	-	(121)	(42)	(7)	-	(1,827)
Exchange difference on translation	-	(7)	(12)	(11)	(194)	(2)	(4)	(16)	-	(13)	-	(259)
At 30.6.2006	-	299	3,041	530	25,655	572	707	1,438	343	1,833	-	34,418
Charge for the year	-	46	371	25	3,377	53	39	166	47	114	-	4,238
Disposals	-	-	-	-	(1,000)	(26)	(442)	(65)	-	(59)	-	(1,592)
Exchange difference on translation	-	9	4	5	155	2	-	13	1	14	-	203
At 30.6.2007	-	354	3,416	560	28,187	601	304	1,552	391	1,902	-	37,267
Net carrying amount												
At 30.6.2007	1,359	2,003	7,552	460	17,405	195	227	516	155	66	-	29,938
At 30.6.2006	1,324	1,997	7,958	417	16,129	240	109	570	196	152	-	29,092

(Amounts expressed in Singapore Dollars)

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

Company	Leasehold										Total \$'000
	land and building \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Quality control equipment \$'000	Warehouse equipment \$'000				
Cost											
At 1.7.2005	4,891	18,394	537	497	960	389	813				26,481
Additions	-	16	-	-	66	1	-				83
Disposals	-	(934)	-	-	(110)	(42)	-				(1,086)
At 30.6.2006	4,891	17,476	537	497	916	348	813				25,478
Additions	-	965	3	-	11	-	-				979
Disposals	-	(30)	-	(321)	(25)	-	-				(376)
At 30.6.2007	4,891	18,411	540	176	902	348	813				26,081
Accumulated depreciation											
At 1.7.2005	2,183	9,781	293	458	782	324	489				14,310
Charge for the year	197	1,339	59	39	94	26	87				1,841
Disposals	-	(834)	-	-	(108)	(42)	-				(984)
At 30.6.2006	2,380	10,286	352	497	768	308	576				15,167
Charge for the year	200	1,426	50	-	43	19	86				1,824
Disposals	-	(10)	-	(321)	(25)	-	-				(356)
At 30.6.2007	2,580	11,702	402	176	786	327	662				16,635
Net carrying amount											
At 30.6.2007	2,311	6,709	138	-	116	21	151				9,446
At 30.6.2006	2,511	7,190	185	-	148	40	237				10,311

(a) As at 30 June 2007, the Company and a subsidiary incorporated in Malaysia, Synturn (M) Sdn. Bhd., have certain plant and machinery with net book values of \$1,960,436 and \$75,093 (2006 : \$4,052,697 and \$113,050) respectively, pledged as securities for banking facilities granted by the banks (Note 15).

(b) In addition, Synturn (M) Sdn Bhd has leasehold land and building, with net book value of \$3,357,961 (2006 : \$nil), pledged as securities for banking facilities granted by the banks (Note 15).

(Amounts expressed in Singapore Dollars)

4. Subsidiaries

(a) Subsidiaries comprise:

	Company	
	2007 \$'000	2006 \$'000
Unquoted equity shares:		
Cost at beginning of financial year	12,169	8,704
Investment made during the financial year	-	3,465
Cost at end of financial year	<u>12,169</u>	<u>12,169</u>

(b) The Company had the following subsidiaries as at 30 June:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group		Cost of investment	
			2007 %	2006 %	2007 \$'000	2006 \$'000
Synturn (M) Sdn. Bhd.+	Manufacturing and trading of precision machine parts and other engineering materials	Malaysia	100	100	1,304	1,304
Spindex Precision Engineering (Shanghai) Co., Ltd. ^	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	4,323	4,323
Spindex Precision Engineering (Suzhou) Co., Ltd. ^	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	3,569	3,569
Spindex Industries (Hanoi) Co., Ltd. #	Manufacturing and trading of mechanical, electrical and electronic parts	Vietnam	100	100	2,973	2,973
					<u>12,169</u>	<u>12,169</u>

+ Audited by Ernst & Young, Johor Bahru.

^ Audited by Wan Long Certified Public Accountants Co., Ltd. Shanghai Branch Firm

Audited by Auditing & Accounting Financial Consultancy Service Company Limited

(Amounts expressed in Singapore Dollars)

5. Stocks

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Finished goods				
- at cost	2,517	1,687	751	523
- at net realisable value	82	382	29	160
Work-in-progress, at cost	2,137	2,617	853	405
Raw materials				
- at cost	2,886	2,078	966	568
- at net realisable value	368	275	368	148
Goods-in-transit, at cost	90	5	-	5
Total stocks at lower of cost and net realisable value	8,080	7,044	2,967	1,809

During the financial year, the Group wrote down \$242,000 (2006 : \$118,000) of stocks which are recognised as expenses in the consolidated profit and loss account.

During the financial year, the Group wrote back \$633,000 (2006 : \$194,000) of allowance for stock obsolescence to consolidated profit and loss account as these stock items were subsequently assessed to be saleable.

6. Trade receivables

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivables	17,609	13,057	6,931	5,022
Less : Allowance for doubtful debts	(129)	(40)	(11)	(17)
	17,480	13,017	6,920	5,005

Movements in allowance for doubtful debts during the financial year are as follows:

At beginning of financial year	40	55	17	55
Allowance for the financial year	92	40	-	17
Write-back of allowance	(3)	(55)	(6)	(55)
At end of financial year	129	40	11	17

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

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

	Group	
	2007 \$'000	2006 \$'000
United States Dollars	12,863	8,182
Chinese Yuan Renminbi	980	2,443

(Amounts expressed in Singapore Dollars)

7. Other receivables and deposits

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000 (Restated)
Other receivables	624	218	36	191
Deposits	25	141	-	-
	<u>649</u>	<u>359</u>	<u>36</u>	<u>191</u>

8. Due from/(to) subsidiaries (non-trade)

These balances are unsecured, interest free and are repayable within the next twelve months.

9. Cash and cash equivalents

Cash and cash equivalents comprises:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fixed deposits	7,651	1,280	6,537	1,280
Cash and bank balances	10,446	10,063	2,381	2,323
	<u>18,097</u>	<u>11,343</u>	<u>8,918</u>	<u>3,603</u>
Less : Pledged cash and bank balances	(156)	(148)	-	-
	<u>17,941</u>	<u>11,195</u>	<u>8,918</u>	<u>3,603</u>

Cash and bank balances of the Group amounting to \$156,222 (2006: \$148,160) are pledged to a bank to secure banking facilities.

The fixed deposits earn interest at 1.7% to 5.0% (2006 : 4.5% to 5.1%) per annum. The average tenure of fixed deposits is 1 month.

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

	Group	
	2007 \$'000	2006 \$'000
United States Dollars	5,332	5,631
Chinese Yuan Renminbi	5,117	2,154
Japanese Yen	598	4

(Amounts expressed in Singapore Dollars)

10. Derivative financial instruments

	Group and Company	
	Contract/ notional amount	Liabilities
	\$'000	\$'000
2007		
Forward currency contracts	21,581	560
2006		
Forward currency contracts	-	-

At 30 June 2007, the settlement dates on open forward contracts is one month, details of which are set out below:

	Group and Company	
	2007	2006
	\$'000	\$'000
Contracts to deliver Singapore Dollars and receive:		
United States Dollars	21,581	-

11. Trade payables

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

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

	Group	
	2007	2006
	\$'000	\$'000
United States Dollars	4,772	3,362
Chinese Yuan Renminbi	2,800	1,430
Malaysian Ringgit	1,175	3,052

12. Other payables and accruals

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Other payables	2,881	1,479	867	430
Accrued operating expenses	1,087	1,673	596	828
Accrued payroll benefits	3,337	1,330	1,866	840
	7,305	4,482	3,329	2,098

(Amounts expressed in Singapore Dollars)

13. Provision for defects

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At beginning of financial year	356	222	126	112
Provision for the financial year	788	160	570	14
Write-back of provision	(109)	(24)	-	-
Exchange difference on translation	4	(2)	-	-
At end of financial year	<u>1,039</u>	<u>356</u>	<u>696</u>	<u>126</u>

A provision is recognised for expected claims on products sold during the last one year, based on past experience of the level of returns. It is expected that most of these costs will be incurred within one year of the balance sheet date.

Assumptions used to calculate the provision for defects are based on current sales levels and current information available about returns based on the past experiences for all products sold.

14. Short term loan

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Unsecured</i>				
Bank term loan due within one year	<u>1,765</u>	<u>1,000</u>	<u>1,535</u>	<u>1,000</u>

The short term loan has a maturity period of one month and can be rolled-over monthly. Interest charged during the financial year ranged from 6.05% to 6.66% (2006 : 3.26% to 4.75%) per annum.

15. Long term loans

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Secured</i>				
Bank term loans	3,590	1,924	2,493	1,924
Due within one year	(1,039)	(929)	(767)	(929)
Due after one year	<u>2,551</u>	<u>995</u>	<u>1,726</u>	<u>995</u>

Long term loans consist of various bank loans that mature in November 2009, November 2010, February 2011 and June 2011. These loans are repayable in equal monthly instalments and bear interest at rates ranging from 6.5% to 7.1% (2006: 3.49% to 6.52%) per annum and are secured as follows:

- (a) a fixed charge on certain plant and machinery of the Company and a Malaysia subsidiary with net book values of approximately \$1,960,436 and \$75,093 (2006: \$4,052,697 and \$113,050) respectively;

(Amounts expressed in Singapore Dollars)

15. Long term loans (cont'd)

- (b) loan facility for Malaysia subsidiary is secured by land and building of the Malaysia subsidiary with a net book value of approximately \$3,357,961; and
- (c) corporate guarantees issued by the Company to the subsidiaries.

16. Deferred tax

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

	Group		Company	
	2007 \$'000	2006 \$'000 (Restated)	2007 \$'000	2006 \$'000 (Restated)
<i>Deferred tax liabilities</i>				
Differences in depreciation	(1,966)	(2,263)	(1,339)	(1,729)
<i>Deferred tax assets</i>				
Provision and other temporary differences	481	238	207	61
Net deferred tax liabilities	(1,485)	(2,025)	(1,132)	(1,668)

17. Share capital

	Group and Company	
	2007 \$'000	2006 \$'000
<i>Issued and fully paid</i>		
At beginning and end of financial year		
- 115,365,000 ordinary shares	13,145	13,145

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.

Under the Company's Employees' Share Option Scheme, options are granted to Directors of the Company and eligible staff employed in the Group for a term of 10 years to purchase ordinary shares of the Company at the exercise price of the share options determined at the date of grant. The options vest at the second anniversary of that date.

Information with respect to the number of options granted under the Company's employee option plan is as follows:

	Group and Company	
	2007 \$'000	2006 \$'000
<i>Options outstanding</i>		
At beginning of financial year	1,538	1,719
Lapsed	(27)	(181)
At end of financial year	1,511	1,538

(Amounts expressed in Singapore Dollars)

17. Share capital (cont'd)

Terms of the share options outstanding at the end of the financial year:

	Exercise price	Group and Company	
		2007 \$'000	2006 \$'000
Expiry date			
4 March 2011	\$0.24	41	41
1 September 2013	\$0.49	1,470	1,497
		<u>1,511</u>	<u>1,538</u>

Employee share option plans

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year.

	No. of share options 2007	WAEP 2007	No. of share options 2006	WAEP 2006
Outstanding at beginning of financial year ⁽¹⁾	1,538,000	\$0.48	1,719,000	\$0.48
Expired during the financial year	(27,000)	\$0.49	(181,000)	\$0.49
Outstanding at end of financial year ^{(1), (2)}	<u>1,511,000</u>	<u>\$0.48</u>	<u>1,538,000</u>	<u>\$0.48</u>
Exercisable at end of financial year	<u>1,511,000</u>	<u>\$0.48</u>	<u>1,538,000</u>	<u>\$0.48</u>

(1) Included within these balances are equity-settled options that have not been recognised in accordance with FRS 102 as these equity-settled options were granted on or before 22 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

(2) The range of exercise prices for options outstanding at the end of the financial year was \$0.24 to \$0.49 (2006 : \$0.24 to \$0.49). The weighted average remaining contractual life for these options is 6 years (2006 : 7 years).

The fair value of share options as at the date of grant, is estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for both the financial years ended 30 June 2007 and 2006 are:

Dividend yield (%)	0.76
Expected volatility	80
Risk-free interest rate (%)	4.04
Expected life of option (years)	10

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

(Amounts expressed in Singapore Dollars)

18. Reserves

(a) *Share option reserve*

Employees share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

(b) *Foreign currency translation reserve*

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

(c) *Reserve fund*

In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), profits of the subsidiaries, Spindex Precision Engineering (Shanghai) Co., Ltd., and Spindex Precision Engineering (Suzhou) Co., Ltd., are available for distribution in the form of cash dividends to the investors after the subsidiaries have (1) satisfied all tax liabilities; (2) provided for losses in previous years and (3) made appropriations to statutory reserve fund and staff bonus and welfare fund. The subsidiaries have to appropriate at least 10% of its annual profit after tax as determined in accordance with the PRC accounting standards and regulations applicable to the subsidiaries until the statutory reserve fund reaches 50% of its registered capital. Appropriation to the staff bonus and welfare fund is determined at the discretion of the Board of Directors.

The statutory reserve fund is not free for distribution as dividends but it can be used to offset losses or be capitalised as capital. The staff bonus and welfare fund can be used for rewards and collective welfare for employees.

For the financial year ended 30 June 2007, the Board of Directors of the subsidiaries resolved to appropriate 10% (2006 : 10%) of the net profit as reported in its statutory financial statements for the financial year ended 31 December 2006 to the reserve fund.

19. Turnover

Turnover represents sales of goods in the normal course of business, net of returns. Group turnover is in respect of third party transactions only.

20. Other operating income

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Dividend income from subsidiaries	-	-	3,367	223
Insurance claims	14	17	7	7
Sale of scrap	1,366	656	162	112
Other income	41	23	23	23
Grant income	9	18	9	18
Interest income from fixed deposits	192	110	108	54
	1,622	824	3,676	437

(Amounts expressed in Singapore Dollars)

21. Profit from operations

This is determined after charging (crediting) the following:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-audit fees				
- payable to auditors of the Company	43	26	43	24
- payable to other auditors	4	5	-	-
Depreciation of fixed assets	4,238	4,130	1,824	1,841
Directors' remuneration (Note 23)				
- Directors of the Company	690	539	690	539
Directors' fees (Note 23)				
- Directors of the Company	83	81	83	81
Foreign exchange loss, net	625	545	302	487
Employee benefits (Note 22)*	11,887	9,597	5,640	4,787
Allowances for stock obsolescence	833	614	326	108
Write-back of allowance for stock obsolescence	(633)	(194)	(237)	-
Stocks written off	242	118	167	53
Operating lease expenses	134	67	122	67
Fair value changes of derivative financial instruments	560	-	560	-
Gain on disposal of property, plant and equipment	(108)	-	(110)	-
Allowance for doubtful trade debts	92	40	-	17
Write-back of allowance for doubtful trade debts	(3)	(55)	(6)	(55)
Provision for defects	788	160	570	14
Write-back of provision for defects	(109)	(24)	-	-

* This includes the amounts shown as Directors' remuneration.

22. Employee benefits

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Wages, salaries and bonuses	9,953	7,854	4,882	4,041
Central Provident Fund contributions	923	899	363	406
Share-based payments	-	54	-	54
Other personnel costs	1,011	790	395	286
	11,887	9,597	5,640	4,787

Included in the Group's employee benefits expense is Directors' remuneration of approximately \$690,000 (2006 : \$539,000). The Group's employee benefits expense also include compensation of key management personnel who are not directors of approximately \$528,000 (2006 : \$780,000) as disclosed in Note 27.

(Amounts expressed in Singapore Dollars)

23. Directors' remuneration and fees

The remuneration of the Directors in the various remuneration bands is as follows:

	2007			2006		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
\$500,000 and above	-	-	-	-	-	-
\$250,000 to \$499,999	1	-	1	1	-	1
\$0 to \$249,999	1	3	4	1	3	4
	2	3	5	2	3	5

24. Financial expenses

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest expense				
- bank term loans	206	136	153	135

25. Income tax

(a) Major components of income tax expense

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

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current income tax				
- current income taxation	844	494	176	273
- underprovision in respect of prior years	12	165	-	165
Deferred income tax				
- movement in temporary differences	(574)	(92)	(546)	(227)
- under/(over) provision in respect of prior years	26	(97)	11	(55)
	308	470	(359)	156

(Amounts expressed in Singapore Dollars)

25. Income tax (cont'd)

(b) *Relationship between tax expense and accounting profit*

A reconciliation of the tax expense and the product of profit before tax multiplied by the applicable tax rate is as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit before tax	5,563	2,689	2,280	452
Tax at the domestic tax rate applicable to profits 18% (2006 : 20%)	1,001	538	410	90
Tax effect of:				
- different tax rates in other countries	709	14	-	-
- expenses not deductible for tax purposes	19	17	12	12
- income not subject to tax	(606)	(16)	(626)	(45)
- tax exemption	(240)	(18)	(27)	(11)
- underprovision of current tax in respect of prior years	12	165	-	165
- under/(over) provision of deferred tax in respect of prior year	26	(97)	11	(55)
- utilisation of deferred tax asset not recognised in prior years	(33)	(83)	-	-
- utilisation of reinvestment allowance	(412)	(50)	-	-
- effect of reduction in tax rate	(195)	-	(167)	-
- others	27	-	28	-
Income tax expense/(credit) recognised in the profit and loss account	308	470	(359)	156

Subsidiaries

Spindex Precision Engineering (Shanghai) Co., Ltd.
Spindex Precision Engineering (Suzhou) Co., Ltd.

For the subsidiaries incorporated in the People's Republic of China ("PRC"), provision for PRC Enterprise Income Tax is on the basis of statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for tax purposes.

Spindex Precision Engineering (Shanghai) Co., Ltd. is subject to Enterprise Income Tax ("EIT") at a rate of 15% as it is incorporated in the Pudong New Area.

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", Spindex Precision Engineering (Suzhou) Co., Ltd., is entitled to full exemption from corporate income tax of the PRC for the first two years and a 50% reduction in EIT for the next three years starting from the first profitable year of operation after setting off all accumulated losses brought forward from the previous years.

(Amounts expressed in Singapore Dollars)

25. Income tax (cont'd)

Spindex Industries (Hanoi) Co., Ltd.

Under the tax scheme in Vietnam, this subsidiary is imposed Enterprise Income Tax ("EIT") of 10% of taxable profit within 15 years and 28% for the ensuing fiscal years. It is entitled to an exemption from EIT for 4 years commencing with the first year of earning profits, and a 50% reduction for the following 7 years.

However, under Decree 24/2007/ND-CP dated 14 February 2007, effective since fiscal year 2007, business entities licensed before 11 January 2007 (WTO event) and being in the tax incentive/holiday periods due to meeting the export rate requirement shall be taxed as usual after the year 2011.

Synturn (M) Sdn. Bhd.

The domestic statutory tax rate in Malaysia will be reduced to 27% from 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 30 June 2007 has reflected these changes.

26. Earnings per share (cents)

Basic earnings per share is calculated by dividing the net profit for the financial year of \$5,255,000 (2006 : \$2,219,000) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Basic earnings per share

The weighted average number of ordinary shares is arrived at as follows:

	Weighted average number of shares	
	2007	2006
Issued ordinary shares at beginning and end of financial year	115,365,000	115,365,000

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares. The number of unissued shares under options granted under the Spindex ESOS and their exercise price are set out in the Directors' Report. The average fair value of one ordinary share during the financial year was \$0.20 (2006 : \$0.23).

There are no dilutive shares as at 30 June 2007 and 2006.

(Amounts expressed in Singapore Dollars)

27. Related party disclosures

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

Except for related party information disclosed elsewhere in the financial statements, there were no transactions between the Group and related parties who were not members of the Group during the year.

Compensation of key management personnel

	Group and Company	
	2007	2006
	\$'000	\$'000
Short-term employee benefits	1,218	1,305
Cost of share-based payments	-	14
	<u>1,218</u>	<u>1,319</u>
Directors' fees	83	81
Total compensation paid	<u>1,301</u>	<u>1,400</u>
Comprise amounts paid to:		
Directors of the Company		
- fees	83	81
- remuneration	690	539
	<u>773</u>	<u>620</u>
Other key management personnel	<u>528</u>	<u>780</u>
	<u>1,301</u>	<u>1,400</u>

28. Contingent liabilities and commitments

(a) *Capital expenditure commitments*

Capital expenditure not provided for in the financial statements is as follows:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Commitments in respect of contracts placed	<u>1,017</u>	<u>1,396</u>	<u>1,017</u>	<u>313</u>

(Amounts expressed in Singapore Dollars)

28. Contingent liabilities and commitments (cont'd)

(b) *Non-cancellable operating lease commitments*

The Group and the Company have entered into commercial leases for rental of buildings. Most leases contain renewable options. There are no restrictions imposed by lease arrangements, such as those concerning dividends, additional debts and further leasing. These non-cancellable operating leases have remaining lease terms of 27 to 60 (2006 : 28 to 61) years.

Future minimum lease payments under non-cancellable leases are as follows as of 30 June:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Not later than one year	134	119	122	107
Later than one year but not later than five years	760	662	713	613
Later than five years	19,328	19,620	19,064	19,285
	<u>20,222</u>	<u>20,401</u>	<u>19,899</u>	<u>20,005</u>

29. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The Group is organised on a world-wide basis into major product categories, namely:

- (i) Imaging and Printing
- (ii) Machinery and automotive systems
- (iii) Others (domestic appliances, consumer electronics, data storage, telecommunications and others)

Geographical segments

The Group's geographical segments are based on the location of the Group's customers. Assets and additions to property, plant and equipment are based on the location of those assets.

Allocation basis and transfer pricing

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

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

(Amounts expressed in Singapore Dollars)

29. Segment information (cont'd)

(a) *Business segments*

	Imaging and Printing		Machinery and automotive systems		Others		Group	
	2007 \$'000	2006 \$'000 (Restated)	2007 \$'000	2006 \$'000 (Restated)	2007 \$'000	2006 \$'000 (Restated)	2007 \$'000	2006 \$'000 (Restated)
Turnover	36,020	27,325	20,549	13,946	15,915	14,515	72,484	55,786
Gross profit	7,542	4,702	3,370	2,600	3,021	2,518	13,933	9,820
Unallocated expenses							(8,164)	(6,995)
Operating profit							5,769	2,825
Financial expenses							(206)	(136)
Income tax							(308)	(470)
Net profit for the financial year							5,255	2,219
Assets								
Trade receivables	8,686	6,376	4,956	3,254	3,838	3,387	17,480	13,017
Unallocated assets							57,312	48,630
Total assets							74,792	61,647
Unallocated liabilities							28,031	19,799
Other segment information								
Depreciation of plant and machinery	1,678	1,524	957	849	742	738	3,377	3,111
Depreciation of other assets							861	1,019
Depreciation expense for the financial year							4,238	4,130

The Directors do not consider it meaningful to disclose capital expenditure by business segments as required by Singapore Financial Reporting Standard No. 14 - Segment Reporting due to the fact the Group's capital assets can be used interchangeably in the production of its products.

(Amounts expressed in Singapore Dollars)

29. Segment information (cont'd)

(b) Geographical segments

	Turnover		Assets		Capital expenditure	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
People's Republic of China	28,606	21,945	20,920	20,527	1,441	469
Singapore	8,701	7,466	28,614	20,568	657	82
ASEAN (excludes Singapore)	25,073	18,840	25,258	20,552	2,909	2,654
USA, Europe and others	10,104	7,535	-	-	-	-
	72,484	55,786	74,792	61,647	5,007	3,205

30. Dividends

	Group and Company	
	2007 \$'000	2006 \$'000
Declared and paid during the year		
Final dividend of 0.56 (2006 : 0.32) cents per ordinary share less tax in respect of the previous financial year	646	369
Proposed but not recognised as a liability as at 30 June		
Final dividend of 0.38 (2006 : 0.56) cents per ordinary share less tax	435	646
Final exempt (one-tier) dividend of 0.94 (2006 : nil) cents per ordinary share	1,084	-
	1,519	646

31. Financial risk management and policies

The Group's principal financial instruments, other than derivative financial instruments, comprise bank loans and overdrafts, finance leases, and cash and short term deposits. 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.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of financing.

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(Amounts expressed in Singapore Dollars)

31. Financial risk management and policies (cont'd)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its long term debt obligations. The fixed deposits are at a floating interest rate. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Foreign currency risk

The Group operates in four countries and, as a result, are exposed to foreign exchange risks arising from various currency exposures such as United States Dollars, Chinese Yuan Renminbi, Malaysian Ringgit and Vietnamese Dong. In addition to transactional exposures, the Group is also exposed to foreign exchange movements on its net investment in the foreign subsidiaries.

The Group entered into foreign currency forward exchange contracts in order to limit the Group's exposure to adverse fluctuations in foreign currency exchange rates. It is the Group's policy not to enter into derivative forward foreign exchange contracts for speculative purposes.

Credit risk

Financial assets which potentially expose the Group to concentration of credit risk consist primarily of cash and cash equivalents and trade receivables. The cash and cash equivalents are placed with various financial institutions.

The Group's customer base consists primarily of businesses in Singapore, Malaysia, The People's Republic of China and Vietnam. The Group performs ongoing credit evaluations of its customers and generally does not require collateral on trade receivables. The Group maintains a provision for potentially uncollectible accounts receivables based on its assessment of the collectibility of accounts receivables.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets as stated in the balance sheet.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases.

In the management of liquidity risks, the Group monitors and maintains a level of cash and bank balances deemed sufficient to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

(Amounts expressed in Singapore Dollars)

32. Financial instruments

(a) Fair value

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

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and bank balances, trade and other receivables, amount due from/(to) subsidiaries, short-term borrowings, trade and other payables, other liabilities and current long term loans based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

Financial instruments carried at other than fair value

Set out below is a comparison by category of the carrying amounts and fair values of all of the Group and the Company's financial instruments that are carried in the financial statements at other than fair values as at 30 June.

	Carrying amount		Fair value	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Group				
<i>Financial liabilities</i>				
Long-term bank loans, non-current	2,551	995	2,607	995
Company				
<i>Financial liabilities</i>				
Long-term bank loans, non-current	1,726	995	1,726	995

Methods and assumptions used to determine fair values

Fair values of long-term bank loans (non-current) have been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing arrangements.

During the financial year, no amount (2006 : \$nil) has been recognised in the profit and loss account in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique.

(Amounts expressed in Singapore Dollars)

32. Financial instruments (cont'd)

(b) *Interest rate risk*

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

	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	Total \$'000
2007							
Group							
<i>Fixed rate</i>							
Bank loans	229	223	239	104	-	-	795
<i>Floating rate</i>							
Fixed deposits	7,651	-	-	-	-	-	7,651
Cash and bank balances	10,446	-	-	-	-	-	10,446
Short term loans	1,765	-	-	-	-	-	1,765
Long term loans	810	851	659	475	-	-	2,795
Company							
<i>Floating rate</i>							
Fixed deposits	6,537	-	-	-	-	-	6,537
Cash and bank balances	2,381	-	-	-	-	-	2,381
Short term loans	1,535	-	-	-	-	-	1,535
Long term loans	767	765	573	388	-	-	2,493

(Amounts expressed in Singapore Dollars)

32. Financial instruments (cont'd)

(b) *Interest rate risk* (cont'd)

	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	Total \$'000
2006							
Group							
<i>Fixed rate</i>							
Long term loans	156	-	-	-	-	-	156
<i>Floating rate</i>							
Fixed deposits	1,280	-	-	-	-	-	1,280
Cash and bank balances	10,063	-	-	-	-	-	10,063
Short term loans	1,000	-	-	-	-	-	1,000
Long term loans	773	398	398	199	-	-	1,768
Company							
<i>Fixed rate</i>							
Long term loans	156	-	-	-	-	-	156
<i>Floating rate</i>							
Fixed deposits	1,280	-	-	-	-	-	1,280
Cash and bank balances	2,323	-	-	-	-	-	2,323
Short term loans	1,000	-	-	-	-	-	1,000
Long term loans	773	398	398	199	-	-	1,768

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interests on financial instruments at fixed rates are fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

(Amounts expressed in Singapore Dollars)

33. Comparative figures

Certain comparative figures have been reclassified to conform to the current financial year's presentation.

	2006 as previously reported \$'000	2006 as restated \$'000
Group		
<i>Consolidated Balance Sheet</i>		
Deferred tax asset	238	-
Deferred tax liabilities	(2,263)	(2,025)
	<hr/> <hr/>	<hr/> <hr/>
Company		
<i>Balance Sheet</i>		
Deferred tax asset	61	-
Other receivables and deposits	589	191
Due from subsidiaries (non-trade)	2,410	2,808
Deferred tax liabilities	(1,729)	(1,668)
	<hr/> <hr/>	<hr/> <hr/>
Group		
<i>Consolidated Cash Flow Statement</i>		
Unrealised exchange gain	-	(127)
Increase in stocks	(1,050)	(1,016)
Increase in trade receivables	(1,148)	(1,066)
Decrease in other receivables, deposits and prepayments	268	57
Increase in trade payables	2,566	2,626
Increase in other payables and accruals	910	1,008
Income tax paid	(776)	(679)
Tax refund	257	224
	<hr/> <hr/>	<hr/> <hr/>

34. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2007 were authorised for issue in accordance with a resolution of the Directors on 5 September 2007.

Details of Major Properties in the Group
For the financial year ended 30 June 2007

Major properties of the Group are as follows:

DESCRIPTION	LOCATION	AREA (SQ.METRES)	TENURE OF LEASE	NET BOOK VALUE	
				2007 \$'000	2006 \$'000
Leasehold property	Singapore 6 Neythal Road Singapore 628573	4,477	60 years	2,311	2,511
	People's Republic of China 475 Fa Sai Road WaiGaoQiao Free Trade Zone Shanghai 200131 China	8,144	50 years	3,698	3,787
	Vietnam Lot No. 7 Noi Bai Industrial Zone Quang Tien Soc Son District Hanoi Vietnam	9,578	30 years	1,713	1,847
Freehold property	Malaysia 6 Jalan Istimewa 7 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Malaysia	9,470	NA	3,652	3,551

Statistics of Shareholdings

As at 10 September 2007

Authorised Share Capital	:	S\$20,000,000
Issued and Fully Paid-up Capital	:	S\$11,536,500
Class of Shares	:	Ordinary shares of S\$0.10 each
Voting Rights	:	On show of hands – one vote for each member On poll – one vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	6	0.58	3,556	0.00
1,000 – 10,000	667	64.82	3,613,102	3.13
10,001 – 1,000,000	340	33.04	24,595,890	21.32
1,000,001 and above	16	1.56	87,152,452	75.55
Total :	1,029	100.00	115,365,000	100.00

TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	%
1. Choo Heng Thong	28,175,670	24.42
2. Tan Choo Pie @ Tan Chang Chai	28,175,670	24.42
3. UOB Kay Hian Pte Ltd	5,306,000	4.60
4. OCBC Securities Pte Ltd	4,459,000	3.87
5. DB Nominees (S) Pte Ltd	3,685,000	3.19
6. United Overseas Bank Nominees Pte Ltd	2,921,000	2.53
7. Phillip Securities Pte Ltd	2,696,000	2.34
8. Ng Ching Siang	1,803,000	1.56
9. Loh Buck Chin Jenigeline	1,515,000	1.31
10. Chua Keng Hiang	1,400,000	1.21
11. Hong Leong Finance Nominees Pte Ltd	1,357,000	1.18
12. Lee Chui Huat	1,274,000	1.10
13. Kim Eng Securities Pte Ltd	1,120,000	0.97
14. Sadikin Darmawan @ Wang Chan Wei	1,110,000	0.96
15. Wong Liang Kwang	1,106,000	0.96
16. Tan Kin Tatt	1,049,112	0.91
17. Ng Sim Bio	964,000	0.84
18. Ng Soo Giap	922,000	0.80
19. Seet Christina	871,000	0.75
20. DBS Nominees Pte Ltd	785,000	0.68
Total:	90,694,452	78.60

Based on the information available to the Company, approximately 51.15% of the Company's equity securities are held in the hands of the public. This is in compliance with Rule 723 of the Listing manual of the SGX-ST which require at least 10% of a listing issuer's equity securities to be held by public.

Name of Substantial Shareholders	No of Shares Direct Interest	No of Shares Deemed Interest
Choo Heng Thong	28,175,670	-
Tan Choo Pie @ Tan Chang Chai	28,175,670	-

SPINDEX INDUSTRIES LIMITED

(Incorporated in the Republic of Singapore)
(Registration No. 198701451M)

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of the Company will be held at Diamond, Lower Lobby, Sheraton Towers Singapore, 39 Scotts Road, Singapore 228230 on Friday, 19 October 2007 at 2.30 p.m. for the following purposes:

As Routine Business

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 30 June 2007, together with the Auditors' Report thereon. (Resolution 1)
2. To declare a gross final dividend of 0.46 cent per ordinary share less income tax of 18% and 0.94 cent per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2007 (previous year: 0.7 cent per ordinary share less income tax of 20%). (Resolution 2)
3. To re-elect Mr Sim Beng Chye as a Director under Article 104 of the Company's Articles of Association. (Resolution 3)
4. To re-elect Mr Chen Chang Rong as a Director under Article 104 of the Company's Articles of Association. (Resolution 4)
5. To approve the payment of Directors' Fees of S\$82,875 for the financial year ended 30 June 2007 (previous year: S\$80,750). (Resolution 5)
6. To re-appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)
7. To transact any other routine business that may properly be transacted at an Annual General Meeting.

As Special Business:

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

8. "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and notwithstanding the provisions in the Articles of Association of the Company, authority be and is hereby given to the Directors of the Company to:
 - A. (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant offers, agreements or options (collectively, "instruments") that may or would require shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares,

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

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

provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the number of shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total number of shares of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of total number of shares of the Company shall be calculated based on the total number of shares 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 exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution 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 the earlier.” (Resolution 7)

9. “That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Spindex Employees’ Share Option Scheme (“Scheme”) and pursuant to Section 161 of the Companies Act, Chapter 50, to allot and 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 the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of shares of the Company from time to time.” (Resolution 8)

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 1 October 2007

Explanatory Notes

Resolution 3 – Mr Sim is an Independent Director of the Company and a member of the Audit Committee. If re-elected, Mr Sim will continue as a member of the Audit Committee.

Resolution 4 – Mr Chen is an Independent Director of the Company and a member of the Audit Committee. If re-elected, Mr Chen will continue as a member of the Audit Committee.

Resolution 7 if passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 7 (including shares to be issued in pursuance of instruments made or granted) shall not exceed fifty per cent (50%) of the total number of shares of the Company, with a sub-limit of twenty per cent (20%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of shares of the Company will be calculated based on the total number of shares of the Company at the time of the passing of Resolution 7, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (c) any subsequent consolidation or subdivision of shares.

Resolution 8 if passed, is to authorise the Directors to offer and grant options in accordance with the provisions of the Spindex Employees' Share Option Scheme ("Scheme") and pursuant to Section 161 of the Companies Act, Chapter 50 to allot and issue shares under the Scheme up to an amount not exceeding fifteen per cent (15%) of the total number of shares of the Company from time to time.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend in his stead. A proxy need not be a Member of the Company.
2. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 6 Neythal Road, Singapore 628573, not less than 48 hours before the time appointed for holding the Annual General Meeting.

SPINDEX INDUSTRIES LIMITED

(Incorporated in the Republic of Singapore)
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IMPORTANT:

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

PROXY FORM – 20TH ANNUAL GENERAL MEETING

I/We, _____ (Name)

of _____ (Address)

being a member/members of the above Company, hereby appoint:

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

and/or failing him/her (delete as appropriate)

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

or failing him/her the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 20th Annual General Meeting of the Company to be held at Diamond, Lower Lobby, Sheraton Towers Singapore, 39 Scotts Road, Singapore 228230 on 19 October 2007 at 2.30 a.m. and at any adjournment thereof.

The proxy shall vote on the Resolutions set out in the Notice of Meeting in accordance with my/our directions as indicated with an "x" in the appropriate space below. Where no such direction is given, the proxy may vote or abstain from voting on any matter at the Meeting or at any adjournment thereof.

No.	Resolutions	For	Against
	ROUTINE BUSINESS		
1.	Adoption of Reports and Audited Accounts (Resolution 1)		
2.	Approval of gross final dividend of 0.46 cent per ordinary share less income tax of 18% and 0.94 cent per ordinary share tax exempt (one-tier) (Resolution 2)		
3.	Re-election of Mr Sim Beng Chye as a Director (Resolution 3)		
4.	Re-election of Mr Chen Chang Rong as a Director (Resolution 4)		
5.	Approval of Directors' Fees of S\$82,875 (Resolution 5)		
6.	Re-appointment of Ernst & Young as Auditors (Resolution 6)		
7.	Any other routine business		
	SPECIAL BUSINESS		
8.	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50 (Resolution 7)		
9.	Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the Spindex Employees' Share Option Scheme (Resolution 8)		

Dated this _____ day of _____ 2007

Total Number of Shares held in:

CDP Register

Register of Members

Signature(s) of member(s)
Or Common Seal of Corporate Shareholder



Notes:-

1. A member of the Company entitled to attend and vote at the Annual General 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 and where there is more than one proxy, the proportion of shares to be represented by each proxy must be stated.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specified the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. This instrument of proxy must be executed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or its attorney or affixed with its common seal thereto.
4. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representative in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such body corporate.
5. This instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 6 Neythal Road, Singapore 628573 not less than 48 hours before the time fixed for holding the Annual General Meeting.
6. Please insert the total number of shares held by you. If you have shares entered against your name on 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. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.
7. The Company shall be entitled to reject this instrument of proxy 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 this instrument of proxy. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for the holding of the Annual General Meeting as certified by CDP to the Company.



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