



Leveraging Our **STRENGTHS**

Spindex Industries Limited

annual report 2011

OUR PRESENCE



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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 programme and is an approved ITE Training Centre in the ITE Skills Certification in Autonomous Maintenance.



CHAIRMAN'S STATEMENT



Tan Choo Pie @ Tan Chang Chai
Chairman

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 2011.

Reviewing FY2011

When the last global economic downturn bottomed in mid 2009, the subsequent recovery led to a rebound in consumer demand. This pent up demand benefited the Group in FY2010, and resulted in a record full year performance. The level of demand for the Group's precision-machined components and assemblies was sustained into FY2011 and the Group was able to supply a mix of higher value products during the year. However, due to challenging economic and market conditions encountered by the Group, such as a declining US Dollar and overall pricing pressure, Group turnover eased by 0.5% to \$81.7 million in FY2011.

Sales for Imaging & Printing, the largest business sector of the Group, fell 17% to \$34.3 million due to cautious business sentiments and supplier base restructuring by some customers. Due to marketing efforts in prior years, the Machinery and Automotive business sector secured higher business allocations from existing customers and registered a healthy turnover growth of 25% to \$27.6 million. The balance of the Group's businesses, classified under "Others", benefited from higher demand for consumer and lifestyle products and grew 6% to \$19.8 million for the year.

The challenging business conditions in FY2011 caused by foreign exchange volatility, pricing pressure and rising input costs took a bigger toll on group profitability. A

much smaller write back, net of allowance for inventory obsolescence in FY2011 as compared to FY2010 and higher foreign exchange loss due to the weakening US Dollar contributed to the 25% decline in profit before tax to \$5.0 million. A combination of higher corporate tax rate in China and the expiry of the zero incentive tax rate in Hanoi significantly increased the Group's tax expense, resulting in the net profit attributable to shareholders declining 39% to \$3.7 million in FY2011.

To reward shareholders in a challenging year, your Directors have proposed a final tax-exempt cash dividend of 0.9 Singapore cents per ordinary share to commensurate with the lower profitability in FY2011. Pending approval by shareholders at the forthcoming annual general meeting to be held on 25 October 2011, the dividend will be paid on 18 November 2011.

Strengthening the Foundation

In the last few years, the Group has concentrated on building and sustaining a strong business foundation. During the global economic crisis, we used the business slowdown to refine our work processes to increase our competitiveness by improving the efficiency of our production platform and operating structure. During the period of growth that followed the economic crisis, we selectively invested in expanding our production capacities and capabilities to support our customer-centric strategy of undertaking higher value added businesses with our key customers so as to enhance our position as their one-stop solution provider.

We will continue to strive to improve the competitive position of the Group. Continuous efforts are being deployed to lessen the impact of the weakening US Dollar by increasing natural hedging through refining



“We are confident that our efforts at strengthening the foundation of our business will place the Group in a strong position to cope well with the economic uncertainties and business volatility in the market place.”



business procedures. In addition to adding production capacity, considerable attention is being placed at maximizing the efficiency of fixed assets and human resources in the Group through better production allocation. While we undertake these continuous improvements, we remain committed to preserving our healthy balance sheet by managing costs and cash prudently. We are confident that our efforts at strengthening the foundation of our business will place the Group in a strong position to cope well with the economic uncertainties and business volatility in the market place.

Prospects

The Group expects the challenges of the past year to continue, with this year likely to be another difficult year. Due to the increasingly uncertain global economic environment, I expect business conditions to remain cautious in FY2012. With our key strengths and conservative business philosophy, we are ready to work with our customers during this period to better position their businesses against a changing business landscape.

Throughout changing economic conditions, the Group remains committed to its customer-centric strategy. We will continue to diversify our revenue base by focusing on expanding market share with existing customers and selectively acquiring new customers. With this steady and steadfast approach, we believe that some of these new customers will grow to make a more meaningful contribution to group turnover in the years to come.

A Word of Thanks

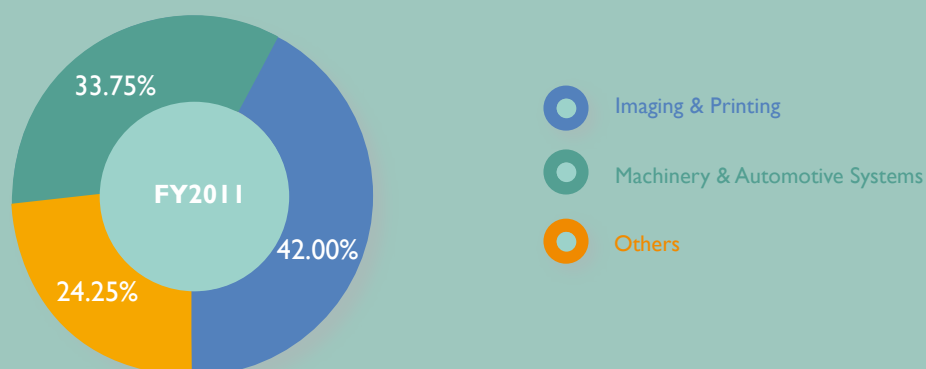
One of our Independent Directors, Mr Sim Beng Chye, retired by rotation at the last annual general meeting and he did not seek reelection. On behalf of the Board, I would like to thank Mr Sim for all his generous contributions in the past and wish him every success in all his future endeavours. During the year, the Board appointed Mr Chan Meng Wah Alexander as a new Independent Director. As Chairman, I would like to take this opportunity to warmly welcome Mr Chan to the Board and my fellow directors and I look forward to working closely with him. I would also like to thank all my fellow directors for their support and wise counsel during the year.

On behalf of the Board, I would like to thank our management and staff for their dedication and hard work during a challenging year. I believe our team spirit will continue to shine as we face new challenges this year. I remain grateful to all our customers, bankers, shareholders, business associates and suppliers for their support in FY2011.

Tan Choo Pie @ Tan Chang Chai
Chairman

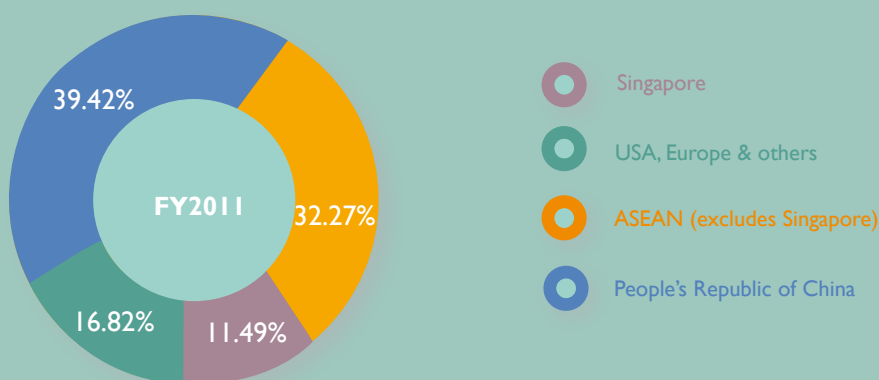
FINANCIAL HIGHLIGHTS

Turnover by Business Segments (\$'000)



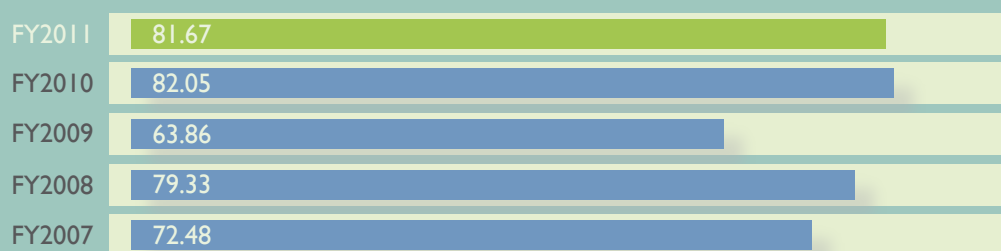
	FY2011	FY2010
Imaging & Printing	34,300	41,418
Machinery & Automotive Systems	27,565	21,956
Others	19,802	18,679
	81,667	82,053

Turnover by Geographical Segments (\$'000)

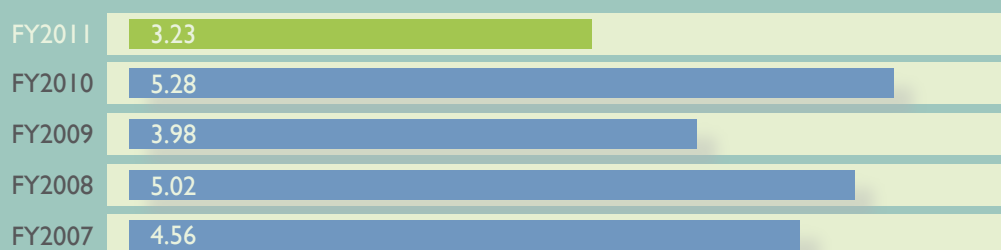


	FY2011	FY2010
People's Republic of China	32,189	30,275
Singapore	9,384	12,307
ASEAN (excludes Singapore)	26,355	27,106
USA, Europe and others	13,739	12,365
	81,667	82,053

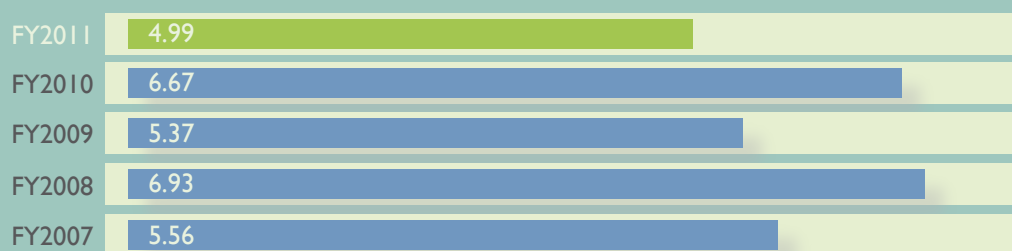
Turnover (\$ Million)



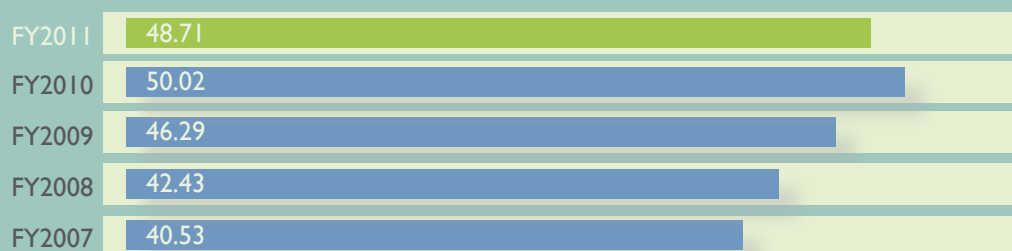
Earnings Per Share (\$ Cents)



Profit Before Taxation (\$ Million)



Net Tangible Assets Per Share (\$ Cents)



BOARD OF DIRECTORS



*Standing from left to right: Chan Meng Wah Alexander, Chen Chang Rong and Tan Heok Ting
Seated from left to right: Chew Heng Ching and Tan Choo Pie @ Tan Chang Chai*

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. Currently, Mr Tan covers the duties of the Group's Managing Director. Mr Tan has over twenty five years of experience and has held 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.

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.

Tan Heok Ting

Executive Director

Mr Tan Heok Ting is responsible for the Group's Marketing / Business Development function and is also involved in the strategic planning, investment directions of the Group. Mr Tan's work experience prior to Spindex includes precision engineering firms in the business development and senior management positions. Mr Tan holds a Bachelor of Laws Degree and a Bachelor of Commerce degree in Accounting and Finance.

Chew Heng Ching

Lead Independent Director

Mr Chew Heng Ching has been an Independent Director of the Company since 1998 and Chairman of the Audit Committee. He has been appointed as Lead Independent Director since 1 January 2011. 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 past 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.

Chan Meng Wah Alexander

Independent Director

Mr Chan Meng Wah joined the Board as Independent Director in September 2010. He brings to the Group extensive years of experience and knowledge. Mr Chan previously served as the Managing Director of Hewlett Packard Singapore and South East Asia, Managing Director and CEO of Yeo Hiap Seng Limited, Executive Director of Far East Organisation, and MMI Holdings Limited. Mr Chan is currently a board member of MFS Technology Limited where he serves as Chairman of Audit Committee. He was Chairman of Singapore Sports Council till 2010, and is Chairman of Sistic Private Limited, and a member of the board of SAFRA. Mr Chan was a former Nominated Member of Parliament (NMP) in the 10th Singapore Parliament. Mr Chan holds a Bachelor's Degree of Electrical Engineering (First Class Honours) from University of Singapore, and a Master in Business Administration from University of California, Los Angeles.

SENIOR MANAGEMENT

Francis Wong Liang Kwang

General Manager, Spindex China, Malaysia and Vietnam

Mr Wong is currently responsible for China, Malaysia and Vietnam operations. He also covers the duties of Mr Ng Ching Siang, Singapore General Manager during the interim period after Mr Ng retirement on 31 May 2011. 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 National Productivity Board.

Andrew Orr Geok Cheng

Financial Controller

Mr Orr joined Spindex Industries Limited in June 2011 and is responsible for the Group's Finance, Administration and Human Resource Management. Prior joining to the Group, Mr Orr had more than 10 years of working experiences in auditing and accounting. Mr Orr is a fellow member of the Association of Chartered Certified Accountants (ACCA).

CORPORATE GOVERNANCE

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)
Chen Chang Rong
Tan Heok Ting

Independent

Chew Heng Ching (Lead Independent Director)
Chan Meng Wah Alexander

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	4	4	3	3	1	1	1	1
Chen Chang Rong	4	4	3	3	1	1	1	1
Chew Heng Ching	4	4	3	3	1	1	1	1
Chan Meng Wah Alexander ¹	4	3	3	2	1	–	1	–
Tan Heok Ting	4	4	3	3	1	1	1	1

1. Mr Chan Meng Wah Alexander appointed as a Director on 24 September 2010.

Formal letters are sent to newly appointed Directors upon their appointment explaining their duties and obligations as Directors. Appropriate trainings are 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 is competent in carrying out its 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 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 6 to 7. The Board considers that its directors possess the necessary competencies to lead and govern the Company effectively.

CORPORATE GOVERNANCE

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.

Mr Tan Choo Pie @ Tan Chang Chai, the Executive Chairman, covers the duties of the Managing Director. The role of Chairman is not separate from that of the Managing Director as the Board considers that there is considerable accountability and transparency within the Group. The Chairman is responsible for daily management of the Group and with the support and advice of the Board, 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 Company Secretaries. 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.

Separate roles have not been established for the Executive Chairman and the Managing Director as the Board is of the view that it is unlikely that the discharge of responsibilities in these roles by the same person will be compromised as all major financial decisions made were reviewed by the AC. His performance and appointment to the Board are reviewed periodically by the NC and his remuneration package is governed by the recommendations of the RC with the approval of the Board.

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 Chan Meng Wah Alexander	(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 2011.

CORPORATE GOVERNANCE

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) comprises three members, two of whom are independent directors. The members are:

Mr Chan Meng Wah Alexander	(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 of the Board, 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.
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 19.

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 Directors.

CORPORATE GOVERNANCE

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

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

DISCLOSURE OF REMUNERATION

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

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

	2011			2010		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
\$500,000 and above	-	-	-	-	-	-
\$250,000 to \$499,999	1	-	-	1	-	1
\$0 to \$249,999	2	2	5	2	3	5
	3	2	5	3	3	6

A breakdown of each individual Director's and key executive's remuneration, in percentage terms showing the level and mix for the financial year ended 30 June 2011, is as follow:

Name of Directors	Salary	AWS/Bonus/Profit Sharing	Directors' Fees	Total
Directors				
\$250,000 to \$499,999				
Tan Choo Pie @ Tan Chang Chai	71%	29%	-	100%
Below \$250,000				
Chen Chang Rong	100%	-	-	100%
Chew Heng Ching	-	-	100%	100%
Chan Meng Wah Alexander ¹	-	-	100%	100%
Tan Heok Ting	76%	24%	-	100%
Name of Key Executives				
Below \$250,000				
Ng Ching Siang ²	77%	23%	-	100%
Francis Wong Liang Kwang	75%	25%	-	100%
Eddie Lee Chui Huat	78%	22%	-	100%
Jason Loh Chun Shen ³	76%	24%	-	100%
Andrew Orr Geok Cheng ⁴	100%	-	-	100%

1 Mr Chan Meng Wah Alexander appointed as a Director on 24 September 2010.

2 Mr Ng Ching Siang retired as General Manager on 31 May 2011.

3 Mr Jason Loh Chun Shen resigned as Financial Controller on 31 May 2011.

4 Mr Andrew Orr Geok Cheng appointed as Financial Controller on 16 June 2011.

CORPORATE GOVERNANCE

No Directors were granted options pursuant to the ESOS during the financial year ended 30 June 2011. The Spindex ESOS has expired on 4 March 2011.

Immediate Family Member of Director

There are no employees who are immediate family members of the Directors whose remuneration exceed S\$150,000 during the financial year ended 30 June 2011.

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. The members are:

Mr Chew Heng Ching	(Chairman)
Mr Chen Chang Rong	(Member)
Mr Chan Meng Wah Alexander	(Member)

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 operations.

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.

CORPORATE GOVERNANCE

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 2011, the AC discussed with management and the external auditors the accounting principles that were applied and their judgment 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 and Chairman 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.

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.

CORPORATE GOVERNANCE

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.

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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 and statement of changes in equity of the Company for the financial year ended 30 June 2011.

Directors

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

Tan Choo Pie @ Tan Chang Chai (Chairman)
Chen Chang Rong
Chew Heng Ching
Tan Heok Ting
Chan Meng Wah Alexander

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 objects are, or one of 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 1.7.2010	At 30.6.2011	At 21.7.2011	At 1.7.2010	At 30.6.2011	At 21.7.2011
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	-	-	-
Tan Heok Ting	-	314,000	314,000	-	-	-

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 2011.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than emoluments received from related corporations) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share options

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

Chew Heng Ching (Chairman)
Chen Chang Rong

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 10% 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 2011	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	510,000	1,365,000	-	\$0.24
1 October 2003	30 September 2013	2,161,000	1,004,000	-	1,157,000	\$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

Tan Heok Ting
Director

Singapore
23 September 2011

STATEMENT BY DIRECTORS

We, Tan Choo Pie @ Tan Chang Chai and Tan Heok Ting, 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, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the 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

Tan Heok Ting
Director

Singapore
23 September 2011

INDEPENDENT AUDITORS' REPORT

For the financial year ended 30 June 2011
To the Members of Spindex Industries Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Spindex Industries Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 23 to 72, which comprise the statements of financial position of the Group and the Company as at 30 June 2011, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

23 September 2011

CONSOLIDATED INCOME STATEMENT

For the Financial year ended 30 June 2011

		Group	
	Note	2011 \$'000	2010 \$'000
Revenue	3	81,667	82,053
Cost of sales		(67,059)	(65,768)
		<hr/>	<hr/>
Gross profit		14,608	16,285
Other income	4	1,479	1,328
Distribution and selling expenses		(1,390)	(1,517)
Administrative expenses		(9,650)	(9,401)
		<hr/>	<hr/>
Profit from operations	5	5,047	6,695
Financial expenses	7	(52)	(25)
		<hr/>	<hr/>
Profit before tax		4,995	6,670
Income tax expense	8	(1,272)	(574)
		<hr/>	<hr/>
Net profit attributable to owners of the Company		3,723	6,096
		<hr/>	<hr/>
Earnings per share attributable to owners of the Company (cents per share)			
- Basic	9	3.23	5.28
		<hr/>	<hr/>
- Diluted	9	3.23	5.28
		<hr/>	<hr/>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial year ended 30 June 2011

	Group	
	2011	2010
	\$'000	\$'000
Net profit attributable to owners of the Company	3,723	6,096
Other comprehensive income:		
Foreign currency translation	(3,093)	(183)
Other comprehensive income for the year, net of tax	(3,093)	(183)
Total comprehensive income attributable to owners of the Company	<u>630</u>	<u>5,913</u>

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2011

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current assets					
Property, plant and equipment	10	25,789	25,332	3,242	4,740
Investment in subsidiaries	11	-	-	12,169	12,169
		25,789	25,332	15,411	16,909
Current assets					
Inventories	12	13,088	11,713	4,802	4,883
Trade receivables	13	18,767	21,257	5,874	8,065
Other receivables and deposits	14	1,012	1,084	79	132
Prepayments		821	731	51	66
Due from subsidiaries	15	-	-	1,476	1,404
Derivatives	29c	-	8	-	8
Cash and cash equivalents	16	19,111	22,463	8,923	10,328
		52,799	57,256	21,205	24,886
Current liabilities					
Trade payables	17	12,217	12,877	3,102	4,808
Other payables and accruals	18	6,102	9,600	1,308	2,822
Provision for defects	19	1,274	1,244	900	909
Due to subsidiaries	15	-	-	2,519	2,366
Long term loans - current portion	20	365	349	-	349
Provision for tax		367	153	-	-
		20,325	24,223	7,829	11,254
Net current assets		32,474	33,033	13,376	13,632
Non-current liabilities					
Long term loans					
- non-current portion	20	1,071	-	-	-
Deferred tax liabilities	21	931	591	7	7
Provision for restoration costs		61	70	-	-
		2,063	661	7	7
Net assets		56,200	57,704	28,780	30,534
Equity attributable to owners of the Company					
Share capital	22	13,145	13,145	13,145	13,145
Reserves	24	43,055	44,559	15,635	17,389
Total equity		56,200	57,704	28,780	30,534

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial year ended 30 June 2011

Group	Attributable to owners 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	
Opening balance at 1 July 2009	13,145	411	(1,147)	1,890	39,107	40,261	53,406
Net profit for the year	-	-	-	-	6,096	6,096	6,096
Other comprehensive income for the year	-	-	(183)	-	-	(183)	(183)
Total comprehensive income for the year	-	-	(183)	-	6,096	5,913	5,913
Appropriation to/(from) reserve fund/ accumulated profit	-	-	-	146	(146)	-	-
Dividend on ordinary shares (Note 23)	-	-	-	-	(1,615)	(1,615)	(1,615)
At 30 June 2010 and 1 July 2010	13,145	411	(1,330)	2,036	43,442	44,559	57,704
Net profit for the year	-	-	-	-	3,723	3,723	3,723
Other comprehensive income for the year	-	-	(3,093)	-	-	(3,093)	(3,093)
Total comprehensive income for the year	-	-	(3,093)	-	3,723	630	630
Appropriation to/(from) reserve fund/ accumulated profit	-	-	-	281	(281)	-	-
Dividend on ordinary shares (Note 23)	-	-	-	-	(2,134)	(2,134)	(2,134)
Closing balance at 30 June 2011	13,145	411	(4,423)	2,317	44,750	43,055	56,200

Company	Attributable to owners of the Company				
	Share capital \$'000	Share option reserve \$'000	Accumulated profit \$'000	Total reserves \$'000	Total equity \$'000
Opening balance at 1 July 2009	13,145	411	14,203	14,614	27,759
Net profit for the year	-	-	4,390	4,390	4,390
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	4,390	4,390	4,390
Dividend on ordinary shares (Note 23)	-	-	(1,615)	(1,615)	(1,615)
At 30 June 2010 and 1 July 2010	13,145	411	16,978	17,389	30,534
Net profit for the year	-	-	380	380	380
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	380	380	380
Dividend on ordinary shares (Note 23)	-	-	(2,134)	(2,134)	(2,134)
Closing balance at 30 June 2011	13,145	411	15,224	15,635	28,780

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial year ended 30 June 2011

		Group	
	Note	2011 \$'000	2010 \$'000
Operating activities			
Profit before tax		4,995	6,670
Adjustments for:			
Depreciation of property, plant and equipment	5,10	4,003	4,089
(Gain)/loss on disposal of property, plant and equipment	5	(2)	72
Interest expense	7	52	25
Interest income	4	(114)	(123)
Inventories written down	12	44	(1,060)
Write-back of impairment loss on trade receivables	13	(4)	(277)
Provision for defects	19	1,045	1,101
Write-back of provision for defects	19	(992)	(612)
Deferred income		-	(20)
Fair value changes of derivative financial instrument	5	8	(8)
Unrealised exchange gain		(680)	(46)
Operating cash flows before changes in working capital		8,355	9,811
(Increase)/decrease in:			
Inventories		(1,386)	(1,951)
Trade receivables		2,506	(8,536)
Other receivables and deposits		335	(170)
Prepayments		446	48
Increase/(decrease) in:			
Trade payables		(660)	5,981
Other payables and accruals		(3,498)	5,472
Cash flows from operations		6,098	10,655
Income taxes paid		(1,171)	(1,267)
Tax refund		190	137
Interest paid		(52)	(25)
Interest received		114	123
Net cash flows from operating activities		5,179	9,623
Investing activities			
Purchase of property, plant and equipment		(6,613)	(5,329)
Proceeds from disposal of property, plant and equipment		4	17
Net cash flows used in investing activities		(6,609)	(5,312)
Financing activities			
Proceeds from loans and borrowings		1,717	-
Dividend paid on ordinary shares	23	(2,134)	(1,615)
Repayment of term loans		(546)	(914)
Increase in pledged bank balances	16	-	(107)
Net cash flows used in financing activities		(963)	(2,636)
Net (decrease)/increase in cash and cash equivalents		(2,393)	1,675
Cash and cash equivalents at beginning of financial year		22,356	20,757
Currency alignment on opening cash balances		(954)	(76)
Cash and cash equivalents at end of financial year	16	19,009	22,356

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared on 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.

2.2 Changes in accounting policies

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised FRS 24 Related Party Disclosures	1 January 2011
Amendments to INT FRS 114 Prepayments of a Minimum Funding Requirement	1 January 2011
INT FRS 114: FRS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Amendments relating to Prepayments of a Minimum Funding Requirements	1 January 2011
INT FRS 115 Agreements for the Construction of Real Estate	1 January 2011
Amendments to FRS 101 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
Amendments to FRS 107 Disclosures - Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax - Recovery of Underlying Assets	1 January 2012
Improvements to FRSs issued in 2010	1 January 2011 unless otherwise stated

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

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

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

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2012.

2.4 *Basis of consolidation*

Business combinations from 1 July 2010

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

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

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.4 *Basis of consolidation (cont'd)*

Business combinations prior to 1 July 2010

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs.

Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognized in equity.

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

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, investment in subsidiaries is accounted for at cost less impairment losses.

2.6 *Functional and foreign currency*

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

(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) *Transactions and balances*

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 date of the reporting period. 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 date of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

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

(c) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.17. 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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

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 or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

2.9 *Financial assets*

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

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

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling 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 profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.9 Financial assets (cont'd)

(b) Loans and receivables

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

De-recognition

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

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

2.10 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.10 *Impairment of financial assets (cont'd)*

(b) *Financial assets carried at cost*

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

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 Statement of Cash Flows, 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 *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.

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

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

2.13 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.14 Provisions

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

Provisions are reviewed at each date of the reporting period 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.

Provision for defects

Provision for defects are recognised for expected claims on products sold during the last one year. It is based on past experience of the level of returns. The estimate is revised annually.

2.15 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 a deferred capital grant on the balance sheet and is amortised to profit or loss 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 profit or loss over the required period to maintain the reinvestment in the PRC subsidiaries.

2.16 Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

(i) *Financial liabilities at fair value through profit or loss*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.16 *Financial liabilities (cont'd)*

(ii) *Other financial liabilities*

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 *Borrowing costs*

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

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

Singapore

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

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.

(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 date of the reporting period.

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

2.18 *Employee benefits (cont'd)*

(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 profit or loss, 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 profit or loss 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*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

Operating lease payments are recognised as an expense in profit or loss 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 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.21 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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

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

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

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the date of the reporting period 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; and
- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.22 *Income taxes (cont'd)*

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

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

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(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 reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.23 *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 date of the reporting period.

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

2.24 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

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.

2.25 *Share capital*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 *Contingencies*

A contingent liability is:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.27 *Related parties*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.28 *Significant accounting judgements and estimates*

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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 periods.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.28 Significant accounting judgements and estimates (cont'd)

(a) Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated 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 date of the reporting period were \$367,000 (2010: \$153,000) and \$931,000 (2010: \$591,000) respectively.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the reporting period 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.

(b) **Key sources of estimation uncertainty**

(i) *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(ii) 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 date of the reporting period is disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

2.28 Significant accounting judgements and estimates (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(iii) Impairment of loans and receivables

The Group assesses at each date of the reporting period 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 date of the reporting period is disclosed in Note 29(b) to the financial statements.

(iv) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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

The Group has tax losses carried forward amounting to \$3,877,000 (2010: \$1,174,000). These losses relate to the Company which have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The Company has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets.

If the Group was able to recognise all unrecognised deferred tax assets relating to tax losses, the profit would increase by \$659,000 (2010: \$200,000).

The carrying value of recognised tax losses at 30 June 2011 was \$1,494,000 (2010: \$1,494,000) and the unrecognised tax losses at 30 June 2011 was \$3,877,000 (2010: \$1,174,000).

(v) Assessment of Net Realisable Value

The Group estimates the net realisable value of inventory by considering excess and obsolete inventory and future demand of its products. Inventory is written down when the net realisable value falls below cost.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

3. Revenue

Revenue comprises sale of goods in the normal course of business, net of returns. Group turnover excludes intra-group transactions.

4. Other income

	Group	
	2011 \$'000	2010 \$'000
Insurance claims	22	33
Sale of scrap	1,288	982
Grant income from jobs credit scheme	-	121
Government grants	46	40
Interest income from fixed deposits	114	123
Other	9	29
	1,479	1,328

5. Profit from operations

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

	Note	Group	
		2011 \$'000	2010 \$'000
Non-audit fees paid to			
- auditors of the Company		30	25
- other auditors		4	2
Depreciation of property, plant and equipment	10	4,003	4,089
Write-back of impairment loss on trade receivables	13	(4)	(277)
Inventories written down	12	44	(1,060)
Provision for defects	19	1,045	1,101
Write-back of provision for defects	19	(992)	(612)
Foreign exchange loss, net		1,904	956
Employee benefits *	6	16,434	16,249
Operating lease expenses		319	177
Fair value changes of derivative financial instrument		8	(8)
(Gain)/loss on disposal of property, plant and equipment		(2)	72
		(2)	72

* This includes directors' remuneration.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

6. Employee benefits

	Group	
	2011	2010
	\$'000	\$'000
Wages, salaries and bonuses	13,530	13,994
Central Provident Fund and other defined contribution plans	1,282	1,303
Other personnel costs	1,622	952
	16,434	16,249

7. Financial expenses

	Group	
	2011	2010
	\$'000	\$'000
Interest expense		
- bank loans	52	25
	52	25

8. Income tax

(a) Major components of income tax expense

The major components of income tax expense for the financial years ended 30 June 2011 and 2010 are:

	Group	
	2011	2010
	\$'000	\$'000
Current income tax		
- current income tax	901	799
- under / (over) provision in respect of prior years	31	(209)
Deferred income tax		
- movement in temporary differences	340	(15)
- over provision in respect of prior years	-	(1)
Income tax expense recognised in profit or loss	1,272	574

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

8. Income tax (cont'd)

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

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2011 and 2010 are as follows:

	Group	
	2011	2010
	\$'000	\$'000
Profit before tax	4,995	6,670
Tax at the domestic tax rate applicable to profits of 17%	849	1,134
Tax effect of:		
- different tax rates in other countries	(248)	60
- expenses not deductible for tax purposes	163	106
- income not subject to tax	(149)	(382)
- over / (under) provision of current and deferred tax in respect of prior years	31	(210)
- deferred tax assets not recognised	556	265
- utilisation of deferred tax assets not recognised in prior years	(87)	(25)
- utilisation of reinvestment allowance	(24)	(380)
- others	181	6
Income tax expense recognised in profit or loss	1,272	574

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

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 ("EIT") 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 22% to 24% effective from 1 January 2011 (2010: 20% to 22% effective from 1 January 2010) and will progressively increase to 25% by 1 January 2012.

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", Spindex Precision Engineering (Suzhou) Co., Ltd. ("Suzhou"), 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%. The corporate tax has increased to 25% effective from 1 January 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

8. Income tax (cont'd)

Spindex Industries (Hanoi) Co., Ltd.

Under the tax scheme in Vietnam, this subsidiary is imposed to Enterprise Income Tax ("EIT") of 10% of taxable profit within 15 years and 25% 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. The corporate tax rate for Spindex Industries (Hanoi) Co., Ltd. has therefore changed from 0% to 5% effective from 1 July 2010.

Synturn (M) Sdn. Bhd.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) on the estimated assessable profit for the year.

9. Earnings per share (cents)

Basic earnings per share is calculated by dividing the net profit for the financial year of \$3,723,000 (2010: \$6,096,000) 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 table reflects the information used in the computation of diluted earnings per share for the years ended 30 June:

	Weighted average number of shares	
	2011	2010
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	115,365	115,365
Effects of dilution:		
- Share options	-	-
Weighted average number of ordinary shares for diluted earnings and loss per share computation	<u>115,365</u>	<u>115,365</u>

1,157,000 (2010: 1,284,000) 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 (2010: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

10. Property, plant and equipment

Group	Freehold land \$'000	Factory building on 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 1.7.2009	1,258	2,183	11,205	1,060	45,082	899	591	2,198	936	2,098	67,510
Additions	-	-	25	118	4,810	20	22	90	153	91	5,329
Disposals	-	(37)	-	-	(72)	-	(176)	(111)	-	-	(396)
Exchange difference on translation	55	93	(238)	(4)	175	1	(11)	(15)	(4)	(16)	36
At 30.6.2010 and 1.7.2010	1,313	2,239	10,992	1,174	49,995	920	426	2,162	1,085	2,173	72,479
Additions	-	-	12	17	5,121	40	-	99	533	255	6,077
Disposals	-	-	-	-	(3)	-	-	(10)	(25)	(10)	(48)
Exchange difference on translation	(64)	(111)	(546)	(65)	(2,072)	(23)	(32)	(95)	(67)	(104)	(3,179)
At 30.6.2011	1,249	2,128	10,458	1,126	53,041	937	394	2,156	1,526	2,314	75,329
Accumulated depreciation											
At 1.7.2009	-	415	4,212	616	32,815	788	417	1,775	717	1,794	43,549
Charge for the year	-	44	376	23	3,129	55	57	154	88	163	4,089
Disposals	-	(37)	-	-	(1)	-	(176)	(93)	-	-	(307)
Exchange difference on translation	-	19	(47)	(14)	(119)	1	(6)	(9)	-	(9)	(184)
At 30.6.2010 and 1.7.2010	-	441	4,541	625	35,824	844	292	1,827	805	1,948	47,147
Charge for the year	-	45	365	31	3,095	40	52	133	150	92	4,003
Disposals	-	-	-	-	(1)	-	-	(10)	(25)	(10)	(46)
Exchange difference on translation	-	(24)	(120)	(45)	(1,138)	(21)	(24)	(74)	(34)	(84)	(1,564)
At 30.6.2011	-	462	4,786	611	37,780	863	320	1,876	896	1,946	49,540
Net carrying amount											
At 30.6.2010	1,249	1,666	5,672	515	15,261	74	74	280	630	368	25,789
At 30.6.2011	1,313	1,798	6,451	549	14,171	76	134	335	280	225	25,332

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

10. 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 1.7.2009	4,940	17,069	565	176	907	361	781	24,799
Additions	-	82	4	22	16	-	11	135
Disposals	-	(247)	-	(176)	(49)	-	-	(472)
At 30.6.2010 and 1.7.2010	4,940	16,904	569	22	874	361	792	24,462
Additions	-	50	3	-	21	-	8	82
Disposals	-	(1,859)	-	-	(11)	(45)	(1)	(1,916)
At 30.6.2011	4,940	15,095	572	22	884	316	799	22,628
Accumulated depreciation								
At 1.7.2009	2,990	13,105	490	176	831	344	775	18,711
Charge for the year	208	1,169	37	2	28	4	6	1,454
Disposals	-	(218)	-	(176)	(49)	-	-	(443)
At 30.6.2010 and 1.7.2010	3,198	14,056	527	2	810	348	781	19,722
Charge for the year	205	851	22	4	24	3	5	1,114
Disposals	-	(1,405)	-	-	(9)	(35)	(1)	(1,450)
At 30.6.2011	3,403	13,502	549	6	825	316	785	19,386
Net carrying amount								
At 30.6.2011	1,537	1,593	23	16	59	-	14	3,242
At 30.6.2010	1,742	2,848	42	20	64	13	11	4,740

Leasehold land and buildings have remaining lease terms of ranging from 19 to 39 years (2010: 20 to 40 years) as at the balance sheet date.

As at 30 June 2011, Synturn (M) Sdn. Bhd., a subsidiary incorporated in Malaysia, has leasehold land and building, with a net carrying amount of \$2,915,000 (2010: \$3,111,000), pledged as securities for banking facilities granted by a bank (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

11. Investment in subsidiaries

	Company	
	2011 \$'000	2010 \$'000
Unquoted equity shares:		
Cost at beginning and end of financial year	12,169	12,169

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	
			2011 %	2010 %	2011 \$'000	2010 \$'000
Synturn (M) Sdn. Bhd.+ *	Manufacturing and trading of precision machine parts and other engineering materials	Malaysia	100	100	1,304	1,304
Spindex Precision Engineering (Shanghai) Co., Ltd. ^ **	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	4,323	4,323
Spindex Precision Engineering (Suzhou) Co., Ltd. ^ **	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	3,569	3,569
Spindex Industries (Hanoi) Co., Ltd. # *	Manufacturing and trading of mechanical, electrical and electronic parts	Vietnam	100	100	2,973	2,973
					<u>12,169</u>	<u>12,169</u>

+ Audited by Ernst & Young LLP, Johor Bahru.

^ Audited by Crowe Horwath China Certified Public Accountants Co., Ltd, Shanghai Branch (previously known as Wan Long Certified Public Accountants Co., Ltd, Shanghai Branch Firm). Audited by Ernst & Young LLP, Singapore for consolidation purposes.

Audited by Auditing & Accounting Financial Consultancy Service Company Limited, Vietnam, Hanoi.

* Financial year ended 30 June.

** Financial year ended 31 December.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

12. Inventories

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Reporting period:				
Finished goods	4,858	4,303	2,876	2,838
Work-in-progress	3,435	3,000	994	817
Raw materials	4,560	4,080	932	972
Goods-in-transit	235	330	-	256
Total cost at lower of cost and net realisable value	13,088	11,713	4,802	4,883
Income statement:				
Inventories recognised as an expense in cost of sales	79,744	65,464	29,427	35,109
Inclusive of the following charge/ (credit):				
- Inventories written down	44	(1,060)	79	(994)

13. Trade receivables

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade receivables	18,767	21,257	5,874	8,065
Other receivables and deposits (Note 14)	1,012	1,084	130	132
Due from subsidiaries (Note 15)	-	-	1,476	1,404
Cash and cash equivalents (Note 16)	19,009	22,356	8,923	10,328
Pledged bank balances (Note 16)	102	107	-	-
Total loan and receivables	38,890	44,804	16,403	19,929

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

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Not past due and not impaired	14,272	15,123	3,574	4,579
Past due but not impaired *	4,495	6,134	2,300	3,486
	18,767	21,257	5,874	8,065
<i>Impaired trade receivables - individually assessed</i>				
Customers who defaulted on payment	94	154	-	-
Customers who disputed on invoices billed	7	7	7	7
Less: Accumulated impairment losses	(101)	(161)	(7)	(7)
	-	-	-	-
Total trade receivables, net	18,767	21,257	5,874	8,065

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

13. Trade receivables (cont'd)

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>*Aging of trade receivables that are past due but not impaired</i>				
Lesser than 30 days	2,461	3,091	1,438	2,012
30 to 60 days	1,277	1,696	762	1,406
61 to 90 days	498	1,017	100	68
More than 90 days	259	330	-	-
	<u>4,495</u>	<u>6,134</u>	<u>2,300</u>	<u>3,486</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 Group 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.

The Group's and the Company's trade receivables that are impaired at the date of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At beginning of financial year	161	627	7	191
Impairment loss for the financial year	-	-	-	-
Write-back of impairment loss	(4)	(277)	-	-
Write-off against allowance	(44)	(184)	-	(184)
Exchange difference on translation	(12)	(5)	-	-
At end of financial year	<u>101</u>	<u>161</u>	<u>7</u>	<u>7</u>

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

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

	Group	
	2011 \$'000	2010 \$'000
United States Dollars	11,662	15,109
Malaysian Ringgit	951	788
Chinese Yuan Renminbi	<u>4,646</u>	<u>3,446</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

14. Other receivables and deposits

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Other receivables	494	744	79	132
Deposits	79	164	-	-
Tax recoverable	439	176	-	-
	<u>1,012</u>	<u>1,084</u>	<u>79</u>	<u>132</u>

15. Due from/(to) subsidiaries (trade and non-trade)

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

16. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Fixed deposits	502	2,699	502	2,699
Cash and bank balances	18,609	19,764	8,421	7,629
	<u>19,111</u>	<u>22,463</u>	<u>8,923</u>	<u>10,328</u>
Less: Pledged bank balances	(102)	(107)	-	-
Cash and cash equivalents	<u>19,009</u>	<u>22,356</u>	<u>8,923</u>	<u>10,328</u>

Cash and bank balances of the Group amounting to \$102,000 (2010: \$107,000) were pledged to a bank to secure banking facilities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fixed deposits earn interest at 0.38% to 0.56% (2010: 0.1% to 2.1%) per annum. The average tenure of fixed deposits is 1 month.

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

	Group	
	2011 \$'000	2010 \$'000
United States Dollars	9,961	14,076
Malaysian Ringgit	1,262	1,091
Chinese Yuan Renminbi	2,430	2,864
Japanese Yen	9	9
Vietnamese Dong	746	826
Swiss Franc	<u>102</u>	<u>184</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

17. 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	
	2011	2010
	\$'000	\$'000
United States Dollars	2,989	3,533
Malaysian Ringgit	1,051	1,486
Chinese Yuan Renminbi	5,757	4,128

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Trade payables	12,217	12,877	3,102	4,808
Other payables and accruals (Note 18)	6,102	9,600	1,308	2,822
Due to subsidiaries (Note 15)	-	-	2,519	2,366
Loans and borrowings (Note 20)	1,436	349	-	349
Total financial liabilities carried at amortised cost	<u>19,755</u>	<u>22,826</u>	<u>6,929</u>	<u>10,345</u>

18. Other payables and accruals

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Other payables	2,510	3,778	173	193
Accrued operating expenses	752	1,189	316	437
Accrued payroll benefits	2,840	4,633	819	2,192
	<u>6,102</u>	<u>9,600</u>	<u>1,308</u>	<u>2,822</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

19. Provision for defects

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At beginning of financial year	1,244	753	909	147
Provision for the financial year	1,045	1,101	901	908
Write-back of allowance	(992)	(612)	(910)	(146)
Exchange difference on translation	(23)	2	-	-
At end of financial year	<u>1,274</u>	<u>1,244</u>	<u>900</u>	<u>909</u>

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

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

20. Long term loans

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unsecured				
Due within one year	-	349	-	349
Due after one year	-	-	-	-
	<u>-</u>	<u>349</u>	<u>-</u>	<u>349</u>
Secured				
Due within one year	365	-	-	-
Due after one year	1,071	-	-	-
	<u>1,436</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long term loans	<u>1,436</u>	<u>349</u>	<u>-</u>	<u>349</u>

Term loans consist of various bank loans that mature in October 2015. These loans bear interest at bank's base lending rate less 1.8% per annum. The interest rates for current financial year is 4.50% to 4.80% (2010: 1.6% to 2.5%) per annum.

The long term loan is secured as follows:

- loan facility for the Malaysia subsidiary is secured by leasehold land and building of the Malaysia subsidiary with a net carrying amount of approximately \$2,915,000 (2010: \$3,111,000) (Note 10); and
- cash margin of \$102,000 (2010 : \$107,000) pledged to a licensed bank for bank guarantee facilities granted to the subsidiary; and
- corporate guarantee issued by the Company to the subsidiary (Note 26c).

The carrying amount of the loan is a reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

21. Deferred tax

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

	Group			
	Consolidated statement of financial position		Consolidated income statement	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	1,606	1,480	126	16
Undistributed reserves of overseas subsidiaries	193	74	119	10
Deferred tax assets				
Provisions and other taxable temporary differences	(614)	(709)	95	212
Unutilised tax losses	(254)	(254)	-	(254)
Net deferred tax liabilities	931	591		
Deferred income tax credit			340	(16)
Company				
	Statement of financial position		Income statement	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	608	608	-	(205)
Deferred tax assets				
Provision and other taxable temporary differences	(347)	(347)	-	158
Unutilised tax losses	(254)	(254)	-	(254)
Net deferred tax liabilities	7	7		
Deferred income tax credit			-	(301)

Unrecognised tax losses

At the date of the reporting period, the Group has tax losses of approximately \$3,877,000 (2010: \$1,174,000) 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.

Tax consequences of proposed dividends

There are no income tax consequences (2010: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

22. Share capital

	Group and Company	
	2011	2010
	\$'000	\$'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 and have no par value.

Movement of the share options during the financial year

Information with respect to the number of options granted under the Company's Employees' Share Option Scheme is as follows:

	Group and Company	
	2011	2010
	'000	'000
Options outstanding		
At beginning of financial year	1,284	1,284
Lapsed	(127)	-
At end of financial year	1,157	1,284

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

Expiry date	Exercise price		
4 March 2011	\$0.24	-	41
30 September 2013	\$0.49	1,157	1,243
		1,157	1,284

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 2011 '000	WAEP 2011	No. of share options 2010 '000	WAEP 2010
Outstanding at beginning of financial year ⁽¹⁾	1,284	\$0.48	1,284	\$0.48
Expired during the financial year	(127)	\$0.41	-	-
Outstanding at end of financial year ^{(1), (2)}	1,157	\$0.49	1,284	\$0.48
Exercisable at end of financial year	1,157	\$0.49	1,284	\$0.48

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

22. Share capital (cont'd)

- (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 \$0.49 (2010: \$0.24 to \$0.49). The weighted average remaining contractual life for these options is 2 years (2010: 3 years).

There were no share options granted during the financial year (2010: Nil).

Fair value of the share options granted

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 on the second anniversary of that date.

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 2011 and 2010 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. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these awards.

23. Dividends

	Group and Company	
	2011	2010
	\$'000	\$'000
Declared and paid during the year		
Final exempt (one-tier) dividend of 1.50 (2010: 1.40) cents per ordinary share in respect of the previous financial year	1,730	1,615
Special exempt (one-tier) dividend of 0.35 (2010: Nil) cents per ordinary share	404	-
	2,134	1,615
Proposed but not recognised as a liability as at 30 June		
Final exempt (one-tier) dividend of 0.90 (2010: 1.50) cents per ordinary share	1,038	1,730
Special exempt (one-tier) dividend of Nil (2010: 0.35) cents per ordinary share	-	404
	1,038	2,134

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

24. 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.

(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. 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 available for distribution as dividends but it can be used to offset losses or be capitalised as capital.

For the financial year ended 30 June 2011, the board of directors of the subsidiaries resolved to appropriate 10% (2010: 10%) of the net profit as reported in its statutory financial statements for the financial year ended 30 June 2011 to the reserve fund.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

25. Related party disclosures (cont'd)

Compensation of key management personnel

	Group and Company	
	2011	2010
	\$'000	\$'000
Short-term employee benefits	1,440	1,518
Central Provident Fund and other defined contribution plans	31	37
Directors' fees	93	93
Total compensation paid	1,564	1,648
Comprise amounts paid to:		
Directors of the Company		
- fees	93	93
- remuneration	680	876
	773	969
Other key management personnel	791	679
	1,564	1,648

26. Commitments and contingent liabilities

(a) Capital expenditure commitments

Capital expenditure contracted for as at the date of the reporting period but not recognised in the financial statements is as follows:

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Commitments in respect of contracts placed	976	4,628	28	36

(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 19 years (2010: 20 years).

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

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Not later than one year	330	341	88	107
Later than one year but not later than five years	689	920	427	497
Later than five years	3,803	3,868	3,803	3,868
	4,822	5,129	4,318	4,472

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

26. Commitments and contingent liabilities (cont'd)

(c) **Guarantee**

The Company has provided a corporate guarantee to the bank for a loan of \$1,717,000 (2010: \$338,000) taken by its Malaysian subsidiary (Note 20).

27. Segment information

For management purposes, the Group is organised on a world-wide basis into major product categories based on the industries in which the Group serves, as follows:

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

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its product categories separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs), other operating income, administrative expenses and income taxes are managed on a group basis and are not allocated to the product categories.

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 STATEMENTS

For the Financial year ended 30 June 2011

27. Segment information (cont'd)

(a) Business segments

	Imaging and printing		Machinery and automotive systems		Others		Group	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue	34,300	41,418	27,565	21,956	19,802	18,679	81,667	82,053
Segment profit	6,790	9,803	4,002	3,080	3,816	3,402	14,608	16,285
Distribution and selling expenses	(584)	(766)	(469)	(406)	(337)	(345)	(1,390)	(1,517)
Unallocated revenue							1,479	1,328
Unallocated expenses							(9,650)	(9,401)
Operating profit							5,047	6,695
Financial expenses							(52)	(25)
Income tax expense							(1,272)	(574)
Net profit for the financial year							3,723	6,096
Assets								
Trade receivables	7,132	9,187	6,391	5,997	5,244	6,073	18,767	21,257
Unallocated assets							59,821	61,331
Total assets							78,588	82,588
Unallocated liabilities							22,388	24,884
Other segment information								
Depreciation of plant and machinery	1,300	1,654	1,045	877	750	746	3,095	3,277
Depreciation of other assets							908	812
Depreciation expense for the financial year							4,003	4,089

(b) Geographical segments

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

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

	Turnover		Non-current assets		Capital expenditure	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
People's Republic of China	32,189	30,275	7,774	6,581	3,308	449
Singapore	9,384	12,307	3,242	4,725	81	76
ASEAN (excludes Singapore)	26,355	27,106	14,773	14,026	3,224	4,804
USA, Europe and others	13,739	12,365	-	-	-	-
	81,667	82,053	25,789	25,332	6,613	5,329

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

27. Segment information (cont'd)

(b) **Geographical segments (cont'd)**

Information about major customers

Customers with revenue more than 10% of the Group's total revenue amounted to \$8,257,000 (2010: \$Nil) and \$8,982,000 (2010: \$10,599,000), arising from the Imaging and printing and Machinery and automotive systems segments respectively.

28. Financial risk management and policies

The Group and the Company are 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, credit 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 the 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 one year (2010: less than 6 months) from the date of the reporting period.

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 date of the reporting period, 0% (2010: 100%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates in Malaysia had been 100 basis points lower/higher with all other variables held constant, the Group's profit before tax would have been \$14,000 (2010: \$Nil) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(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 the 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 94% (2010: 93%) of the Group's sales are denominated in foreign currencies whilst almost 87% (2010: 92%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the date of the reporting period have similar exposures.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

(b) Foreign currency risk (cont'd)

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the date of the reporting period, such foreign currency balances (mainly in USD) amounted to \$14,510,000 (2010: \$19,050,000) and \$4,322,000 (2010: \$6,924,000) for the Group and the Company respectively. The foreign currency balances is described in more details in Note 16.

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 10% (2010: 4%) strengthening or weakening of USD, RMB, RM and Vietnam Dong (VND) exchange rates against SGD, with all other variables held constant, on the Group's and Company's profit before taxation.

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
USD / SGD - strengthened	1,753	1,130	793	441
- weakened	(1,753)	(1,130)	(793)	(441)
RMB / SGD - strengthened	(197)	(57)	(144)	-
- weakened	197	57	144	-
RM / SGD - strengthened	724	85	-	-
- weakened	(724)	(85)	-	-
VND / SGD - strengthened	75	33	-	-
- weakened	(75)	(33)	-	-

(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 on-going basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

(c) Credit risk (cont'd)

Exposure to credit risk

At the date of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amounts of each class of financial assets recognised in the statements of financial position,
- A nominal amount of \$1,717,000 (2010: \$338,000) relating to a corporate guarantee provided by the Company to the bank 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 date of the reporting period is as follows:

	Outstanding balance		Percentage of total trade receivables	
	2011 \$'000	2010 \$'000	2011 %	2010 %
By industry:				
Imaging and printing	7,132	9,187	38	43
Machinery and automotive systems	6,391	5,997	34	28
Others	5,244	6,073	28	29
By region:				
Singapore	1,889	3,372	10	16
People's Republic of China	8,240	8,909	44	42
ASEAN (excludes Singapore)	4,155	4,263	22	20
USA, Europe and others	4,483	4,713	24	22

At the date of the reporting period, approximately 50% (2010: 61%) of the Group's trade receivables were due from 5 major customers who are multi-industry conglomerates.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents 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.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 (Trade receivables).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

28. 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 date of the reporting period, 25% (2010: 100%) of the Group's long term loans (Note 20) will mature in less than one year based on the carrying amounts reflected in the financial statements.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the date of the reporting period based on contractual undiscounted repayment obligations.

	One year or less \$'000	Over one year \$'000	Total \$'000
Group			
2011			
Financial assets			
Trade receivables	18,767	-	18,767
Other receivables and deposits	573	-	573
Cash and cash equivalents	19,111	-	19,111
Total undiscounted financial assets	<u>38,451</u>	<u>-</u>	<u>38,451</u>
Financial liabilities			
Trade payables	12,217	-	12,217
Other payables and accruals	6,102	-	6,102
Long term loans	395	1,218	1,613
Total undiscounted financial liabilities	<u>18,714</u>	<u>1,218</u>	<u>19,932</u>
Total net undiscounted financial assets/(liabilities)	<u>19,737</u>	<u>(1,218)</u>	<u>18,519</u>
2010			
Financial assets			
Trade receivables	21,257	-	21,257
Other receivables	908	-	908
Cash and cash equivalents	22,463	-	22,463
Derivatives:			
- Forward currency contracts – gross receipts	707	-	707
- Forward currency contracts – gross payments	(699)	-	(699)
Total undiscounted financial assets	<u>44,636</u>	<u>-</u>	<u>44,636</u>
Financial liabilities			
Trade payables	12,877	-	12,877
Other payables and accruals	9,600	-	9,600
Long term loans	355	-	355
Total undiscounted financial liabilities	<u>22,832</u>	<u>-</u>	<u>22,832</u>
Total net undiscounted financial assets	<u>21,804</u>	<u>-</u>	<u>21,804</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

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

(d) Liquidity risk (cont'd)

	One year or less \$'000	Over one year \$'000	Total \$'000
Company			
2011			
Financial assets			
Trade receivables	5,874	-	5,874
Other receivables and deposits	79	-	79
Due from subsidiaries	1,476	-	1,476
Cash and cash equivalents	8,923	-	8,923
Total undiscounted financial assets	<u>16,352</u>	<u>-</u>	<u>16,352</u>
Financial liabilities			
Trade payables	3,102	-	3,102
Other payables and accruals	1,308	-	1,308
Due to subsidiaries	2,519	-	2,519
Total undiscounted financial liabilities	<u>6,929</u>	<u>-</u>	<u>6,929</u>
Total net undiscounted financial assets	<u>9,423</u>	<u>-</u>	<u>9,423</u>
2010			
Financial assets			
Trade receivables	8,065	-	8,065
Other receivables	132	-	132
Cash and cash equivalents	10,328	-	10,328
Due from subsidiaries	1,404	-	1,404
Derivatives:			
- Forward currency contracts	8	-	8
Total undiscounted financial assets	<u>19,937</u>	<u>-</u>	<u>19,937</u>
Financial liabilities			
Trade payables	4,808	-	4,808
Other payables and accruals	2,822	-	2,822
Due to subsidiaries	2,366	-	2,366
Long term loans	355	-	355
Total undiscounted financial liabilities	<u>10,351</u>	<u>-</u>	<u>10,351</u>
Total net undiscounted financial assets	<u>9,586</u>	<u>-</u>	<u>9,586</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

29. Financial instruments

(a) Fair value of financial instruments

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.

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

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

	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Group and Company				
2011				
Financial assets:				
Derivatives				
- Forward currency contracts	-	-	-	-
<hr/>				
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Group and Company				
2010				
Financial assets:				
Derivatives				
- Forward currency contracts	-	8	-	8

Fair value hierarchy

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

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

Determination of fair value

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

29. Financial instruments (cont'd)

(a) Fair value of financial instruments (cont'd)

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

Current trade and other receivables and payables, amounts due from/(to) subsidiaries (Note 15) , and Non-current loans and borrowings at floating rate (Note 20)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

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

The Group and the Company does not have any financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of the fair value as at the financial year end.

(b) Classification of financial instruments

Financial assets and financial liabilities are measured on an on-going 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 reporting period 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
Group			
2011			
Assets			
Trade receivables	18,767	-	18,767
Other receivables and deposits	573	-	573
Cash and cash equivalents	19,111	-	19,111
Total financial assets	38,451	-	38,451
Total non-financial assets			40,137
Total assets			78,588
Liabilities			
Trade payables	-	12,217	12,217
Other payables and accruals	-	6,102	6,102
Long term loans	-	1,436	1,436
Total financial liabilities	-	19,755	19,755
Total non-financial liabilities			2,633
Total liabilities			22,388

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

29. Financial instruments (cont'd)

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

Group	Loans and receivables \$'000	Financial assets at fair value through profit or loss \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
2010				
Assets				
Trade receivables	21,257	-	-	21,257
Other receivables and deposits	908	-	-	908
Cash and bank balances	22,463	-	-	22,463
Derivatives	-	8	-	8
Total financial assets	44,628	8	-	44,636
Total non-financial assets				37,952
Total assets				<u>82,588</u>
Liabilities				
Trade payables	-	-	12,877	12,877
Other payables and accruals	-	-	9,600	9,600
Long term loans	-	-	349	349
Total financial liabilities	-	-	22,826	22,826
Total non-financial liabilities				2,058
Total liabilities				<u>24,884</u>
	Loans and receivables \$'000		Financial liabilities at amortised cost \$'000	Total \$'000
Company				
2011				
Assets				
Trade receivables		5,874	-	5,874
Other receivables and deposits		79	-	79
Due from subsidiaries		1,476	-	1,476
Cash and cash equivalents		8,923	-	8,923
Total financial assets		16,352	-	16,352
Total non-financial assets				20,264
Total assets				<u>36,616</u>
Liabilities				
Trade payables			3,102	3,102
Other payables and accruals			1,308	1,308
Due to subsidiaries			2,519	2,519
Total financial liabilities			6,929	6,929
Total non-financial liabilities				907
Total liabilities				<u>7,836</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

29. Financial instruments (cont'd)

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

	Loans and receivables \$'000	Financial assets at fair value through profit or loss \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Company				
2010				
Assets				
Trade receivables	8,065	-	-	8,065
Other receivables and deposits	132	-	-	132
Due from subsidiaries	1,404	-	-	1,404
Cash and cash equivalents	10,328	-	-	10,328
Derivatives	-	8	-	8
Total financial assets	19,929	8	-	19,937
Total non-financial assets				21,858
Total assets				41,795
Liabilities				
Trade payables	-	-	4,808	4,808
Other payables and accruals	-	-	2,822	2,822
Due to subsidiaries	-	-	2,366	2,366
Long term loans	-	-	349	349
Total financial liabilities	-	-	10,345	10,345
Total non-financial liabilities				916
Total liabilities				11,261

(c) Derivatives

As at 30 June 2011, there are no outstanding forward currency contracts for the Group and the Company.

Derivatives included in the reporting period at 30 June 2010 are as follows:

	Contractual/ notional amount \$'000	Fair value	
		Asset \$'000	Liability \$'000
Group and Company			
2010			
Non hedging instruments			
Forward currency contracts:			
- sales	707	8	-

As at 30 June 2010, the Group and the Company has outstanding forward currency contracts amounting to \$707,000, which are not designated as hedges of confirmed sales in foreign currencies and firm purchase commitments in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2011

30. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing 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 2011 and 2010.

As disclosed in Note 24(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 calendar years ended 31 December 2010 and 2009.

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%. The Group includes net debt, loans and borrowings, trade payables, other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less abovementioned restricted statutory reserve fund.

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade payables (Note 17)	12,217	12,877	3,102	4,808
Other payables and accruals (Note 18)	6,102	9,600	1,308	2,822
Due to subsidiaries	-	-	2,519	2,366
Long term loans (Note 20)	1,436	349	-	349
Less: Cash and cash equivalents (Note 16)	(19,111)	(22,463)	(8,923)	(10,328)
Net debt/(cash)	644	363	(1,994)	17
Equity attributable to owners of the Company	56,200	57,704	28,780	30,534
Less: Statutory reserve fund	(2,317)	(2,036)	-	-
Total capital	53,883	55,668	28,780	30,534
Capital and net debt	54,527	56,031	26,786	30,551
Gearing ratio	1.18%	0.65%	(7.44)%	0.06%

31. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 23 September 2011.

DETAILS OF MAJOR PROPERTIES IN THE GROUP

For the Financial year ended 30 June 2011

Major properties of the Group are as follows:

DESCRIPTION	LOCATION	AREA (SQ.METRES)	TENURE OF LEASE	NET BOOK VALUE	
				2011 \$'000	2010 \$'000
Leasehold property	Singapore 6 Neythal Road Singapore 628573	4,477	60 years	1,536	1,742
	People's Republic of China 475 Fa Sai Road WaiGaoQiao Free Trade Zone Shanghai 200131 China	8,144	50 years	3,115	3,502
	Vietnam Lot No. 7 Noi Bai Industrial Zone Quang Tien Soc Son District Hanoi Vietnam	9,578	30 years	1,263	1,480
Freehold property	Malaysia 6 Jalan Istimewa 7 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Malaysia	9,470	NA	3,188	3,387

STATISTICS OF SHAREHOLDINGS

For the Financial year ended 30 June 2011

Issued and Fully Paid-up Shares	:	115,365,000
Class of Shares	:	Ordinary shares
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	0.70	4,334	0.00
1,000 – 10,000	613	61.12	3,309,550	2.87
10,001 – 1,000,000	364	36.29	30,060,446	26.06
1,000,001 and above	19	1.89	81,990,670	71.07
Total :	1,003	100.00	115,365,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Tan Choo Pie @ Tan Chang Chai	28,175,670	24.42
2.	Phillip Securities Pte Ltd	9,689,000	8.40
3.	Citibank Nominees Singapore Pte Ltd	8,075,000	7.00
4.	DB Nominees (S) Pte Ltd	6,025,000	5.22
5.	Teoh Eng Teck	4,924,000	4.27
6.	Lie Khin Sin	3,800,000	3.29
7.	UOB Kay Hian Pte Ltd	3,257,000	2.82
8.	OCBC Securities Private Ltd	2,450,000	2.12
9.	See Beng Lian Janice	2,335,000	2.02
10.	HSBC (Singapore) Noms Pte Ltd	2,000,000	1.73
11.	Sim Beng Chye	1,604,000	1.39
12.	Loh Buck Chin Jenigeline	1,415,000	1.23
13.	Tan Sung Sung	1,414,000	1.23
14.	Ng Soo Giap	1,219,000	1.06
15.	DBS Nominees Pte Ltd	1,149,000	1.00
16.	Yeo Seng Chong	1,125,000	0.98
17.	Ng Ching Siang	1,120,000	0.97
18.	Lee Chui Huat	1,108,000	0.96
19.	Wong Liang Kwang	1,106,000	0.96
20.	Hong Leong Finance Nominees Pte Ltd	1,000,000	0.87
		82,990,670	71.94

Based on the information available to the Company, approximately 74.32% of the Company's equity securities are held in the hands of the public. This is in compliance with Rule 723 of the Listing manual of the SGX-ST which require at least 10% of a listing issuer's equity securities to be held by public.

Name of Substantial Shareholders	No. of Shares Direct Interest	No. of Shares Deemed Interest
Tan Choo Pie @ Tan Chang Chai	28,175,670	-
Yeo Seng Chong	1,125,000	6,175,000
Lim Mee Hwa	150,000	7,150,000
Yeoman Capital Management Pte Ltd	-	6,025,000
Peter Mitchell Coltery	-	7,936,000

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 24th Annual General Meeting of the Company will be held at 6 Neythal Road Singapore 628573 on Tuesday, 25 October 2011 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 2011, together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final dividend of 0.90 cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2011 (previous year: final dividend of 1.50 cents and special dividend of 0.35 cents per ordinary share tax exempt (one-tier)). **(Resolution 2)**
3. To re-elect Mr Chew Heng Ching as a Director under Article 115 of the Company's Articles of Association. [See Explanatory Note (i)] **(Resolution 3)**
4. To re-elect Mr Chen Chang Rong as a Director under Article 115 of the Company's Articles of Association. [See Explanatory Note (ii)] **(Resolution 4)**
5. To approve the payment of Directors' fees of S\$93,750 for the financial year ended 30 June 2011 (previous year: S\$93,750). **(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,

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

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 ten per cent (10%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below):
- (ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of 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 (iii)]

(Resolution 7)

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 7 October 2011

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

Explanatory Notes

- (i) **Resolution 3** – Mr Chew Heng Ching is the Lead Independent Director, upon re-election as a Director of the Company, he will remain as the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees.
- (ii) **Resolution 4** – Mr Chen Chang Rong is an Executive Director, upon re-election as a Director of the Company, he will remain as a member of the Audit Committee.
- (iii) **Resolution 7** – If passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 7 (including shares to be issued in pursuance of instruments made or granted) shall not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of ten per cent (10%) 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 and (ii) any subsequent bonus issue, consolidation or subdivision of shares.

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/her 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.

PROXY FORM - 24TH ANNUAL GENERAL MEETING

I/We, _____ (Name) of

_____ (Address)

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

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

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

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

or failing him/her the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 24th Annual General Meeting of the Company to be held at 6 Neythal Road, Singapore 628573 on 25 October 2011 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 2011 (Resolution 1)		
2.	Payment of proposed final dividend of 0.90 cents per ordinary share tax exempt (one-tier) (Resolution 2)		
3.	Re-election of Mr Chew Heng Ching as a Director (Resolution 3)		
4.	Re-election of Mr Chen Chang Rong as a Director (Resolution 4)		
5.	Approval of Directors' fees amounting to S\$93,750 (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)		

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

Dated this _____ day of _____ 2011

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.

CORPORATE INFORMATION

Board of Directors

Mr Tan Choo Pie @ Tan Chang Chai
Chairman

Mr Chen Chang Rong
Executive Director

Mr Tan Heok Ting
Executive Director

Mr Chew Heng Ching
Lead Independent Director

Mr Sim Beng Chye
Independent Director (retired on 26 October 2010)

Mr Chan Meng Wah Alexander
Independent Director (appointed on 24 September 2010)

Audit Committee

Mr Chew Heng Ching
Chairman

Mr Chen Chang Rong

Mr Chan Meng Wah Alexander

Remuneration Committee

Mr Chan Meng Wah Alexander
Chairman

Mr Tan Choo Pie @ Tan Chang Chai

Mr Chew Heng Ching

Nominating Committee

Mr Chan Meng Wah Alexander
Chairman

Mr Tan Choo Pie @ Tan Chang Chai

Mr Chew Heng Ching

Registered Office

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

Share Registrars

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623

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

Ms Wong Ee-Ling
Date of Appointment:
Since financial year ended 30 June 2011

Bankers

DBS Bank
Standard Chartered Bank
Malayan Banking Berhad
United Overseas Bank



Spindex Industries Limited

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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

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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

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Fax: (84) 4 3 5821555
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**Spindex Precision Engineering
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