

Engineering Unique

solut  **ons**



SPINDEX

annual report 2009

contents

- 01** About Us
- 03** Chairman's Statement
- 07** Financial Highlights
- 08** Strategic Locations
- 09** Corporate Information
- 10** Board of Directors
- 12** Senior Management
- 13** Corporate Governance
- 20** Financial Contents



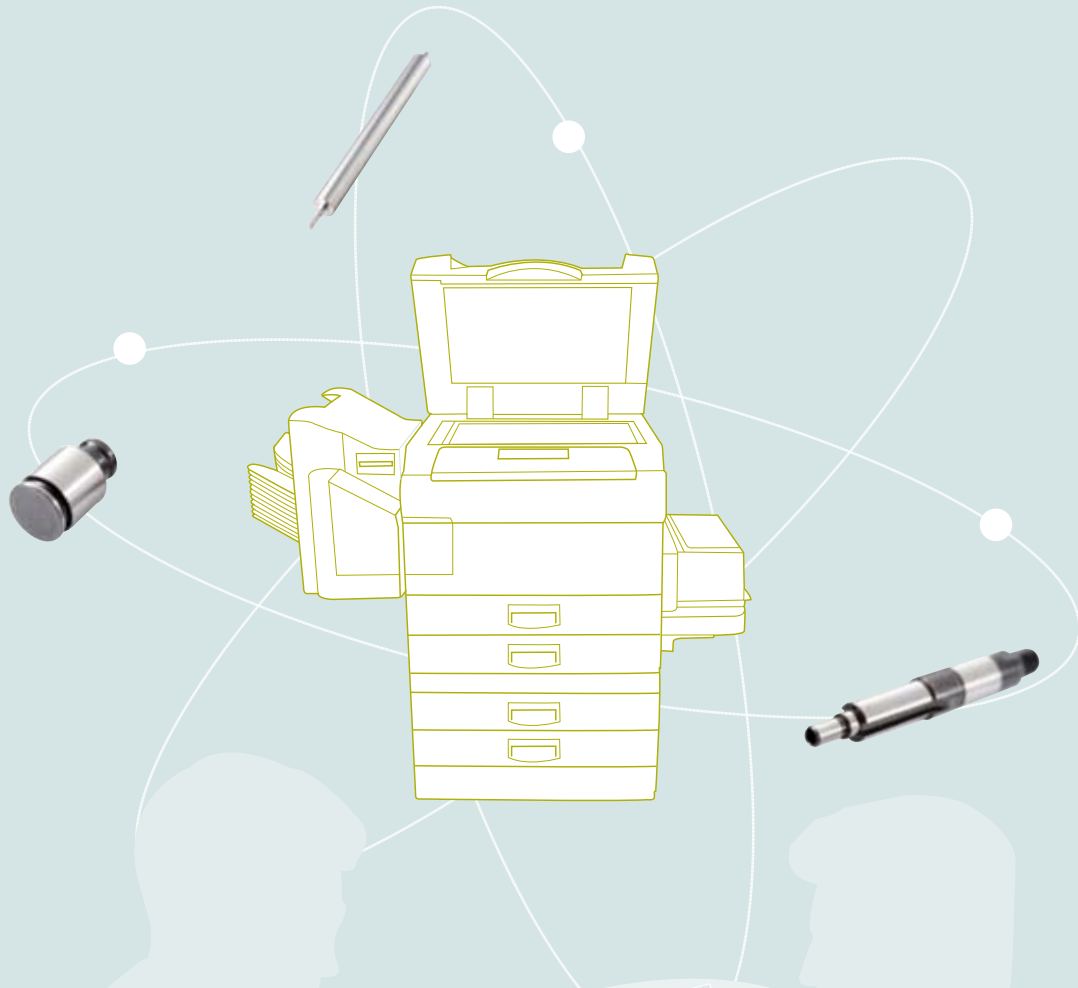
about **us**

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 reconfigure 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 9001 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.





ENGINEERING THROUGH A CUSTOMER-CENTRIC APPROACH

Spindex values its customers and over the years, we have forged close strategic partnership with our key customers in their niche industries. By adopting a deeper perspective and taking pride in our extensive capabilities, we are able to offer our customers creative engineering solutions that will grow their businesses further. Our customer-centric approach continues to benefit the Company and allow us to build strong brand loyalty amongst these customers.

chairman's statement

"Our ability to react swiftly to changing business conditions is testament of our success in keeping the Group's structure lean as well as maintaining a strong financial position."

Tan Choo Pie @ Tan Chang Chai
Chairman



chairman's statement

Dear Fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of the Group for the financial year ended 30 June 2009.

A Review of FY2009

The financial year ended 30 June 2009 was a period of severe market volatility and challenging business conditions. With the deterioration of macroeconomic conditions, the sharp drop in global consumer demand affected the performance of all our business sectors. As a result, the Group registered a decline of 20% in revenue to \$63.9 million in FY2009.

During the year, we stepped up marketing efforts to secure higher business allocation as well as new projects from existing customers. Unfortunately, the increasing uncertainty in the global economic environment led to cautious management of inventory by our customers and lower demand for our products and services. This resulted in an overall decrease of 7% in revenue from the Imaging & Printing sector (IP) to \$36.0 million. In the Machinery and Automotive Systems (MA) business sector, its performance was significantly affected by the slowdown in the automotive industry. Revenue from MA dropped 40% to \$13.1 million. The remainder of our business, categorised under "Others" also recorded weaker sales of \$14.8 million.

We recognised the severity of the economic slowdown early in the financial year and responded promptly with effective cost management measures to improve our overall cost efficiency. As

a consequence of our flexibility to react quickly, we were able to maintain a relatively stable gross profit margin of approximately 20%. Efforts in reducing overhead costs and enhancing manufacturing capacity utilisation resulted in a 26% decline in total operating expenses during the financial year. This cushioned the decline in net profit to \$4.6 million and the net profit margin remained stable at about 7%.

In appreciation of the support from our shareholders, the Directors have proposed a final tax-exempt cash dividend of 1.4 cents per ordinary share. If approved at the forthcoming annual general meeting to be held on 30 October 2009, the dividend will be paid on 19 November 2009.

Remaining Customer-centric Despite Challenges

Being a highly integrated solution provider with manufacturing facilities in the region, Spindex has surmounted many challenges along the way since its inception in 1981. From our experience, staying relevant to our customers and responding to challenges and opportunities with nimbleness are crucial in maintaining our long-term competitiveness in this industry.

Despite uncertainties during the global economic crisis, we remained committed to our customer-centric strategy. We continue to focus on key accounts and market sectors where we have a competitive advantage and adapt our products and services to meet the specific needs of our customers.



By committing to support the businesses of our major customers and deepening our relationships with them, we become their strategic partner in our areas of competence.

To maintain cost competitiveness, we kept a close watch on our total operating expenses in FY2009 and where necessary, make appropriate adjustments to our operating and production procedures to enhance our overall efficiency. Besides refining work processes, we also introduced more flexible work schedules to cater to the changing levels of business activities. With these improvements, we are able to better align our production with the changing needs of our customers in the fluid business environment.

Outlook for FY2010

Following the significant decline in output in early 2009, there are increasing activities and higher orders from customers as they began to replenish their inventories ahead of the year-end demand. To meet the higher demand, the Group has stepped up production and could resume selective investment in manufacturing capacity to support the more buoyant level of business activities.

Our ability to react swiftly to changing business conditions is testament of our success in keeping the Group's structure lean as well as maintaining a strong financial position. As at 30 June 2009, we have a sound balance sheet with healthy operating cash flow. Our fixed deposits, cash and cash equivalents increased 48% to \$20.8 million over 30 June 2008, while our total borrowings declined 40% to \$1.2

million as a result of greater emphasis on cash and credit management.

With ample financial resources, the Group is well placed to meet the challenges of the market place as well as to capitalise on any opportunities for growth. Going forward, we target to do more business with existing customers and will also improve our revenue by expanding our customer base in selected markets.

While positioned for growth, we are constantly mindful of the potential market volatility. We will continue to manage expenses prudently while keeping a close watch on market developments so that necessary measures can be implemented promptly to mitigate any adverse impact on our performance. Barring unforeseen circumstances, we are cautiously optimistic of our prospects in FY2010.

Appreciation

On behalf of the Board, I would like to express my appreciation to all the management and staff of Spindex for their commitment during a challenging year. I would also like to record my gratitude to my fellow directors for their wise counsel in guiding the Group through the market challenges. Last but not least, my thanks to all our customers, bankers, shareholders, business associates and suppliers for their continuing support over the years.

Tan Choo Pie @ Tan Chang Chai

Chairman



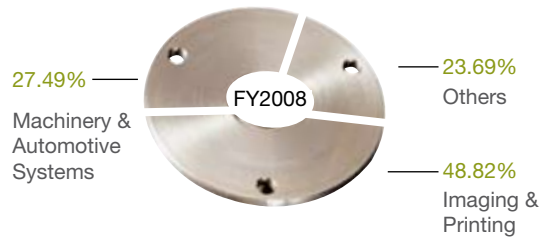
ENGINEERING THAT **DELIVERS THE BEST FIT FOR YOU**

Spindex has state-of-the-art manufacturing capabilities, advanced quality and environmental management systems, excellent information systems, strategic locations and well-trained, hardworking staff. With nearly 30 years in the industry, Spindex has a strong track record of delivering best-fit solutions to its clients.

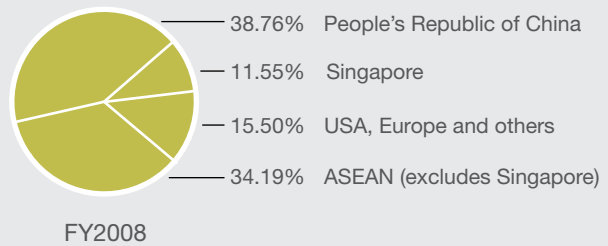
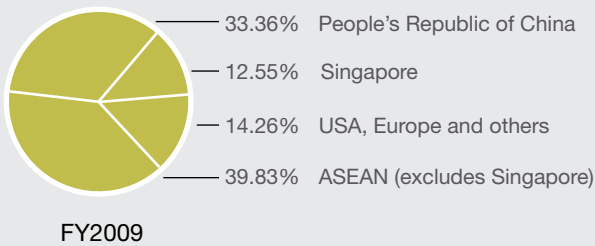
Spindex's Singapore, Shanghai and Suzhou operations have attained ISO/TS 16949 Certification, a testament to the great attention that Spindex places on the quality of its products. Spindex is also one of the first machining companies in the region to be certified by ISO14001, ISO9001 and OHSAS18001.

financial highlights

Business Segments



Geographical Segments



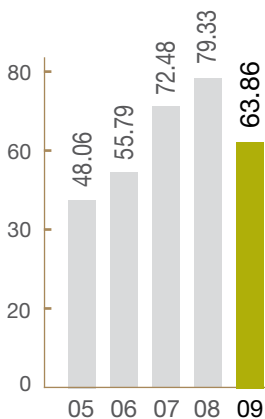
FY2009

FY2008

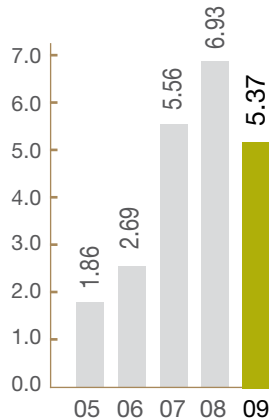
	FY2008 \$'000	FY2009 \$'000
Imaging & Printing	38,731	35,982
Machinery & Automotive Systems	21,809	13,119
Others	18,793	14,754
Total	79,333	63,855

	FY2008 \$'000	FY2009 \$'000
People's Republic of China	30,750	21,300
Singapore	9,160	8,013
ASEAN (excludes Singapore)	27,121	25,434
USA, Europe and others	12,302	9,108
Total	79,333	63,855

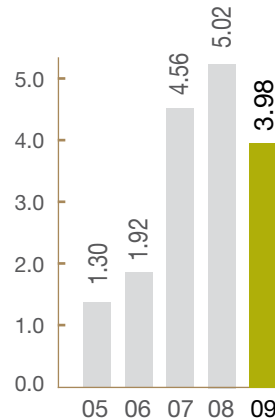
Turnover (\$ Million)



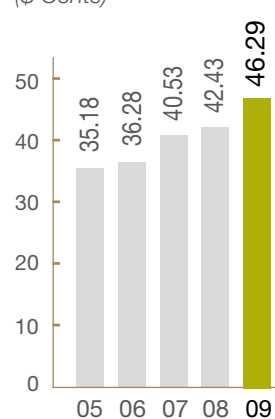
Profit Before Taxation (\$ Million)

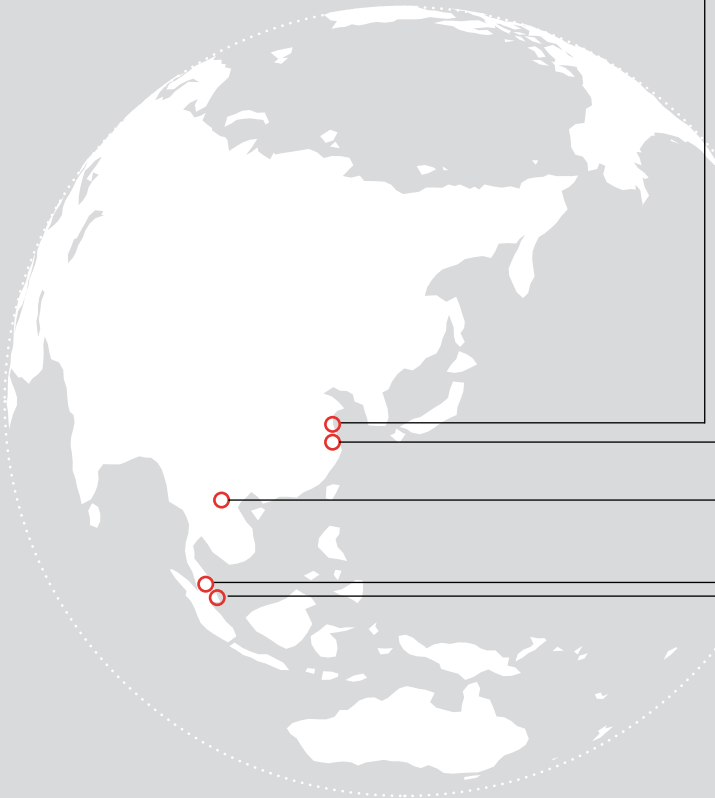


Earnings Per Share (\$ Cents)



Net Tangible Assets Per Share (\$ Cents)





Suzhou, China



Shanghai, China



Hanoi, Vietnam



Johor, Malaysia



Singapore (headquarters)

strategic locations

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.

corporate information

Board of Directors

Mr Tan Choo Pie @ Tan Chang Chai - *Chairman*
Mr Lee Soo Guan - *Managing Director*
Mr Chen Chang Rong - *Executive Director*
Mr Chew Heng Ching - *Independent Director*
Mr Sim Beng Chye - *Independent Director*

Audit Committee

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

Remuneration Committee

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

Nominating Committee

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

Registered Office

6 Neythal Road, Singapore 628573
Tel : (65) 62680078
Fax : (65) 62685034
Email: cse@spindex.com.sg
Website : <http://www.spindex.com.sg>

Share Registrar

Boardroom Corporate & Advisory
Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Company Secretaries

Mr Abdul Jabbar Bin Karam Din
Ms Loh Lee Eng

Auditors

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

Audit Partner-in-charge

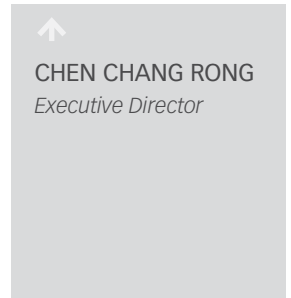
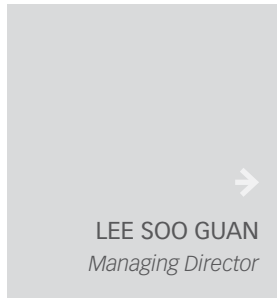
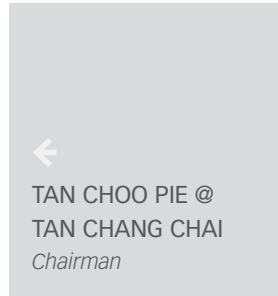
Mr Max Loh Khum Whai
Date of Appointment : Since financial year
ended 30 June 2007

Bankers

DBS Bank
Standard Chartered Bank
Malayan Banking Berhad



board of directors



TAN CHOO PIE @
TAN CHANG CHAI
Chairman

LEE SOO GUAN
Managing Director

CHEN CHANG RONG
Executive Director

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 five 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.

Lee Soo Guan

Managing Director

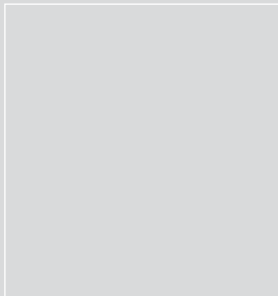
Mr Lee Soo Guan joined the Spindex Group in April 2008 as Managing Director and an Executive Director on the Board. Mr Lee has had over 29 years of extensive experiences in the similar manufacturing industry with responsibilities in the overall business management, strategic planning, people and organizational management of multi-functions and multi-locations.

Prior to joining Spindex, Mr Lee held senior management positions in various companies. Mr Lee had past directorships in twenty companies including on the Board of a public listed company and a member of the Audit Committee. He is a full member of the Singapore Institute of Directors. He holds a B.Sc. Honours (Upper 2nd class) degree in Mechanical Engineering from The City University, London.

Chen Chang Rong

Executive Director

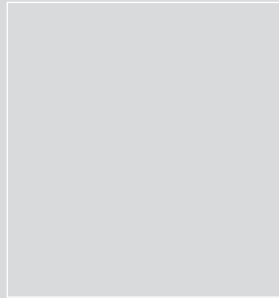
Mr. Chen Chang Rong was appointed as Independent Director of the Company since 2005 and was re-designated as Executive Director in January 2009. He has extensive working experience in manufacturing industries and has held senior management positions of General Manager and CEO for the past 15 years. He 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.



←
SIM BENG CHYE
Independent Director



←
CHEW HENG CHING
Independent Director



Chew Heng Ching
Independent Director

Mr Chew Heng Ching has been an independent Director of the Company since 1998 and Chairman of the Audit Committee. He has more than 30 years of senior management experience in both the public and private sectors and has served as Chairman and Managing Director of various public and private companies. He now sits on the Board of several other public listed companies and charities. Mr Chew is the Founding President of the Singapore Institute of Directors (“SID”) and currently Chairman of its Governing Council. He is also a Board member and was Chairman of the Singapore International Chamber of Commerce from 2005 to 2007. He was also a Council member of the Singapore Business Federation. He served on both the Corporate Governance Committee and the Council on Corporate Disclosure and Governance. Mr Chew was also a former Deputy Speaker of the Singapore Parliament and a Member of Parliament from 1984 to 2006. He is a graduate, under a Colombo Plan Scholarship, in Industrial Engineering (First Class Honours) and Economics. He holds an Honorary Doctorate in Engineering. He is a Fellow 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 and Remuneration 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.

senior management

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 21 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 China, Malaysia and Vietnam

Mr Wong is currently responsible for China, 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. 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 Finance, Administration and Human Resource management. He first joined the Malaysia plant as an Accountant in July 2000, transferred to Spindex Industries Limited in year 2005 as Finance Manager and promoted to Financial Controller in year 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).

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.

THE BOARD'S CONDUCT OF AFFAIRS

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.

The Board comprises 5 Directors as follows: -

Executive

Tan Choo Pie @ Tan Chang Chai (Chairman)
Lee Soo Guan (Managing Director)
Chen Chang Rong (re-designated on 15 Jan 2009)

Independent

Chew Heng Ching
Sim Beng Chye

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 meetings 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;
5. Interested person transactions; and
6. Authorisation of material acquisitions and disposal of assets;

Corporate Governance

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	3	3	1	1	1	1
Lee Soo Guan	2	2	3	3	1	1	1	1
Chen Chang Rong	2	2	3	3	1	1	1	1
Chew Heng Ching	2	2	3	3	1	1	1	1
Sim Beng Chye	2	2	3	3	1	1	1	1

A formal letter is sent to newly appointed Director upon their appointment explaining their duties and obligations as a Director. Appropriate training is provided for all Directors appointed to the Board as part of their orientation to ensure that they are familiar with the Company's businesses, operations, governance practices and regulatory requirements.

To ensure that the Company are competent in carrying out their roles and responsibilities, regular and ongoing training is provided for the Directors. 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.

All Directors are required to officially disclose their interest in the Company including any interested person transactions with the Company. All Directors practise good governance by updating the Company about changes in their interests in a timely manner.

BOARD COMPOSITION AND GUIDANCE

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 ("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 10 to 11. 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 and the Managing Director’s function in the Company are assumed by different individuals. 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.

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 (including 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 2009.

ACCESS TO 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 MATTERS

PRINCIPLE 7: There should be a formal and transparent procedure for developing policy on executive remuneration and 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 two independent directors and its members are:

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

The Board considers that Mr. Tan Choo Pie @ Tan Chang Chai, who is the Chairman, significantly contributes in the evaluation by the Committee of the performance of senior management and staff. The Board further believes that the current structure and membership of the RC is beneficial to the Company and will not increase the risk of any potential conflict of interest.

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 22.

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 is necessary 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 ON 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.

Corporate Governance

A breakdown of each individual Director's and key executives' remuneration, in percentage terms showing the level and mix for the financial year ended 30 June 2009, is as follows:

Name of Directors	Salary	Bonus	Directors' Fees	Total
Directors				
Below \$250,000				
Tan Choo Pie @ Tan Chang Chai	66%	34%	–	100%
Lee Soo Guan	93%	7%	–	100%
Chen Chang Rong	66%	–	34%	100%
Chew Heng Ching	–	–	100%	100%
Sim Beng Chye	–	–	100%	100%
Key Executives				
Below \$250,000				
Ng Ching Siang	73%	27%	–	100%
Francis Wong Liang Kwang	69%	31%	–	100%
Eddie Lee Chui Huat	74%	26%	–	100%
Jason Loh Chun Shen	75%	25%	–	100%

No Directors were granted options pursuant to the ESOS during the financial year ended 30 June 2009 .

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 2009.

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.

AUDIT COMMITTEE

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

The Audit Committee (AC) comprises of three members, two of whom are independent directors.

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

Corporate Governance

The Board considers that it is not necessary for the time being, for all three members of the AC to be Independent Directors taking into account the nature and the scope of the Company's operations. In addition, the AC welcomed the participation of Mr. Chen Chang Rong, the Executive Director, at AC meetings to provide direct assistance to the Company's financial operation.

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 2009, 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 LLP, 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 LLP 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 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.

Corporate Governance

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

In relation to dealings in the Company's securities by Directors and officers of the Group, the Company has adopted its own internal code modelled after the provisions of Listing Rule 1207(18) on dealings in securities. Directors and officers of the Group are prohibited dealing in the securities of the Company during the period commencing one (1) month before the announcement of the Company's half-year and full-year results, and ending on the date of announcement of the relevant results. The Company discourages the trading of the Company's shares for short term gain by both directors and senior employees.

In view of the process in place, in the opinion of the Directors, the Company has complied with Listing Rule 1207(18) on dealings in securities.

financial contents

21	Directors' Report
24	Statement by Directors
25	Independent Auditors' Report
26	Balance Sheets
27	Income Statements
28	Statement of Changes in Equity
29	Consolidated Cash Flow Statement
30	Notes to the Financial Statement
67	Details of Major Properties in the Group
68	Statistics of Shareholdings
69	Notice of the 22nd Annual General Meeting Proxy Form

Directors' Report

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, income statement and statement of changes in equity of the Company for the financial year ended 30 June 2009.

Directors

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

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

In accordance with Article 115 and 119 of the Company's Articles of Association, Mr. Lee Soo Guan 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:

	Direct interest			Deemed interest		
	At 1.7. 2008	At 30.6.2009	At 21.7.2009	At 1.7. 2008	At 30.6.2009	At 21.7.2009
The Company (ordinary shares)						
Tan Choo Pie @ Tan Chang Chai	28,175,670	28,175,670	28,175,670	-	-	-
Chew Heng Ching	20,000	20,000	20,000	-	-	-
Sim Beng Chye	550,000	550,000	550,000	-	-	-

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr. Tan Choo Pie @ Tan Chang Chai is 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 interests in the shares, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or the end of the financial year and on 21 July 2009.

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.

Directors' Report

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

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.

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 2009	Exercise price
		Aggregate options granted since commencement of plan to end of financial year	Aggregate options lapsed since commencement of plan to end of financial year	Aggregate options exercised since commencement 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	918,000	—	1,243,000	\$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 any subsidiaries under option at the end of the financial year.

Directors' Report

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

The Company has adopted an internal policy, which sets out the procedure for the notification to and approval by the Audit Committee, in relation to transactions with interested persons. The Company did not enter into any interested person transaction which requires disclosure or shareholders' approval under SGX-ST rules regulating interested person transactions.

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 LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Tan Choo Pie @ Tan Chang Chai
Director

Lee Soo Guan
Director

Singapore
25 September 2009

Statement by Directors

We, Tan Choo Pie @ Tan Chang Chai and Lee Soo Guan, 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, income statements, 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 2009 and the results of the business, changes in equity and cash flows of the Group and the results of the business and 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

Lee Soo Guan
Director

Singapore
25 September 2009

Independent Auditors' Report

to the members of Spindex Industries Limited

We have audited the accompanying financial statements of Spindex Industries Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 26 to 66, which comprise the balance sheets of the Group and the Company as at 30 June 2009, the statements of changes in equity of the Group and the Company, the income statements 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.

Management's responsibility for the financial statements

Management is 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 devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets; 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group and the balance sheet, income statement 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 2009 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 LLP
Public Accountants and Certified Public Accountants
Singapore
25 September 2009

Balance Sheets

as at 30 June 2009

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current assets					
Property, plant and equipment	3	24,227	26,814	6,088	8,322
Investment in subsidiaries	4	–	–	12,169	12,169
		24,227	26,814	18,257	20,491
Current assets					
Inventories	5	8,707	10,328	3,379	4,024
Trade receivables	6	12,440	19,955	3,311	7,991
Other receivables and deposits	7	738	939	177	3
Prepayments		779	742	61	93
Due from subsidiaries (trade)		–	–	665	1,170
Due from subsidiaries (non-trade)	8	–	–	942	1,150
Fixed deposits	9	4,997	4,786	–	2,245
Cash and cash equivalents	9	15,760	9,250	6,764	1,403
		43,421	46,000	15,299	18,079
Current liabilities					
Trade payables	10	6,896	12,850	2,253	4,685
Other payables and accruals	11	4,128	6,485	1,400	2,408
Provision for defects	12	753	730	147	138
Due to subsidiaries (trade)		–	–	579	837
Due to subsidiaries (non-trade)	8	–	–	–	4
Long term loans - current portion	13	787	913	546	683
Provision for tax		517	614	180	161
Deferred income		20	22	20	22
		13,101	21,614	5,125	8,938
Net current assets		30,320	24,386	10,174	9,141
Non-current liabilities					
Long term loans					
- non-current portion	13	461	1,177	364	854
Deferred tax liabilities	14	607	984	308	762
Deferred income		–	22	–	22
Provision for restoration costs		73	68	–	–
		1,141	2,251	672	1,638
Net assets		53,406	48,949	27,759	27,994
Equity attributable to equity holders of the Company					
Share capital	15	13,145	13,145	13,145	13,145
Reserves	16	40,261	35,804	14,614	14,849
Total equity		53,406	48,949	27,759	27,994

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

Income Statements

for the financial year ended 30 June 2009

	Note	Group		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	17	63,855	79,333	24,221	34,846
Cost of sales		(51,365)	(62,824)	(22,546)	(31,369)
Gross profit		12,490	16,509	1,675	3,477
Other operating income	18	1,306	1,879	3,384	4,051
Distribution and selling expenses		(1,086)	(1,202)	(295)	(394)
Administrative expenses		(7,260)	(10,031)	(4,247)	(5,781)
Profit from operations	19	5,450	7,155	517	1,353
Financial expenses	22	(82)	(221)	(52)	(141)
Profit before tax		5,368	6,934	465	1,212
Income tax (expense)/credit	23	(777)	(1,138)	454	364
Net profit attributable to equity holders of the Company		4,591	5,796	919	1,576
Earnings per share attributable to equity holders of the Company (cents per share)					
- Basic	24	3.98	5.02		
- Diluted	24	3.98	5.02		

Statement of Changes in Equity

for the financial year ended 30 June 2009

Attributable to equity holders of the Company

Group	Attributable to equity holders of the Company						Total equity \$'000
	Share capital \$'000	Share option reserve \$'000	Foreign currency translation reserve \$'000	Reserve fund \$'000	Accumulated profit \$'000	Total reserves \$'000	
As at 1 July 2007	13,145	411	(655)	1,652	32,208	33,616	46,761
Net profit for the financial year	-	-	-	-	5,796	5,796	5,796
Net effect of translation differences	-	-	(1,512)	-	-	(1,512)	(1,512)
Total recognised income and expenses for the financial year	-	-	(1,512)	-	5,796	4,284	4,284
Appropriation to/(from) reserve fund/accumulated profits	-	-	-	191	(191)	-	-
Dividends on ordinary shares (Note 28)	-	-	-	-	(2,096)	(2,096)	(2,096)
At 30 June 2008 and 1 July 2008	13,145	411	(2,167)	1,843	35,717	35,804	48,949
Net profit for the financial year	-	-	-	-	4,591	4,591	4,591
Net effect of translation differences	-	-	1,020	-	-	1,020	1,020
Total recognised income and expenses for the financial year	-	-	1,020	-	4,591	5,611	5,611
Appropriation to/(from) reserve fund/accumulated profits	-	-	-	47	(47)	-	-
Dividends on ordinary shares (Note 28)	-	-	-	-	(1,154)	(1,154)	(1,154)
Closing balance at 30 June 2009	13,145	411	(1,147)	1,890	39,107	40,261	53,406

Attributable to equity holders of the Company

Company	Attributable to equity holders of the Company				
	Share capital \$'000	Share option reserve \$'000	Accumulated profit \$'000	Total reserves \$'000	Total equity \$'000
As at 1 July 2007	13,145	411	14,958	15,369	28,514
Net profit for the financial year	-	-	1,576	1,576	1,576
Total recognised income and expenses for the financial year	-	-	1,576	1,576	1,576
Dividends on ordinary shares (Note 28)	-	-	(2,096)	(2,096)	(2,096)
At 30 June 2008 and 1 July 2008	13,145	411	14,438	14,849	27,994
Net profit for the financial year	-	-	919	919	919
Total recognised income and expenses for the financial year	-	-	919	919	919
Dividends on ordinary shares (Note 28)	-	-	(1,154)	(1,154)	(1,154)
Closing balance at 30 June 2009	13,145	411	14,203	14,614	27,759

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 2009

	2009	2008
	\$'000	\$'000
Operating activities		
Profit before tax	5,368	6,934
Adjustments for:		
Depreciation of property, plant and equipment (Note 3)	4,410	4,464
Loss on disposal of property, plant and equipment	–	13
Interest expense	82	221
Interest income	(115)	(230)
Allowance for inventories obsolescence	1,427	1,194
Write-back of allowance for inventories obsolescence	(855)	(437)
Inventories written off	44	174
Impairment loss on doubtful trade receivables	470	52
Reversal of impairment loss on doubtful trade receivables	–	(29)
Provision for defects	649	497
Reversal of provision for defects	(635)	(512)
Deferred income	(24)	(23)
Unrealised exchange (gain)/loss	(100)	207
	<hr/>	<hr/>
Operating cash flow before working capital changes	10,721	12,525
(Increase)/decrease in:		
Inventories	1,140	(3,493)
Trade receivables	7,427	(3,100)
Other receivables and deposits	277	(312)
Prepayments	(37)	(194)
(Decrease)/increase in:		
Trade payables	(6,146)	1,295
Other payables and accruals	(2,428)	(1,154)
Provisions	–	(273)
	<hr/>	<hr/>
Cash flow from operations	10,954	5,294
Income taxes paid	(1,307)	(1,267)
Tax refund	19	17
Interest paid	(82)	(221)
Interest received	115	230
	<hr/>	<hr/>
Net cash flows from operating activities	9,699	4,053
	<hr/>	<hr/>
Investing activities		
Purchase of property, plant and equipment, representing net cash used in investing activity	(1,189)	(2,307)
	<hr/>	<hr/>
Financing activities		
Dividends paid on ordinary shares	(1,154)	(2,096)
Repayment of term loans	(837)	(3,172)
Decrease in cash and cash equivalents (pledged)	130	26
	<hr/>	<hr/>
Net cash flows used in financing activities	(1,861)	(5,242)
Net increase/(decrease) in cash and cash equivalents	6,649	(3,496)
Cash and cash equivalents at beginning of financial year	13,905	17,941
Currency alignment on opening cash balances	203	(540)
	<hr/>	<hr/>
Cash and cash equivalents at end of financial year (Note 9)	20,757	13,905
	<hr/>	<hr/>

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

Notes to the Financial Statement

30 June 2009

1. Corporate information

Spindex Industries Limited (the "Company") is a limited liability company, incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

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, income statement 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 as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000) as indicated.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

2.2 Adoption of new and revised standards

(a) Adoption of new and revised FRS

In the current financial year, the Group has adopted all of the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective from 1 July 2007. The adoption of these new and revised FRS and INT FRS does not result in changes to the Group's and Company's accounting policies and has no material effect on the accounts reported for the current or prior years.

Notes to the Financial Statement

30 June 2009

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

2.2 Adoption of new and revised standards (cont'd)

(b) *FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective*

At the date of authorisation of these financial statements, the Group has not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective for annual periods beginning on or after
FRS 1	: Presentation of Financial Statements - Revised presentation - Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	: Borrowing Costs	1 January 2009
FRS 27	: Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	: Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	: Financial Instruments: Recognition and Measurement – Amendments relating to eligible hedged items	1 July 2009
FRS 39 and INT FRS 109	: Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives	30 June 2009
FRS 101	: First-time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	: Share-based payment – Vesting Conditions and cancellations	1 January 2009
FRS 107	: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2009
FRS 108	: Operating Segments	1 January 2009
INT FRS 116	: Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	: Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118	: Transfers of Assets from Customers	1 July 2009
Various	: Improvements to FRSs	1 January 2009, unless otherwise stated

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

Notes to the Financial Statement

30 June 2009

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

2.2 Adoption of new and revised standards (cont'd)

- (b) *FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective (Cont'd)*

FRS 108 - Operating segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2010.

2.3 Significant accounting judgements and estimates

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

- (a) *Judgements made in applying accounting policies*

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

- (i) *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 amount of the Group's income tax payables and deferred tax liabilities at the balance sheet date was \$517,000 (2008: \$614,000) and \$607,000 (2008: \$984,000) respectively.

- (b) *Key sources of estimation uncertainty*

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

- (i) *Useful lives of plant and equipment*

The cost of plant and equipment are depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. These are common life expectancies applied in the industry. 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. The carrying amount of the Group's plant and equipment at the balance sheet date is disclosed in Note 3 to the financial statements.

- (ii) *Impairment of loans and receivables*

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 6 and Note 7 to the financial statements.

Notes to the Financial Statement

30 June 2009

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

2.4 Basis 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 Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

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

2.5 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.

2.6 Functional and foreign currency

(a) Functional currency

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 fluctuations 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 income statement 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 equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary.

Notes to the Financial Statement

30 June 2009

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

2.6 Functional and foreign currency (cont'd)

(c) Foreign currency translation

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

2.7 Property, plant and equipment

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Factory building - freehold land	50 years
Leasehold land and buildings	25 - 50 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

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 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 income statement in the year the asset is derecognised.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Notes to the Financial Statement

30 June 2009

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

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

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

2.9 Financial assets

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.

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

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

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

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets classified as held for trading are derivatives (including separated embedded derivatives) or are acquired principally for the purpose of selling or repurchasing it in the near term.

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

(b) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.10 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset 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 impairment loss is recognised in the income statement.

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

Notes to the Financial Statement

30 June 2009

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

2.10 Impairment of financial assets (cont'd)

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

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

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

(b) Assets carried at cost

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

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, fixed deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash on hand and fixed deposits are classified and accounted for as loans and receivables under FRS 39.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash on hand and fixed deposits with banks. The accounting policy for this category of financial assets is stated in Note 2.9.

2.12 Trade and other receivables

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

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.10.

2.13 Inventories

Inventories 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. These costs are assigned on a first-in first-out basis.

Notes to the Financial Statement

30 June 2009

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

2.14 Provisions

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

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

2.15 Financial liabilities

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

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value or the derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.16 Borrowing costs

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. 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 incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.17 Government 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. 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 income statement over the expected useful life of the relevant asset by equal annual instalments.

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

2.18 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.

Singapore

The Group makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme. The Group makes monthly contributions based on stipulated contribution rates.

Notes to the Financial Statement

30 June 2009

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

2.18 Employee benefits (cont'd)

(a) *Defined contribution plans (cont'd)*

People's Republic of China ("PRC")

The subsidiaries incorporated in the PRC are required to provide certain staff pension benefits to their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by PRC legislation and are contributed to a pension fund managed by government agencies, which are paying pensions to the PRC subsidiaries' retired employees.

Malaysia

The subsidiary incorporated and operating in Malaysia is required to make contributions to the Employees Provident Fund (EPF), a defined contribution pension scheme. The subsidiary makes monthly contributions based on stipulated contribution rates.

Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

(b) *Employee leave entitlement*

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

(c) *Employee share option scheme*

Employees (including senior executives) of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in the income statement, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised 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 options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options 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 and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.19 Operating leases – as lessee

Leases where the lessor retains substantially all the risks and rewards of the ownership of assets are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) *Sale of goods*

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. 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.

Notes to the Financial Statement

30 June 2009

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

2.20 Revenue (cont'd)

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

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 substantially enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(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 assets and 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;
- 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; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset 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 tax asset to be utilised. Unrecognised deferred 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 utilised.

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

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Notes to the Financial Statement

30 June 2009

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

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 income statement for the financial year.

2.23 *Segment reporting*

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Notes to the Financial Statement

30 June 2009

3. Property, plant and equipment

Group	Freehold land \$'000	Factory building -freehold land \$'000	Leasehold land and buildings \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Quality control equipment \$'000	Warehouse equipment \$'000	Total \$'000
Cost											
At 1.7.2007	1,359	2,357	10,968	1,020	45,592	796	531	2,068	546	1,968	67,205
Additions	-	-	-	49	2,078	8	-	133	31	8	2,307
Disposals	-	-	-	(10)	(624)	(2)	-	(29)	(5)	(3)	(673)
Reclassification	-	-	-	-	509	(167)	-	167	(27)	(482)	-
Exchange difference on translation	(79)	(138)	(249)	(28)	(845)	(6)	(4)	(45)	(2)	(38)	(1,434)
At 30.6.2008 and 1.7.2008	1,280	2,219	10,719	1,031	46,710	629	527	2,294	543	1,453	67,405
Additions	-	-	76	-	830	28	43	109	71	32	1,189
Disposals	-	-	-	-	(1,720)	(4)	-	(14)	-	(33)	(1,771)
Exchange difference on translation	(22)	(36)	410	29	797	-	21	56	13	(4)	1,264
At 30.6.2009	1,258	2,183	11,205	1,060	46,617	653	591	2,445	627	1,448	68,087

Notes to the Financial Statement

30 June 2009

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

Group	Freehold land \$'000	Factory building -freehold land \$'000	Leasehold land and buildings \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Quality control equipment \$'000	Warehouse equipment \$'000	Total \$'000
Accumulated depreciation											
At 1.7.2007	-	354	3,416	560	28,187	601	304	1,552	391	1,902	37,267
Charge for the year	-	46	367	20	3,608	53	47	169	38	116	4,464
Disposals	-	-	-	(7)	(617)	(2)	-	(26)	(5)	(3)	(660)
Reclassification	-	-	-	-	683	(126)	-	126	-	(683)	-
Exchange difference on translation	-	(22)	(21)	(10)	(364)	(4)	-	(26)	(1)	(32)	(480)
At 30.6.2008 and 1.7.2008	-	378	3,762	563	31,497	522	351	1,795	423	1,300	40,591
Charge for the year	-	44	382	20	3,536	49	56	177	48	98	4,410
Disposals	-	-	-	-	(1,721)	(4)	-	(13)	-	(33)	(1,771)
Exchange difference on translation	-	(7)	68	33	489	-	10	37	6	(6)	630
At 30.6.2009	-	415	4,212	616	33,801	567	417	1,996	477	1,359	43,860
Net carrying amount											
At 30.6.2009	1,258	1,768	6,993	444	12,816	86	174	449	150	89	24,227
At 30.6.2008	1,280	1,841	6,957	468	15,213	107	176	499	120	153	26,814

Notes to the Financial Statement

30 June 2009

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

Company	Leasehold 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	Total \$'000
Cost								
At 1.7.2007	4,891	18,411	540	176	902	348	813	26,081
Additions	49	718	3	–	37	18	4	829
Disposals	–	(317)	(2)	–	(25)	(5)	(3)	(352)
At 30.6.2008 and 1 July 2008	4,940	18,812	541	176	914	361	814	26,558
Additions	–	42	28	–	1	–	–	71
Disposals	–	(1,785)	(4)	–	(8)	–	(33)	(1,830)
At 30.6.2009	4,940	17,069	565	176	907	361	781	24,799
Accumulated depreciation								
At 1.7.2007	2,580	11,702	402	176	786	327	662	16,635
Charge for the year	201	1,456	49	–	40	10	86	1,842
Disposals	–	(209)	(2)	–	(22)	(5)	(3)	(241)
At 30.6.2008 and 1 July 2008	2,781	12,949	449	176	804	332	745	18,236
Charge for the year	209	1,413	45	–	35	12	63	1,777
Disposals	–	(1,257)	(4)	–	(8)	–	(33)	(1,302)
At 30.6.2009	2,990	13,105	490	176	831	344	775	18,711
Net carrying amount								
At 30.6.2009	1,950	3,964	75	–	76	17	6	6,088
At 30.6.2008	2,159	5,863	92	–	110	29	69	8,322

Leasehold land and buildings have remaining lease terms of 21 to 41 years (2008: 22 to 42 years) as at balance sheet date.

As at 30 June 2009, Synturn (M) Sdn. Bhd., a subsidiary incorporated in Malaysia, has leasehold land and building, with net book value of \$3,067,366 (2008 : \$3,121,305), pledged as securities for banking facilities granted by the banks (Note 13).

4. Investment in subsidiaries

	Company	
	2009 \$'000	2008 \$'000
Unquoted equity shares:		
Cost at beginning and end of financial year	12,169	12,169

Notes to the Financial Statement

30 June 2009

4. Investment in subsidiaries (Cont'd)

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	
			2009 %	2008 %	2009 \$'000	2008 \$'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
					12,169	12,169

+ Audited by LLP, Johor Bahru.

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

Audited by Auditing & Accounting Financial Consultancy Service Company Limited

* Financial year ended 30 June

** Financial year ended 31 December

5. Inventories

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance sheet:				
Finished goods	3,029	3,888	1,831	2,269
Work-in-progress	2,620	2,920	866	967
Raw materials	2,845	3,412	682	788
Goods-in-transit	213	108	-	-
	8,707	10,328	3,379	4,024
Income statement:				
Inventories recognised as an expense in cost of sales	50,164	61,112	21,919	30,773

Notes to the Financial Statement

30 June 2009

5. Inventories (cont'd)

Movements in allowance for stock obsolescence during the financial year are as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At beginning of financial year	1,539	819	1,008	397
Allowance for the financial year	1,427	1,194	730	647
Write-off against allowance	-	(18)	-	(18)
Write-back of allowance	(855)	(437)	(265)	(18)
Exchange difference on translation	7	(19)	-	-
At end of financial year	<u>2,118</u>	<u>1,539</u>	<u>1,473</u>	<u>1,008</u>

The write-back of allowance for stock obsolescence was made when the related inventories were sold above their carrying amounts.

6. Trade receivables

The table below is an analysis of trade receivables as at 30 June:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not past due and not impaired	9,967	14,981	2,496	6,010
Past due but not impaired *	2,473	4,974	815	1,981
	<u>12,440</u>	<u>19,955</u>	<u>3,311</u>	<u>7,991</u>
<i>Impaired trade debtors - individually assessed</i>				
Customers in bankruptcy	191	-	191	-
Customers who default on payment within stipulated framework	294	149	-	-
Customers who disputes on invoice billed	142	-	-	-
Less: Accumulated impairment losses	(627)	(149)	(191)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total trade receivables, net	<u>12,440</u>	<u>19,955</u>	<u>3,311</u>	<u>7,991</u>
<i>*Aging of trade receivables that are past due but not impaired</i>				
Lesser than 30 days	1,136	3,643	525	1,213
30 to 60 days	719	947	178	692
61 to 90 days	394	187	101	40
More than 90 days	224	197	11	36
	<u>2,473</u>	<u>4,974</u>	<u>815</u>	<u>1,981</u>

The carrying amount of trade receivables impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Company ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade debtor is ascertained to be uncollectible, it is written off against the allowance account.

Notes to the Financial Statement

30 June 2009

6. Trade receivables (Cont'd)

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

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At beginning of financial year	149	129	–	11
Allowance for the financial year	470	52	191	–
Write-back of allowance	–	(29)	–	(8)
Write-off against allowance	–	(3)	–	(3)
Exchange differences on translation	8	–	–	–
At end of financial year	627	149	191	–

Trade receivables are non-interest bearing and are generally on 30-120 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	
	2009 \$'000	2008 \$'000
United States Dollars	8,995	16,000
Malaysian Ringgit	402	1,819
Chinese Yuan Renminbi	2,089	657

7. Other receivables and deposits

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Other receivables	567	827	177	3
Deposits	171	112	–	–
	738	939	177	3

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

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

Notes to the Financial Statement

30 June 2009

9. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fixed deposits	4,997	4,786	–	2,245
Cash and bank balances	15,760	9,250	6,764	1,403
	20,757	14,036	6,764	3,648
Less : Pledged cash and bank balances	–	(131)	–	–
	20,757	13,905	6,764	3,648

Cash and bank balances of the Group amounting to \$nil (2008: \$131,000) are pledged to a bank to secure banking facilities.

The fixed deposits earn interest at 0.3% to 3.1% (2008: 0.3% to 5.0%) 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	
	2009 \$'000	2008 \$'000
United States Dollars	8,813	6,167
Malaysian Ringgit	5,790	2,712
Chinese Yuan Renminbi	3,088	1,995

10. 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	
	2009 \$'000	2008 \$'000
United States Dollars	1,447	5,027
Chinese Yuan Renminbi	2,716	2,962
Malaysian Ringgit	659	1,427

11. Other payables and accruals

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Other payables	898	1,793	85	162
Accrued operating expenses	934	1,010	422	582
Accrued payroll benefits	2,296	3,682	893	1,664
	4,128	6,485	1,400	2,408

Notes to the Financial Statement

30 June 2009

12. Provision for defects

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At beginning of financial year	730	1,039	138	696
Provision for the financial year	649	497	57	–
Write-back of provision	(635)	(512)	(48)	(284)
Utilisation in current year	–	(273)	–	(274)
Exchange difference on translation	9	(21)	–	–
At end of financial year	753	730	147	138

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.

13. Long term loans

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Unsecured</i>				
Due within one year	546	683	546	683
Due after one year	364	854	364	854
	910	1,537	910	1,537
<i>Secured</i>				
Due within one year	241	230	–	–
Due after one year	97	323	–	–
	338	553	–	–
Total long term loans	1,248	2,090	910	1,537

Long term loans consist of various bank loans that mature in November 2009, November 2010 and June 2011. These loans are repayable in equal monthly instalments and bear interest at rates ranging from 2.6% to 7.0% (2008: 4.3% to 7.0%) per annum and are secured as follows:

- loan facility for Malaysia subsidiary is secured by land and building of the Malaysia subsidiary with a net book value of approximately \$3,067,366 (2008: \$3,121,305) (Note 3); and
- corporate guarantees issued by the Company to the subsidiaries (Note 26).

Notes to the Financial Statement

30 June 2009

14. Deferred tax

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

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>Deferred tax liabilities</i>				
Differences in depreciation	1,464	1,744	(280)	(222)
<i>Deferred tax assets</i>				
Provision and other taxable temporary differences	(857)	(760)	(97)	(279)
Net deferred tax liabilities	607	984		
Deferred income tax expense			(377)	(501)
Company				
			2009 \$'000	2008 \$'000
<i>Deferred tax liabilities</i>				
Differences in depreciation			813	1,117
<i>Deferred tax assets</i>				
Provision and other taxable temporary differences			(505)	(355)
Net deferred tax liabilities			308	762

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately \$859,000 (2008: \$597,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, no deferred tax asset (2008: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

15. Share capital

	Group and Company	
	2009 \$'000	2008 \$'000
	Issued and fully paid	
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 restrictions.

Notes to the Financial Statement

30 June 2009

15. Share capital (cont'd)

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	
	2009	2008
	'000	'000
<i>Options outstanding</i>		
At beginning of financial year	1,511	1,511
Lapsed	(227)	-
At end of financial year	<u>1,284</u>	<u>1,511</u>

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

Expiry date	Exercise price		
4 March 2011	\$0.24	41	41
30 September 2013	\$0.49	1,243	1,470
		<u>1,284</u>	<u>1,511</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 2009	WAEP 2009	No. of share options 2008	WAEP 2008
Outstanding at beginning of financial year ^①	1,511,000	\$0.48	1,511,000	\$0.48
Expired during the financial year	(227,000)	\$0.49	-	-
Outstanding at end of financial year ^{①, ②}	<u>1,284,000</u>	\$0.48	<u>1,511,000</u>	\$0.48
Exercisable at end of financial year	<u>1,284,000</u>	\$0.48	<u>1,511,000</u>	\$0.48

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 (2008 : \$0.24 to \$0.49). The weighted average remaining contractual life for these options is 5 years (2008 : 6 years).

Notes to the Financial Statement

30 June 2009

15. Share capital (cont'd)

Employee share option plans (cont'd)

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 2009 and 2008 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.

16. 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 over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options (if any).

(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 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 of the subsidiaries.

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 2009, the board of directors of the subsidiaries resolved to appropriate 10% (2008 : 10%) of the net profit as reported in its statutory financial statements for the financial year ended 31 December 2008 to the reserve fund.

17. Revenue

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

Notes to the Financial Statement

30 June 2009

18. Other operating income

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Dividend income from subsidiaries	–	–	3,063	3,725
Insurance claims	75	94	10	5
Sale of scrap	898	1,531	112	180
Other income	218	24	189	24
Interest income from fixed deposits	115	230	10	117
	<u>1,306</u>	<u>1,879</u>	<u>3,384</u>	<u>4,051</u>

19. Profit from operations

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

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-audit fees paid to				
- auditors of the Company	15	27	15	27
- other auditors	8	4	–	–
Depreciation of property, plant and equipment	4,410	4,464	1,777	1,842
Foreign exchange (gain)/loss, net	(357)	1,998	57	1,260
Employee benefits (Note 20)*	11,111	13,366	4,566	5,861
Operating lease expenses	112	93	101	82
Fair value changes of derivative financial instruments	–	149	–	149
Loss on disposal of property, plant and equipment	–	13	–	2
	<u>–</u>	<u>13</u>	<u>–</u>	<u>2</u>

* This includes Directors' remuneration.

20. Employee benefits

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Wages, salaries and bonuses	9,110	11,302	3,886	5,093
Central Provident Fund and other defined contribution plans	952	933	317	321
Other personnel costs	1,049	1,131	363	447
	<u>11,111</u>	<u>13,366</u>	<u>4,566</u>	<u>5,861</u>

Notes to the Financial Statement

30 June 2009

21. Directors' remuneration and fees

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

	2009			2008		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
\$500,000 and above	–	–	–	1	–	1
\$250,000 to \$499,999	–	–	–	1	–	1
\$0 to \$249,999	3	2	5	1	3	4
	3	2	5	3	3	6

22. Financial expenses

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Interest expense				
- bank term loans	82	221	52	141

23. Income tax

(a) Major components of income tax expense

The major components of income tax expense/(credit) for the financial years ended 30 June 2009 and 2008 are:

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current income tax				
- current income taxation	1,271	1,639	–	7
- overprovision in respect of prior years	(117)	–	–	–
Deferred income tax				
- movement in temporary differences	(329)	(616)	(423)	(451)
- (over)/underprovision in respect of prior years	(5)	115	12	80
- effect of reduction in tax rate	(43)	–	(43)	–
	777	1,138	(454)	(364)

Notes to the Financial Statement

30 June 2009

23. Income tax (cont'd)

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

The reconciliation between tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2009 and 2008 is as follows:

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit before tax	5,368	6,934	465	1,212
Tax at the domestic tax rate applicable to profits of 17% (2008 : 18%)	913	1,248	79	218
Tax effect of:				
- different tax rates in other countries	232	189	-	-
- expenses not deductible for tax purposes	32	10	7	15
- income not subject to tax	(82)	(36)	(539)	(670)
- tax exemption	(245)	(279)	-	-
- overprovision of current tax in respect of prior years	(117)	-	-	-
- (over)/underprovision of deferred tax in respect of prior years	(5)	115	12	80
- deferred tax assets not recognised	25	14	-	-
- utilisation of deferred tax assets not recognised in prior years	(14)	(10)	-	-
- utilisation of reinvestment allowance	(23)	(77)	-	-
- effect of reduction in tax rate	(43)	(23)	(43)	-
- others	104	(13)	30	(7)
Income tax expense/(credit) recognised in the income statement	777	1,138	(454)	(364)

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.

The corporate tax rate for Spindex Precision Engineering (Shanghai) Co., Ltd. has increased from 18% to 20% effective from 1 January 2009 (2008: 15% to 18% effective from 1 January 2008) and will progressively increase to 25% by 1 January 2011.

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. The full exemption of corporate tax rate for Suzhou has ended in December 2007 and its tax rate is 12.5% effective from 1 January 2008 to 31 December 2010. Thereafter, the tax rate will be at 25%.

Notes to the Financial Statement

30 June 2009

23. Income tax (cont'd)

Subsidiaries (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.

Under Decree 24/2007/ND-CP dated 14 February 2007, effective from fiscal year 2007, business entities licensed before 11 January 2007 (WTO event) and under the tax incentive/holiday periods because of meeting the export rate requirement shall be taxed as usual only after the year 2011.

Synturn (M) Sdn. Bhd.

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2008: 26%) of the estimated assessable profit for the year.

24. Earnings per share (cents)

Basic earnings per share is calculated by dividing the net profit for the financial year of \$4,591,000 (2008 : \$5,796,000) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing net profit for the financial year by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The number of unissued shares under options granted under the Spindex ESOS and their exercise price are set out in the Directors' Report.

The following tables reflect the information used in the computation of diluted earnings per share for the years ended 30 June:

	Weighted average number of shares	
	2009 '000	2008 '000
Weighted average number of ordinary shares for basic earnings and loss per share computation	115,365	115,365
Effects of dilution:		
- Share options	—	41
Weighted average number of ordinary shares for diluted earnings and loss per share computation	<u>115,365</u>	<u>115,406</u>

1,284,000 (2008 : 1,470,000) of share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial periods presented.

Since the end of the financial year, key executives have not exercised the options to acquire any (2008 : nil) ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

The dilutive potential ordinary shares have minimal impact on the earnings per share as at 30 June 2009 and 2008.

Notes to the Financial Statement

30 June 2009

25. 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	
	2009	2008
	\$'000	\$'000
Short-term employee benefits	1,142	1,398
Central Provident Fund and other defined contribution plans	38	52
Directors' fees	83	98
Total compensation paid	<u>1,263</u>	<u>1,548</u>
Comprise amounts paid to:		
Directors of the Company		
- fees	83	98
- remuneration	536	751
	<u>619</u>	<u>849</u>
Other key management personnel	644	699
	<u>1,263</u>	<u>1,548</u>

26. Commitments and contingent liabilities

(a) **Capital expenditure commitments**

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

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Commitments in respect of contracts placed	-	304	-	-

Notes to the Financial Statement

30 June 2009

26. Commitments and contingent liabilities (cont'd)

(b) *Operating lease commitments – as lessee*

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 21 to 25 (2008 : 22 to 26) years.

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

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not later than one year	94	103	83	92
Later than one year but not later than five years	543	559	499	515
Later than five years	15,795	17,239	15,567	17,001
	<u>16,432</u>	<u>17,901</u>	<u>16,149</u>	<u>17,608</u>

(c) *Guarantees*

The Company has provided corporate guarantees to the banks for a loan of \$206,337 (2008 : \$836,800) taken by its Malaysian subsidiary (Note 13) as at the balance sheet date.

27. 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.

Notes to the Financial Statement

30 June 2009

27. Segment information (cont'd)

(a) Business segments

	Imaging and printing		Machinery and automotive systems		Others		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	35,982	38,731	13,119	21,809	14,754	18,793	63,855	79,333
Gross profit	7,439	8,520	1,967	3,443	3,084	4,546	12,490	16,509
Unallocated expenses							(7,040)	(9,354)
Operating profit							5,450	7,155
Financial expenses							(82)	(221)
Income tax							(777)	(1,138)
Net profit for the financial year							4,591	5,796
Assets								
Trade receivables	7,010	9,461	2,556	5,770	2,874	4,724	12,440	19,955
Unallocated assets							55,208	52,859
Total assets							67,648	72,814
Unallocated liabilities							14,242	23,865

Other segment information

Depreciation of plant and machinery	1,993	1,761	726	992	817	855	3,536	3,608
Depreciation of other assets							874	856
Depreciation expense for the financial year							4,410	4,464

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.

(b) Geographical segments

	Turnover		Assets		Capital expenditure	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
People's Republic of China	21,300	30,750	19,224	20,072	425	829
Singapore	8,013	9,160	19,639	23,985	73	764
ASEAN (excludes Singapore)	25,434	27,121	28,785	28,757	691	714
USA, Europe and others	9,108	12,302	-	-	-	-
	63,855	79,333	67,648	72,814	1,189	2,307

Notes to the Financial Statement

30 June 2009

28. Dividends

	Group and Company	
	2009	2008
	\$'000	\$'000
Declared and paid during the year		
Final dividend of 1.00 (2008 : 0.46) cents per ordinary share in respect of the previous financial year	1,154	435
Final exempt (one-tier) dividend of nil (2008 : 0.94) cents per ordinary share in respect of the previous financial year	–	1,084
Interim exempt (one-tier) dividend of nil (2008 : 0.50) cents per ordinary share in respect of the current financial year	–	577
	1,154	2,096
Proposed but not recognised as a liability as at 30 June		
Final dividend of 1.40 (2008 : nil) cents per ordinary share less tax	1,615	–
Final exempt (one-tier) dividend of nil (2008 : 1.00) cents per ordinary share	–	1,154
	1,615	1,154

29. Financial risk management and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Financial Controller. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2008 : less than 6 months) from the balance sheet date.

The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. At the balance sheet date, approximately 27% (2008 : 26%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD interest rates had been 50 (2008 : 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been \$99,000 (2008 : \$53,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings and lower/higher interest income from floating rate fixed deposits and bank balances.

Notes to the Financial Statement

30 June 2009

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

(b) **Foreign currency risk**

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily United States Dollars (USD), Chinese Yuan Renminbi (RMB) and Malaysian Ringgit (RM).

The foreign currencies in which these transactions are denominated are mainly USD. Approximately 69% (2008 : 73%) of the Group's sales are denominated in foreign currencies whilst almost 44% (2008 : 30%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) amounted to \$8,813,000 (2008 : \$6,167,000) and \$3,706,000 (2008 : \$822,000) for the Group and the Company respectively.

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.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, People's Republic of China ("PRC") and Vietnam. The Group's net investments in Malaysia, PRC and Vietnam are not hedged as currency positions in RM, RMB and USD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a 5% (2008 : 5%) strengthening or weakening of SGD exchange rate, with all other variables held constant, of the Group's and Company's profit before taxation and equity.

	The Group		The Company	
	30 June		30 June	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<u>Effects of strengthening of SGD</u>				
Profit before taxation	421	939	24	322
Equity	1,294	866	287	301
<u>Effect of weakening of SGD</u>				
Profit before taxation	(421)	(939)	(24)	(322)
Equity	(1,294)	(866)	(287)	(301)

Notes to the Financial Statement

30 June 2009

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

(c) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- a nominal amount of \$836,800 (2008 : \$1,246,600) relating to corporate guarantees provided by the Company to the banks on a subsidiary's bank loan.

Credit risk concentration profile

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

	Outstanding balance		Percentage of total financial assets	
	2009 \$'000	2008 \$'000	2009 %	2008 %
By industry:				
Imaging and printing	6,658	9,461	54	47
Machinery and automotive systems	2,002	5,770	16	29
Others	3,780	4,724	30	24
By region:				
Singapore	1,654	2,492	13	12
People's Republic of China	4,291	8,058	34	40
ASEAN (excludes Singapore)	3,948	6,483	33	33
USA, Europe and others	2,547	2,922	20	15

At the balance sheet date, approximately 67% (2008: 49%) of the Group's trade receivables were due from 5 major customers who are multi-industry conglomerates.

Financial assets that are either past due or impaired

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

Information regarding financial assets that are either past due or impaired is disclosed in Note 6 (trade receivables).

Notes to the Financial Statement

30 June 2009

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

(d) *Liquidity risk*

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

The Group's and the Company's liquidity risk management policy is to monitor and maintain a level of cash and bank balances deemed sufficient to finance the Group's operations and mitigate the effects of fluctuations in cash flows. At the balance sheet date, approximately 63% (2008 : 44%) of the Group's long term loans (Note 13) will mature in less than one year based on the carrying amount reflected in the financial statements.

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

	2009				2008			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group								
Long term loans	787	470	–	1,257	913	1,276	–	2,189
Trade payables	6,896	–	–	6,896	12,850	–	–	12,850
Other payables and accruals	4,128	–	–	4,128	6,485	–	–	6,485
Company								
Long term loans	546	371	–	917	683	921	–	1,604
Trade payables	2,253	–	–	2,253	4,685	–	–	4,685
Other payables and accruals	1,400	–	–	1,400	2,408	–	–	2,408

Notes to the Financial Statement

30 June 2009

30. 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Group				
<i>Financial liabilities</i>				
Long-term bank loans, non-current	461	1,177	516	1,415
Company				
<i>Financial liabilities</i>				
Long-term bank loans, non-current	364	854	364	854

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 (2008 : nil) has been recognised in the income statement in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique.

Notes to the Financial Statement

30 June 2009

30. Financial instruments

(b) *Classification of financial instruments*

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
2009			
The Group			
Assets			
Trade receivables	12,440	–	12,440
Other receivables and deposits	738	–	738
Fixed deposits	4,997	–	4,997
Cash and bank balances	15,760	–	15,760
Total financial assets	33,935	–	33,935
Total non-financial assets			33,713
Total assets			67,648
Liabilities			
Trade payables	–	6,896	6,896
Other payables and accruals	–	4,128	4,128
Long term loans	–	1,248	1,248
Total financial liabilities	–	12,272	12,272
Total non-financial liabilities			1,970
Total liabilities			14,242
2008			
The Group			
Assets			
Trade receivables	19,955	–	19,955
Other receivables and deposits	939	–	939
Fixed deposits	4,786	–	4,786
Cash and bank balances	9,250	–	9,250
Total financial assets	34,930	–	34,930
Total non-financial assets			37,884
Total assets			72,814
Liabilities			
Trade payables	–	12,850	12,850
Other payables and accruals	–	6,485	6,485
Long term loans	–	2,090	2,090
Total financial liabilities	–	21,425	21,425
Total non-financial liabilities			2,440
Total liabilities			23,865

Notes to the Financial Statement

30 June 2009

30. Financial instruments (cont'd)

(b) Classification of financial instruments (cont'd)

	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
2009			
The Company			
Assets			
Trade receivables	3,311	–	3,311
Other receivables and deposits	177	–	177
Related parties	1,607	–	1,607
Cash and bank balances	6,764	–	6,764
Total financial assets	<u>11,859</u>	<u>–</u>	<u>11,859</u>
Total non-financial assets			<u>21,697</u>
Total assets			<u>33,556</u>
Liabilities			
Trade payables	–	2,253	2,253
Other payables and accruals	–	1,400	1,400
Related parties	–	579	579
Long term loans	–	910	910
Total financial liabilities	<u>–</u>	<u>5,142</u>	<u>5,142</u>
Total non-financial liabilities			<u>655</u>
Total liabilities			<u>5,797</u>
2008			
The Company			
Assets			
Trade receivables	7,991	–	7,991
Other receivables and deposits	3	–	3
Related parties	2,320	–	2,320
Fixed deposits	2,245	–	2,245
Cash and bank balances	1,403	–	1,403
Total financial assets	<u>13,962</u>	<u>–</u>	<u>13,962</u>
Total non-financial assets			<u>24,608</u>
Total assets			<u>38,570</u>
Liabilities			
Trade payables	–	4,685	4,685
Other payables and accruals	–	2,408	2,408
Related parties	–	841	841
Long term loans	–	1,537	1,537
Total financial liabilities	<u>–</u>	<u>9,471</u>	<u>9,471</u>
Total non-financial liabilities			<u>1,105</u>
Total liabilities			<u>10,576</u>

Notes to the Financial Statement

30 June 2009

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2009 and 2008.

As disclosed in Note 16(c), certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2007 and 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 50%. As at 30 June 2009 and 2008, the Group and the Company is in a net cash position. Net cash includes cash and cash equivalents, less short and long term borrowings.

32. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2009 were authorised for issue in accordance with a resolution of the Directors on 25 September 2009.

Details of Major Properties in the Group

Major properties of the Group are as follows:

DESCRIPTION	LOCATION	AREA (SQ.METRES)	TENURE OF LEASE	NET BOOK VALUE	
				2009 \$'000	2008 \$'000
Leasehold property	Singapore 6 Neythal Road Singapore 628573	4,477	60 years	1,950	2,159
	People's Republic of China 475 Fa Sai Road WaiGaoQiao Free Trade Zone Shanghai 200131 China	8,144	50 years	3,651	3,530
	Vietnam Lot No. 7 Noi Bai Industrial Zone Quang Tien Soc Son District Hanoi Vietnam	9,578	30 years	1,581	1,469
Freehold property	Malaysia 6 Jalan Istimewa 7 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Malaysia	9,470	NA	3,282	3,388

Statistics of Shareholdings

as at 16 September 2009

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	7	0.63	4,334	0.00
1,000 - 10,000	669	60.54	3,659,550	3.17
10,001 - 1,000,000	411	37.20	31,364,334	27.19
1,000,001 and above	18	1.63	80,336,782	69.64
Total :	1,105	100.00	115,365,000	100.00

Twenty Largest Shareholders

Name	No. of Shares	%
1. Tan Choo Pie @ Tan Chang Chai	28,175,670	24.42
2. Phillip Securities Pte Ltd	10,715,000	9.29
3. DB Nominees (S) Pte Ltd	6,150,000	5.33
4. UOB Kay Hian Pte Ltd	5,042,000	4.37
5. United Overseas Bank Nominees Pte Ltd	4,963,000	4.30
6. Teoh Eng Teck	4,924,000	4.27
7. Lie Khin Sin	3,800,000	3.29
8. CIMB-GK Securities Pte. Ltd.	2,677,000	2.32
9. OCBC Securities Private Ltd	2,548,000	2.21
10. Ng Ching Siang	1,580,000	1.37
11. Kwok Meng Sun or Wong Poh Yook	1,488,000	1.29
12. Loh Buck Chin Jenigeline	1,415,000	1.23
13. Ng Soo Giap	1,351,000	1.17
14. Lee Chui Huat	1,188,000	1.03
15. Yeo Seng Chong	1,125,000	0.98
16. Wong Liang Kwang	1,106,000	0.96
17. Hong Leong Finance Nominees Pte Ltd	1,060,000	0.92
18. Tan Kin Tatt	1,029,112	0.89
19. Lam Siu Fen @ Lie Siu Fen	1,000,000	0.87
20. Sim Beng Chye	1,000,000	0.87
Total :	82,336,782	71.38

Based on the information available to the Company, approximately 74.71% 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	Direct Interest	Deemed Interest
Tan Choo Pie @ Tan Chang Chai	28,175,670	-
Yeo Seng Chong	1,125,000	6,300,000
Yeoman Capital Management Pte Ltd	-	6,150,000

Notice of the 22nd Annual General Meeting

SPINDEX INDUSTRIES LIMITED

(Registration No. 198701451M)

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of the Company will be held at 6 Neythal Road Singapore 628573 on Friday, 30 October 2009 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 2009, together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a gross final dividend of 1.4 cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2009 (previous year: 1 cent per ordinary share tax exempt (one-tier)). **(Resolution 2)**
3. To re-elect Mr Chen Chang Rong as a Director under Article 115 of the Company's Articles of Association. [See Explanatory Note (i)] **(Resolution 3)**
4. To re-elect Mr Lee Soo Guan as a Director under Article 115 of the Company's Articles of Association. **(Resolution 4)**
5. To approve the payment of Directors' fees of S\$82,500 for the financial year ended 30 June 2009 (previous year: S\$97,500). **(Resolution 5)**
6. To re-appoint Messrs Ernst & Young LLP 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. "SHARE ISSUE MANDATE"

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 of 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 total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted 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 issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

Notice of the 22nd Annual General Meeting

- (ii) for the purpose of determining the aggregate number of shares that may be issued under subparagraph (i) above, the percentage of the total number of issued shares excluding treasury shares of the Company shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:
 - (1) new shares arising from the conversion or exercise of any convertible securities;
 - (2) 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
 - (3) any subsequent bonus issue, 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." [See Explanatory Note (ii)] **(Resolution 7)**

9. "SPINDEX EMPLOYEES' SHARE OPTION SCHEME

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 (the "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 ten per cent (10%) of the total number of issued shares excluding treasury shares of the Company from time to time." [See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 13 October 2009

Notice of the 22nd Annual General Meeting

Explanatory Notes

- (i) **Resolution 3** – Mr Chen Chang Rong is an Executive Director of the Company and a member of the Audit Committee.
- (ii) **Resolution 7** – 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 issued shares excluding treasury 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 issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 7, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) 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 (iii) any subsequent bonus issue, consolidation or subdivision of shares.
- (iii) **Resolution 8** – is to authorise the Directors to offer and grant options in accordance with the provisions of the Scheme and pursuant to Section 161 of the Companies Act, Cap. 50 to allot and issue shares under the Scheme. The size of the Scheme is limited to ten per cent (10%) of the total number of issued shares excluding treasury shares of the Company for the time being.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote 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 lodged at the registered office of the Company at 6 Neythal Road, Singapore 628573 not less than forty eight (48) hours before the time fixed for the Annual General Meeting.

SPINDEX INDUSTRIES LIMITED

(Registration No. 198701451M)

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.

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 22nd Annual General Meeting of the Company to be held at 6 Neythal Road, Singapore 628573 on 30 October 2009 at 2.30 p.m. and at any adjournment thereof.

The proxy/proxies 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/proxies 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 Directors' Report and Audited Accounts for the financial year ended 30 June 2009 (Resolution 1)		
2.	Payment of proposed gross final dividend of 1.4 cents per ordinary share tax exempt (one-tier) (Resolution 2)		
3.	Re-election of Mr Chen Chang Rong as a Director (Resolution 3)		
4.	Re-election of Mr Lee Soo Guan as a Director (Resolution 4)		
5.	Approval of Directors' fees amounting to S\$82,500 (Resolution 5)		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors (Resolution 6)		
7.	Any other routine business		
	SPECIAL BUSINESS		
8.	Authority for Directors to allot and issue new 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)		

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this _____ day of _____ 2009

Total Number of Shares held in:	
CDP Register	
Register of Members	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF.



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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 form of proxy will be deemed to relate to all the shares held by you.
2. Save as provided in the Articles of Association, a member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be lodged at the Company's Registered Office at 6 Neythal Road, Singapore 628573 not less than forty eight (48) hours before the time set for the meeting.
4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

General:

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



Spindex Industries Limited

6 Neythal Road Singapore 628573

Tel: (65) 6268 0078

Fax: (65) 6268 5034

Email: cse@spindex.com.sg

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

Co. Reg No. 198701451M

Synturn (M) Sdn Bhd

6 Jalan Istimewa 7

Taman Perindustrian Cemerlang

81800 Ulu Tiram

Johor Darul Takzim

Malaysia

Tel: (60) 7863 2633

Fax: (60) 7863 2629

Email: cse@synturn.com.my

Spindex Industries (Hanoi) Co., Ltd

Lot No. 7A, Noi Bai Industrial Zone

Quang Tien Commune, Soc Son District

Hanoi, Vietnam

Tel: (84) 4 5821633

Fax: (84) 4 5821555

Email: cse@spindex.com.vn

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

475 Fa Sai Road

WaiGaoQiao Free Trade Zone

Shanghai PRC Postcode: 200131

Tel: (86) 21 5048 1183

Fax: (86) 21 5048 1180

Email: cse@spindex.com.cn

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

58 Yin Sheng Road

ShengPu Development Zone

Tel: (86) 512 6701 0598

Fax: (86) 512 6701 0599

Email: cse_sz@spindex.com.cn