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[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, domestic appliances, consumer electronics, data storage, machinery, automotive systems and telecommunications. Through investments in flexible manufacturing and information technology and an agile organization, the company is able to constantly re-configure its resources to customize 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, OHSAS 18001 and TS 16949. It also has a comprehensive ITE certified in-house training program and is an approved ITE Training Centre in the ITE Skills Certification in Autonomous Maintenance.



Tan Choo Pie @ Tan Chang Chai
CHAIRMAN

The Year In Review

In my message to you last year, I had expected challenging conditions to prevail in FY2005. Difficult market conditions encountered by the Group in 1H FY2005 persisted for the rest of the year. Despite these challenges, the Group remained profitable and recorded a net profit of \$1.7 million for the year.

Group turnover declined 4% to \$48.1 million. A combination of factors contributed to this dip: price competition caused by surplus capacity, weaker US dollar, delay in customers' project implementation as well as a change in the supply chain of a major customer. By sector, Machinery, Automotive Systems & Telecommunications (MAT) grew 4% but lower turnover was registered from the three remaining sectors of Imaging & Printing (IP),



“ Despite challenging market conditions, we were profitable in FY2005. Cost management remains our current year objective while we work towards building our long-term growth potential.”

Domestic Appliances, Consumer Electronics & Others (DACE) and Data Storage (DS).

Efforts in expanding the MAT sector have resulted in higher orders from customers in machine tools and automotive systems. The shift in the supply chain of a major IP customer lowered turnover from the sector. This loss was mitigated by higher sales to other IP customers. In DACE and DS, turnover declined due to weaker demand from existing customers and the Group's previous initiative in rationalising its customer base.

A lower group turnover and higher raw material prices affected profitability in FY2005. Due to the competitive operating environment, only a small portion of the material price increases was passed on to customers. Expansion of the Group's overseas manufacturing facilities in Suzhou and

Hanoi added to operating expenses. With lower gross margin and higher operating expenses, profit from operations and net profit declined to \$2.2 million and \$1.7 million respectively.

Your Directors have proposed a final dividend of 0.4 cents per share, representing 22% of group profit before tax for the year. The dividend is subject to shareholders' approval at an Annual General Meeting in October 2005 and payment will be made upon approval.

Building For The Future

The last two years have been a challenging period for the Group. We have restructured ourselves to keep abreast with changing market conditions by strengthening our core capabilities. We rationalised our customer base to focus on

key accounts and market sectors where we have a competitive advantage.

The commencement of operations at our new Suzhou plant in October 2004 has enabled us to have more focus plants in China. With our Shanghai plant catering to customers in IP, the Suzhou plant would support the growth of our MAT customers in China.

In building for future growth, we have recently established a new plant in Hanoi which is expected to be operational by November 2005. Our Johor Bahru plant would complement the start-up capacity of the Hanoi plant before full capacity is progressively installed by 2006. This will enable the Group to achieve higher capacity utilisation compared to FY2005. While the Hanoi plant would result in higher expenses in the current financial year, it will enhance our medium to long-term growth potential.

We have restructured ourselves to keep abreast with the changing market conditions by strengthening our core capabilities.

Prospects For FY 2006

The current competitive environment in the industry is likely to persist into FY2006. This will limit any near term improvement in product prices.

On the positive side, prices of raw materials appear to be stabilising in

recent months after nearly two years of unprecedented appreciation. However, the outlook for raw material prices remains uncertain due to the recent volatility in oil prices. It is pertinent to note that average prices of raw materials in FY2006 are likely to be higher as compared to FY2005. As a result, some pressure on profit margin will continue into the current financial year.

Rising sales in Hanoi in the current year would contribute to growth in the IP sector. Within MAT, higher demand for machine tools is expected to be offset by weakness in telecommunications. Stable turnover is expected for MAT and DACE in FY2006.

Appreciation

Despite the challenges in FY2005, I am proud that our management and staff have remained resolute and continue to work towards the long-term growth of the Group. On behalf of the Board, I wish to thank them for their dedication and perseverance under these difficult market conditions. At this point, I would also like to thank our customers, shareholders, bankers, business associates and suppliers for all their support.

During the year, Mr Loo Choon Chiaw resigned as our Independent Director. The Board would like to record its deep appreciation of Mr Loo's contributions since the listing of the Group in 1998 and wish him every success in his future endeavours. Together with my fellow directors, I welcome Mr Chen Chang Rong who joined us as an Independent Director on 1 August 2005. Mr Chen brings with him a wealth of industrial and financial experience to the Board. Last but not least, I would like to thank my fellow Board members for their valuable contributions during the year and look forward to their counsel and guidance in the new financial year.

Tan Choo Pie @ Tan Chang Chai
CHAIRMAN



39%

Imaging and Printing

*(Hewlett Packard,
Brother, Canon)*

38%

**Machinery,
Automotive Systems
& Telecommunications**

*(Robert Bosch, Makita,
Black & Decker,
Texas Instruments,
Delphi, Motorola)*

18%

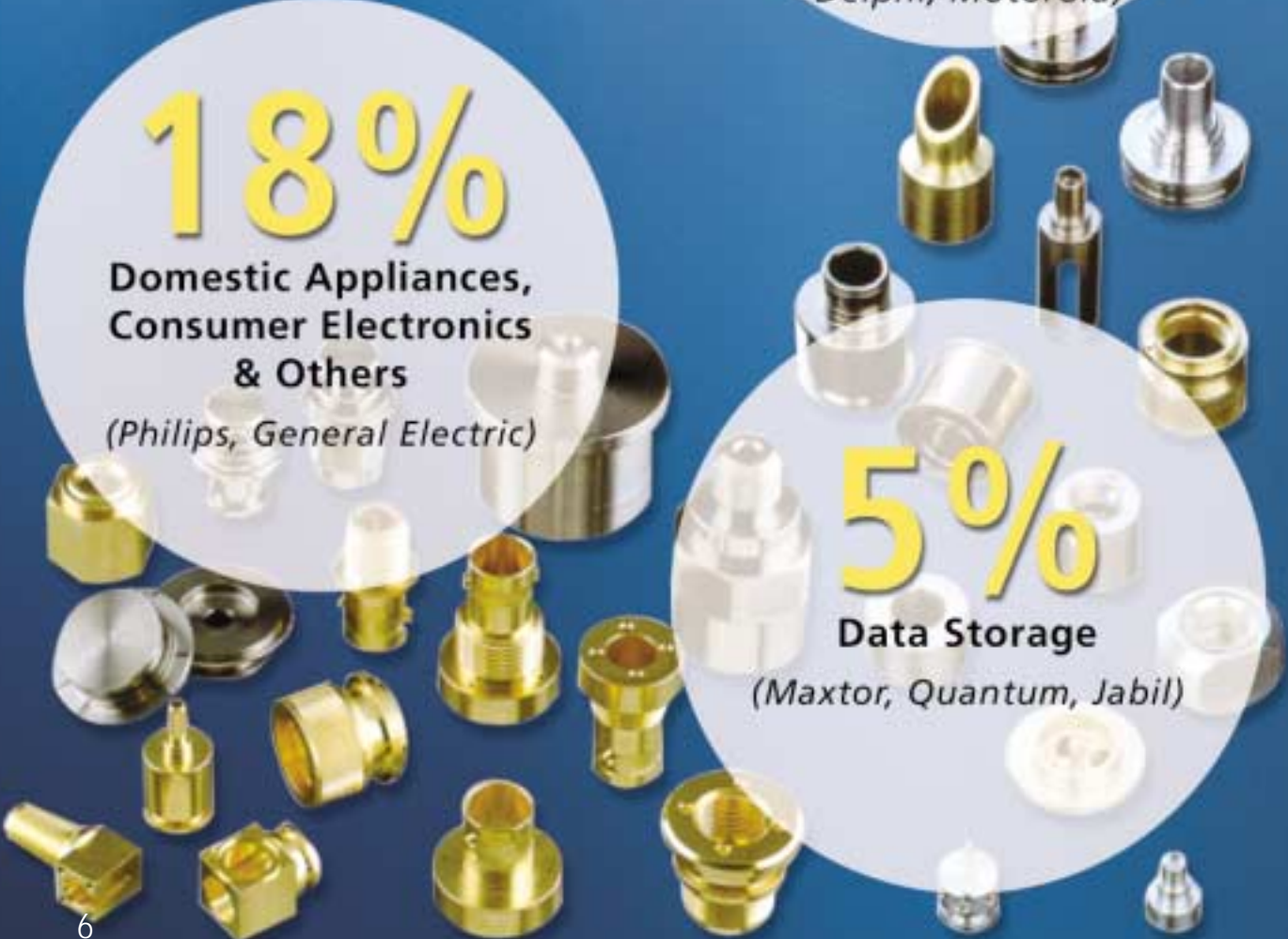
**Domestic Appliances,
Consumer Electronics
& Others**

(Philips, General Electric)

5%

Data Storage

(Maxtor, Quantum, Jabil)



Manufacturing Locations



Headquarter, SINGAPORE



Johor, MALAYSIA



Shanghai, CHINA



Suzhou, CHINA

Board of Directors



Tan Choo Pie @
Tan Chang Chai
CHAIRMAN

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



Choo Heng Thong
MANAGING DIRECTOR

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



Chew Heng Ching
INDEPENDENT DIRECTOR

Mr Chew has been an Independent Director of the Company since 1998 and Chairman of the Audit Committee and the Remuneration Committee. He has more than 25 years of corporate management experience. Mr Chew is the Founding President of the Singapore Institute of Directors ("SID") and currently Chairman of its Governing Council. He is also director of various other listed companies and Chairman of their audit/remuneration/nominating committees. Mr Chew was a member of the Corporate Governance Committee that formulated the Code of Corporate Governance for Singapore companies, and a member of the Council on Corporate Governance and Disclosure. He is a board member and Chairman of the Singapore International Chamber of Commerce. Mr Chew is also a Member of Parliament and Deputy Speaker of the Singapore Parliament. A Colombo Plan scholar, Mr Chew is a graduate in Industrial Engineering (First Class Honors) and Economics and is a university gold medalist from the University of Newcastle, Australia. He also holds an honorary Doctorate degree in Engineering and is a Fellow member of SID and CPA Australia.



Sim Beng Chye
INDEPENDENT DIRECTOR

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



Chen Chang Rong
INDEPENDENT DIRECTOR

Mr. Chen Chang Rong was appointed as Independent Director of the Company from August 2005. 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.

Senior Management

Tan Kin Tatt
GENERAL MANAGER

Mr Tan is responsible for Group's manufacturing operations. He joined Spindex Industries Limited in January 1994. Prior to joining the Company, Mr Tan had spent about 18 years working in different capacities in the manufacturing industries both overseas and locally. He joined the Company as the Operations Manager and was promoted to General Manager in July 2002. Mr Tan holds a Bachelor of Science degree with honors in Production Engineering from University of Aston, Birmingham, United Kingdom.

Quek Bee Lian
FINANCIAL CONTROLLER

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

Francis Wong Liang Kwang
GENERAL MANAGER,
SPINDEX MALAYSIA

Mr Wong is responsible for Malaysia operation. 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 operation and was eventually promoted to General Manager of Spindex Shanghai in May 1997. In August 2005 Mr Wong was transferred to Malaysia. Mr Wong holds a Certificate in Industrial Engineering from the then National Productivity Board.

Sim Hon Heng
GENERAL MANAGER,
SPINDEX CHINA

Mr Sim Hong Heng is responsible for China operations in Shanghai and Suzhou. Prior to joining the company, Mr Sim has more than 20 years of experience in QA, sales, marketing and operations in various different industries. He joined the company in November 2003 as Business Development Manager and was promoted to General Manager of the China operations in April 2005. He holds a Bachelor degree in Industrial Engineering from the University of Newcastle and a Master of Science degree in Operations Management from the University of Rochester.

Corporate Information

BOARD OF DIRECTORS	Mr Tan Choo Pie @ Tan Chang Chai Mr Choo Heng Thong Mr Chew Heng Ching Mr Sim Beng Chye Mr Chen Chang Rong	Chairman Managing Director
AUDIT COMMITTEE	Mr Chew Heng Ching Mr Sim Beng Chye Mr Chen Chang Rong	Chairman
REMUNERATION COMMITTEE	Mr Chew Heng Ching Mr Chen Chang Rong Mr Choo Heng Thong	Chairman
NOMINATING COMMITTEE	Mr Sim Beng Chye Mr Chew Heng Ching Mr Tan Choo Pie @ Tan Chang Chai	Chairman
REGISTERED OFFICE	6 Neythal Road, Singapore 628573 Tel : (65) 6268 0078 Fax : (65) 6268 5034 Email : cse@spindex.com.sg Website : http://www.spindex.com.sg	
REGISTRAR AND SHARE TRANSFER OFFICE	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building, Singapore 049315	
COMPANY SECRETARIES	Mr Abdul Jabbar Bin Karam Din Ms Loh Lee Eng	
AUDITORS	ERNST & YOUNG Certified Public Accountants 10 Collyer Quay #21-01 Ocean Building, Singapore 049315 Partner-In-Charge : Mr Max Loh Khum Whai Date of Appointment : Financial year ended 30 June 2005	
BANKERS	DBS Bank Standard Chartered Bank United Overseas Bank Malayan Banking Berhad	

Corporate Governance

BOARD MATTERS

PRINCIPLE 1: Every company should be headed by an effective Board to lead and control the Company.

BOARD COMPOSITION AND BALANCE

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

The Board comprises 5 Directors as follows: -

Executive

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

Independent

Chew Heng Ching
Loo Choon Chiaw (Resigned with effect from 31 May 2005)
Sim Beng Chye
Chen Chang Rong (Appointed with effect from 1 August 2005)

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 8 and 9. The current Board as a group has core competencies necessary to meet the Company's requirements.

CONDUCT OF AFFAIRS

The Board met 4 times during the financial year to discuss the operations and business affairs of the Company. The number of meetings held and attended by each member of the Board are as follows:

Name of Director	Number of Board Meetings Held	Attendance
Choo Heng Thong	4	4
Tan Choo Pie @ Tan Chang Chai	4	4
Chew Heng Ching	4	4
Loo Choo Chiaw	4	3 (resigned on 31 May 2005)
Sim Beng Chye	4	4
Chen Chang Rong*	-	- (appointed on 1 August 2005)

* Mr Chen Chang Rong was appointed as an Independent Director, a Member of the Audit Committee and Remuneration Committee on 1 August 2005.

Corporate Governance

The Board provides strategic direction to the Management of the Company and approves major investment decisions apart from fulfilling its statutory duties to ensure that the Group's strategies are in the interests of the Company and its shareholders. In addition, the Board has direct responsibility for decision making in respect of the following corporate events and actions: -

1. approval of results announcements;
2. approval of annual reports and accounts;
3. approval of budgets;
4. convening of shareholders' meetings; and
5. material acquisitions and disposal of assets.

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees. The Board is assisted by an Audit Committee ('AC'), a NC and a Remuneration Committee ('RC'), each of which has its own written terms of reference.

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

The Company has appointed a new Independent Director, Mr Chen Chang Rong, with effect from 1 August, 2005, in place of Mr Loo Choon Chiaw. The NC will discuss and implement a training program for the new Director, if necessary.

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.

CHAIRMAN AND GROUP MANAGING DIRECTOR

PRINCIPLE 3: There should be 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 consideration concentration of power.

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

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

BOARD MEMBERSHIP AND BOARD PERFORMANCE

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

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

Nominating Committee

A NC was formed on 13 February 2003 and is chaired by Mr Sim Beng Chye. The other members are Mr Chew Heng Ching and Mr Tan Choo Pie @ Tan Chang Chai.

The NC met once during the financial year and all its members attended the meeting.

The NC oversees the composition of the Board to ensure that they meet the composition and balance required under the Code.

The duties of the NC are as follows:

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

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

Remuneration Committee

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

The RC has been reconstituted by the Board on 1 August 2005. With effect from 1 August 2005, the RC is chaired by Mr Chew Heng Ching. The other members are Mr Chen Chang Rong and Mr Choo Heng Thong. Mr Chen Chang Rong was appointed a member of the RC on 1 August 2005, in place of Mr Loo Choon Chiaw.

The RC met once during the financial year and all its members attended the meeting.

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

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

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

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

The RC will review and recommend to the Board any grant of options to eligible employees pursuant to the ESOS. During the financial year, no options were granted to any employee.

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 for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

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

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

Non-executive Directors have no service contracts and are paid Directors' fees. Directors' fees are determined by the full 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 procedures for setting remuneration, in the Company's annual report.

Corporate Governance

A breakdown of the remuneration of the Directors for the financial year ended 30 June 2005 are set out as below:

Remuneration of Directors for the financial year ended 30 June 2005

Name of Directors	Salary	Bonus	Directors' Fees	Total
\$250,000 to \$499,999				
Choo Heng Thong	84%	16%	–	100%
Tan Choo Pie @ Tan Chang Chai	84%	16%	–	100%
Below \$250,000				
Chew Heng Ching	–	–	100%	100%
Loo Choon Chiaw (Resigned with effect from 1 August 2005)	–	–	100%	100%
Sim Beng Chye	–	–	100%	100%

No Directors were granted options pursuant to the ESOS during the financial year ended 30 June 2005.

Remuneration of Key Executives for financial year ended 30 June 2005

In view of the sensitive nature of the remuneration for the key management executives, the Board is of the opinion that the names of the key executives should not be disclosed in the Annual Report.

For the financial year ended 30 June 2005, all the 4 key executives are drawing remuneration of below \$250,000 per annum.

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.

There are no employees of the Group who are immediate family members of a Director or the Managing Director and whose remuneration exceeds \$150,000 during the financial year ended 30 June 2005.

Details on share options granted to the eligible employees pursuant to the ESOS are set out in the Directors' Report on page 22.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: The Board is accountable to the shareholders while the Management is accountable to the Board.

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 AC with written terms of reference which clearly set out its authority and duties.

The AC has been reconstituted on 1 August 2005 and is chaired by Mr Chew Heng Ching. The other members are Mr Sim Beng Chye and Mr Chen Chang Rong. Mr Chen Chang Rong was appointed as an AC member with effect from 1 August 2005 in place of Mr Loo Choo Chiaw. All members of the AC are Independent Directors. 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 the external auditors the audit plan and their evaluation of the system of internal accounting controls and monitor management's response and actions to correct any noted deficiencies;
3. review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors;
4. determine that no unwarranted management restrictions are being placed upon the external auditors;
5. review of the internal audit program including the scope and results of the internal audit;
6. review the financial statements with Management and external auditors for submission to the Board; and
7. review interested person transaction.

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

The AC met 3 times during the financial year. The members, together with the external auditors, met once in the absence of the Company's Management.

The number of meetings held by the Committee and attendance thereat during the financial year are as follows:

Name of Director	Number of Meetings Held	Attendance
Chew Heng Ching	3	3
Loo Choo Chiaw	3	2 (resigned on 31 May 2005)
Sim Beng Chye	3	3
Chen Chang Rong	–	– (appointed on 1 August 2005)

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 the 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 has reviewed and is satisfied that existing controls in the Group are adequate.

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 through SGXNET. The Company has appointed an investor relations firm on a retainer basis, to communicate regularly with the analysts and they monitor the dissemination of material information to ensure that it is disclosed to the market in a timely manner.

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

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

DEALINGS IN SECURITIES

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

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Directors' Report

The Directors are pleased to present their report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 30 June 2005.

DIRECTORS

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

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

In accordance with Article 104 of the Company's Articles of Association, Mr. Sim Beng Chye retires and being eligible, offers himself for re-election.

In accordance with Article 108 of the Company's Articles of Association, Mr. Chen Chang Rong retires and being eligible, offers himself for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except for the Spindex Employees' Share Option Scheme (the "Spindex ESOS"), neither at the end of nor at any time during the financial year was the Company a party, to any arrangement whose object is to enable Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

Name of Director	Held in the name of directors as at		
	1 July 2004	30 June 2005	21 July 2005
The Company			
Ordinary shares of \$0.10 each			
Tan Choo Pie @ Tan Chang Chai	28,175,670	28,175,670	28,175,670
Choo Heng Thong	28,175,670	28,175,670	28,175,670
Chew Heng Ching	20,000	20,000	20,000
Sim Beng Chye	50,000	50,000	50,000

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

Except as disclosed in this report, no Director of the Company who held office at the end of the financial year had an interest in the shares or debentures of any company in the Group either at the beginning or the end of the financial year or on 21 July 2005.

DIRECTORS' CONTRACTUAL BENEFITS

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

SHARE OPTIONS

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

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

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

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

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

Where the exercise price as determined above is less than the par value of the share, the exercise price shall be the par value.

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.

Directors' Report

SHARE OPTIONS (cont'd)

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

Date of grant	Expiry date	Number of shares under options				Exercise price
		As at date of grant	Options lapsed	Options exercised	As at 30 June 2005	
5 March 2001	4 March 2011	1,875,000	469,000	1,365,000	41,000	\$0.24
1 October 2003	30 September 2013	2,161,000	483,000	–	1,678,000	\$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.

There were no unissued shares of any subsidiaries under option at the end of the financial year.

AUDIT COMMITTEE

The Audit Committee performed the functions specified in the Companies Act, Cap 50. The functions performed are detailed in the Report on Corporate Governance.

OTHER INFORMATION REQUIRED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

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

AUDITORS

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

On behalf of the Board of Directors,

Tan Choo Pie @ Tan Chang Chai
Director

Choo Heng Thong
Director

Singapore, 12 September 2005

Statement by Directors pursuant to Section 201(15)

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

- (i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with notes thereto, set out on pages 25 to 53 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and the results and changes in equity of the Company and of the Group and the cash flows of the Group for the year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Tan Choo Pie @ Tan Chang Chai
Director

Choo Heng Thong
Director

Singapore, 12 September 2005

We have audited the accompanying financial statements of Spindex Industries Limited (the Company) and its subsidiaries (the Group) set out on pages 25 to 53 for the year ended 30 June 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet, profit and loss account and statements of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2005 and the results and changes in equity of the Company and of the Group and the cash flows of the Group for the financial year then ended; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore, 12 September 2005

Balance Sheets as at 30 June 2005

(Amounts Expressed in Singapore dollars)

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
ASSETS LESS LIABILITIES					
Fixed assets	3	30,456	30,240	12,171	14,422
Subsidiaries	4	–	–	8,704	5,627
Current assets					
Stocks	5	6,566	4,877	1,888	2,092
Trade debtors	6	11,936	10,220	5,405	5,102
Other debtors, deposits and prepayments	7	877	520	421	181
Tax recoverable		555	–	–	–
Due from subsidiaries (trade)		–	–	2,095	1,183
Due from subsidiaries (non-trade)	8	–	–	3,713	6,183
Fixed deposits	9	354	2,808	–	–
Cash and bank balances	9	5,747	8,926	2,084	4,715
		26,035	27,351	15,606	19,456
Current liabilities					
Trade creditors		6,860	5,567	2,863	2,363
Other creditors and accruals	10	3,554	4,030	1,805	2,645
Provision for defects	11	222	241	112	140
Due to subsidiaries (trade)		–	–	427	528
Due to subsidiaries (non-trade)	8	–	–	–	1
Short term loan	12	500	–	500	–
Long term loans - current portion	13	1,645	2,768	1,525	2,287
Provision for tax		371	537	296	426
		13,152	13,143	7,528	8,390
Net current assets		12,883	14,208	8,078	11,066
Non-current liabilities					
Long term loans - non-current portion		531	2,176	531	2,056
Deferred tax	14	2,220	2,153	1,950	2,035
		40,588	40,119	26,472	27,024
SHARE CAPITAL AND RESERVES					
Share capital	15	11,536	11,536	11,536	11,536
Reserves	16	29,052	28,583	14,936	15,488
		40,588	40,119	26,472	27,024

The accounting policies and explanatory notes on pages 30 to 53 form an integral part of the financial statements.

Profit and Loss Accounts for the year ended 30 June 2005

(Amounts Expressed in Singapore dollars)

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Turnover	17	48,059	50,124	26,397	29,249
Cost of sales		(39,211)	(38,292)	(22,157)	(23,662)
		8,848	11,832	4,240	5,587
Other operating income	18	691	699	772	5,393
Distribution and selling expenses		(784)	(739)	(298)	(271)
Administrative expenses		(6,556)	(6,394)	(4,228)	(4,595)
Profit from operations	19	2,199	5,398	486	6,114
Financial expenses	22	(128)	(208)	(111)	(183)
Profit before tax		2,071	5,190	375	5,931
Tax	23	(356)	(793)	(4)	113
Net profit attributable to shareholders		1,715	4,397	371	6,044
Earnings per share (cents)					
- Basic	24	1.49	3.81		
- Diluted	24	1.49	3.81		

The accounting policies and explanatory notes on pages 30 to 53 form an integral part of the financial statements.

Statements of Changes in Equity for the year ended 30 June 2005

(Amounts Expressed in Singapore dollars)

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Issued and paid-up capital					
Balance at beginning of year		11,536	11,487	11,536	11,487
Shares issued during the year		–	49	–	49
Balance at end of year		11,536	11,536	11,536	11,536
Share premium					
Balance at beginning of year		1,609	1,540	1,609	1,540
Premium on shares issued during the year		–	69	–	69
Balance at end of year		1,609	1,609	1,609	1,609
Accumulated profits					
Balance at beginning of year		25,786	22,446	13,879	8,746
Net profit for the year		1,715	4,397	371	6,044
Dividends	28	(923)	(911)	(923)	(911)
Appropriation to reserve fund	16	(150)	(146)	–	–
Balance at end of year		26,428	25,786	13,327	13,879
Translation reserve					
Balance at beginning of year		8	483	–	–
Currency translation difference		(323)	(475)	–	–
Balance at end of year		(315)	8	–	–
Reserve fund					
Balance at beginning of year		1,180	1,034	–	–
Appropriation from accumulated profits	16	150	146	–	–
Balance at end of year		1,330	1,180	–	–
Total reserves		29,052	28,583	14,936	15,488
Total equity		40,588	40,119	26,472	27,024

The accounting policies and explanatory notes on pages 30 to 53 form an integral part of the financial statements.

Consolidated Cash Flow Statement for the year ended 30 June 2005

(Amounts Expressed in Singapore dollars)

	2005 \$'000	2004 \$'000
Cash flows from operating activities		
Profit before tax	2,071	5,190
Adjustments for:		
Depreciation of fixed assets	4,197	5,693
Gain on disposal of fixed assets	(2)	(121)
Interest expense	128	208
Interest income	(71)	(48)
Provision for stock obsolescence	47	71
Write-back of provision for stock obsolescence	(21)	(147)
Stocks written off	58	6
Gain on disposal of stocks previously written off	–	(76)
Write-back of provision for doubtful debts	–	(4)
Provision for defects	20	14
Write-back of provision for defects	(37)	(163)
Operating profit before working capital changes	6,388	10,623
(Increase) decrease in:		
Stocks	(1,765)	(1,193)
Trade debtors	(1,820)	258
Other debtors, deposits and prepayments	(350)	(1)
(Decrease) increase in:		
Trade creditors	1,257	876
Other creditors and accruals	(495)	266
Cash generated from operations	3,213	10,829
Income tax paid	(972)	(1,112)
Dividends paid	(923)	(911)
Interest paid	(128)	(208)
Interest received	71	48
Net cash generated from operating activities	1,261	8,646
Cash flows from investing activities		
Proceeds from sale of fixed assets	2	149
Purchase of fixed assets	(4,626)	(1,741)
Net cash used in investing activities	(4,624)	(1,592)
Cash flows from financing activities		
Proceeds from issue of shares	–	118
Proceeds from additional term loans	500	2,700
Repayment of term loans	(2,770)	(4,143)
Net cash used in financing activities	(2,270)	(1,325)
Net (decrease)/increase in cash and cash equivalents	(5,633)	5,729
Cash and cash equivalents at beginning of year	11,734	6,005
Cash and cash equivalents at end of year (Note A)	6,101	11,734

Consolidated Cash Flow Statement for the year ended 30 June 2005

(Amounts Expressed in Singapore dollars)

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprises:

	2005 \$'000	2004 \$'000
Cash and bank balances	5,747	8,926
Fixed deposits	354	2,808
	<u>6,101</u>	<u>11,734</u>

The accounting policies and explanatory notes on pages 30 to 53 form an integral part of the financial statements.

1. CORPORATION INFORMATION

The registered office and principal place of business of Spindex Industries Limited is located at 6 Neythal Road, Singapore 628573.

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

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

The Group operates in four countries. The Group and Company employed 527 and 101 (2004: 444 and 124) employees as of 30 June 2005, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, Cap. 50.

The financial statements have been prepared on a historical cost basis.

Except for the change in accounting estimate detailed in Note 2(b), the accounting policies have been consistently applied by the Company and the Group and are consistent with those used in the previous financial year.

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

(b) *Changes in accounting estimates – depreciation rate*

On 1 July 2004, the Group revised the estimated useful life of certain plant and machineries from 8 years to 10 years. This is to better reflect the economic useful life of these plant and machineries. The effect of this revision was a decrease in depreciation charge for the current financial year of approximately \$669,000 at Company level and \$1,318,000 at Group Level and an increase in the carrying value of the machinery by the corresponding amount.

(c) *Principles of consolidation*

The consolidated financial statements comprise the accounts of Spindex Industries Limited (the Company) and its subsidiaries, after the elimination of all material intercompany transactions and resulting unrealized profits. Unrealised losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to conform any dissimilar material accounting policies that may exist.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(d) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investment in subsidiaries is stated in the financial statements of the Company at cost and provision is made for impairment in values. An assessment of investment in subsidiaries is performed where there is indication that the asset has been impaired or the impairment losses recognised in the prior year no longer exist.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs (plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent these are regarded as an adjustment to interest costs).

(f) Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(g) Depreciation**

Depreciation is calculated on the straight line method to write off the cost of fixed assets over their estimated useful lives. The estimated useful lives of fixed assets are as follows:

Freehold land and building	50 years
Leasehold land and buildings	25 - 40 years
Leasehold improvements	3 - 5 years
Plant and machinery	5 - 10 years or remaining useful lives, if lesser
Furniture and fittings	6 years
Motor vehicles	6 years
Office equipment	3 - 6 years
Quality control equipment	5 years
Warehouse equipment	5 - 6 years

Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. Plant and machinery amounting to \$218,000 (2004: Nil) are not depreciated until such time as the relevant items are completely tested, installed and put in operational use.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(h) Stocks

Stocks are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition 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.

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.

When stocks are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of stocks are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of stocks, arising from an increase in net realisable value, is recognised as a reduction in the amount of stocks as an expense in the period in which the reversal occurs.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(i) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, fixed deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in values.

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and in banks and fixed deposits.

(j) Trade and other receivables

Trade receivables, which generally have 30 - 90 day credit terms, are recognised and carried at original invoice amount less impairment losses on any uncollectible amounts.

Receivables from subsidiaries are recognised and carried at cost less impairment losses on any uncollectible amounts.

(k) Trade and other payables

Liabilities for trade and other amounts payable which are normally settled on 30 - 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to subsidiaries are carried at cost.

(l) 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 a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Provision for defects is recognised for all products under warranty at the balance sheet date based on past experience of the level of repairs and returns.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(m) Borrowings**

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

Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings.

Borrowings are subsequently measured at amortised cost using the effective interest rate method. The difference between net proceeds and redemption value is recognised in the profit and loss account over the life of the borrowings.

(n) Employee benefits**(i) Pensions**

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

For the subsidiary incorporated in the People's Republic of China ("PRC"), pursuant to PRC laws and regulations, contribution to the basic old age insurance for the subsidiary's local staff are to be made monthly to a government agency based on 30.5% (2004: 30.5%) of the standard salary set by the provincial government, of which 22.5% (2004: 22.5%) are borne by the subsidiary and the remaining are borne by the staff. The government agency is responsible for the pension liabilities relating to such staff upon their retirement. The subsidiary accounts for these contributions on an accrual basis. The subsidiary has no obligation for the payment of pension benefits beyond the contribution described above.

(ii) Employee leave entitlement

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

(iii) Employee share option scheme

The Company also has an employee share option scheme whereby employees are granted non-transferable options. No compensation cost is recognised upon granting or the exercise of the options. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium accordingly.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(o) **Operating leases**

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(p) **Revenue recognition**

Revenue from sale of goods is recognised net of goods and services tax and discounts upon the transfer of risk and rewards which generally coincides with delivery and acceptance of the goods sold.

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

Interest income is recognised as the interest accrues unless collectibility is in doubt.

(q) **Income tax**

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

At each balance sheet date, the group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(r) **Segments**

For management purposes, the Group is organised on a world-wide basis into major product categories. The product categories are the basis on which the Group reports its primary segment information.

(s) **Foreign currencies**

The accounting records of the companies in the Group are maintained in their respective functional currencies.

Transactions in foreign currencies during the year are recorded in the respective functional currencies using exchange rates approximating those prevailing on transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into the respective functional currencies at exchange rates approximating those ruling at that date. All resultant exchange differences are dealt with through the profit and loss account.

(t) **Translation of foreign currency financial statements**

Assets and liabilities of foreign subsidiaries are translated into Singapore dollars at the exchange rates ruling at balance sheet date. The results of the foreign subsidiaries are translated into Singapore dollars at the average exchange rates applicable for the financial year. Foreign currency translation adjustments arising on consolidation are accumulated as a separate component of equity.

(u) **Financial instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents and trade and other accounts receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

3. FIXED ASSETS
(a) Group

	Freehold land and building \$'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	Construction-in-progress \$'000	Total \$'000
Cost											
At 1.7.2004	3,766	9,281	754	42,485	669	725	1,695	421	1,968	-	61,764
Additions	-	-	206	2,644	167	-	416	165	131	897	4,626
Retirements	-	-	-	(2,922)	(27)	-	(85)	(8)	(123)	-	(3,165)
Exchange difference on translation	(64)	(83)	(13)	(220)	(2)	(4)	(11)	2	(9)	9	(395)
At 30.6.2005	3,702	9,198	947	41,987	807	721	2,015	580	1,967	906	62,830
Accumulated depreciation											
At 1.7.2004	215	2,411	475	24,286	468	551	1,113	305	1,700	-	31,524
Charge for the year	47	304	35	3,177	65	97	278	34	160	-	4,197
Retirements	-	-	-	(2,924)	(27)	-	(83)	(8)	(123)	-	(3,165)
Exchange difference on translation	(3)	(7)	(8)	(144)	(1)	(3)	(8)	-	(8)	-	(182)
At 30.6.2005	259	2,708	502	24,395	505	645	1,300	331	1,729	-	32,374
Charge for 2004	48	304	26	4,548	74	96	237	40	320	-	5,693
Net book value											
At 30.6.2005	3,443	6,490	445	17,592	302	76	715	249	238	906	30,456
At 30.6.2004	3,551	6,870	279	18,199	201	174	582	116	268	-	30,240

3. FIXED ASSETS (cont'd)

(b) Company

	Leasehold land and buildings \$'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 1.7.2004	4,748	20,667	400	497	1,011	390	908	28,621
Additions	143	22	164	-	25	7	28	389
Retirements	-	(2,295)	(27)	-	(76)	(8)	(123)	(2,529)
At 30.6.2005	4,891	18,394	537	497	960	389	813	26,481
Accumulated depreciation								
At 1.7.2004	1,989	10,009	270	388	723	305	515	14,199
Charge for the year	194	1,446	50	70	133	27	97	2,017
Retirements	-	(1,674)	(27)	-	(74)	(8)	(123)	(1,906)
At 30.6.2005	2,183	9,781	293	458	782	324	489	14,310
Charge for 2004	191	2,453	35	70	134	40	48	2,971
Net book value								
At 30.6.2005	2,708	8,613	244	39	178	65	324	12,171
At 30.6.2004	2,759	10,658	130	109	288	85	393	14,422

(c) As at 30 June 2005, the Company and the subsidiary incorporated in Malaysia, Synturn (M) Sdn. Bhd., have certain plant and machinery with net book values of approximately \$4,688,475 and \$158,461 (2004: \$8,021,096 and \$205,000) respectively, that have been pledged to secure the Company's banking facilities as stated in Note 13 to the financial statements.

4. SUBSIDIARIES

(a) Subsidiaries comprise:

	Company	
	2005 \$'000	2004 \$'000
Unquoted equity shares:		
Cost at beginning of year	5,627	5,627
Investment made during the year	3,077	-
Cost at end of year	8,704	5,627

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

Name of subsidiary	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group		Cost of investment	
			2005 %	2004 %	2005 \$'000	2004 \$'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	2,562	-
Spindex Industries (Hanoi) Co., Ltd. ⁺⁺⁺	Manufacturing and trading of mechanical, electrical and electronic parts	Vietnam	100	-	515	-
					8,704	5,627

⁺ Audited by Ernst & Young affiliate firms in the respective countries.[#] Audited by other auditors.⁺⁺ The Company incorporated a 100% owned subsidiary, Spindex Precision Engineering (Suzhou) Co., Ltd. on 12 May 2004. Cost of investment of \$2,562,000 was made during the financial year.⁺⁺⁺ The Company incorporated a 100% owned subsidiary, Spindex Industries (Hanoi) Co., Ltd. on 17 December 2004.

5. STOCKS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At cost				
Finished goods				
- at cost	1,907	1,166	640	957
- at net realisable value	303	829	73	43
Work-in-progress, at cost	1,600	1,440	520	730
Raw materials				
- at cost	2,278	1,076	528	235
- at net realisable value	443	301	127	127
Goods-in-transit	35	65	-	-
Total stocks at lower of cost and net realisable value	6,566	4,877	1,888	2,092

6. TRADE DEBTORS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade debtors	11,991	10,359	5,460	5,241
Less provision for doubtful debts	(55)	(139)	(55)	(139)
	11,936	10,220	5,405	5,102

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

At beginning of year	139	145	139	145
Write-off against provision	(84)	(2)	(84)	(2)
Write-back of provision	-	(4)	-	(4)
At end of year	55	139	55	139

7. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Other debtors	452	310	320	31
Deposits	39	5	-	-
Prepayments	386	205	101	150
	877	520	421	181

8. DUE FROM/TO SUBSIDIARIES (NON-TRADE)

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

9. FIXED DEPOSITS AND CASH AND BANK BALANCES

Cash and bank balances of the Group amounting to \$120,000 (2004: \$93,000) are pledged to a bank to secure banking facilities granted.

The fixed deposits earn interest at 0.5% to 3% per annum. The average tenure of fixed deposits is 1 month.

10. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Other creditors	979	830	107	520
Accrued operating expenses	1,346	1,689	959	1,063
Accrued payroll benefits	1,229	1,511	739	1,062
	3,554	4,030	1,805	2,645

11. PROVISION FOR DEFECTS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At beginning of year	241	394	140	240
Provision for the year	20	14	-	-
Write-back of provision	(37)	(163)	(28)	(100)
Exchange difference on translation	(2)	(4)	-	-
At end of year	222	241	112	140

12. SHORT TERM LOAN

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unsecured				
Bank term loan due within one year	500	-	500	-

The short term loan has a maturity period of one month and can be roll-over monthly. Interest charged during the year range from 2.8% to 3.3% per annum.

13. LONG TERM LOANS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Secured				
Bank term loans	2,176	4,944	2,056	4,343
Due within one year	(1,645)	(2,768)	(1,525)	(2,287)
Due after one year	531	2,176	531	2,056

Long term loans consist of various bank loans that mature in September 2005, November 2006 and September 2006. These loans are repayable in equal monthly instalments and bear interest at rates ranging from 2.14% to 6.23% (2004: 2% to 6.23%) per annum and are secured as follows:

- (a) a fixed charge on certain plant and machinery of the Company and subsidiary with a net book values of approximately \$4,688,475 and \$158,461 (2004: \$8,021,096 and \$205,000) respectively; and
- (b) corporate guarantees given by the Company's subsidiaries.

The term loan in respect of the subsidiary incorporated in the People's Republic of China, Spindex Precision Engineering (Shanghai) Co., Ltd., bears interest at rates ranging from 3.56% to 5.06% (2004: 3.06% to 3.19%) per annum and is secured by way of a corporate guarantee from the Company.

14. DEFERRED TAX

Deferred taxes as at 30 June related to the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred tax liability				
Tax over book depreciation	2,564	2,265	1,994	2,093
Deferred tax asset				
Provisions	(344)	(112)	(44)	(58)
Net deferred tax liability	2,220	2,153	1,950	2,035

(Amounts Expressed in Singapore dollars, unless otherwise stated)

15. SHARE CAPITAL

	Group and Company	
	2005	2004
	\$'000	\$'000
Authorised		
- 200,000,000 ordinary shares of \$0.10 each	20,000	20,000
Issued and fully paid		
At beginning of year		
- 115,360,000 (2004: 114,869,000) ordinary shares of \$0.10 each	11,536	11,487
Issued during the year		
- 5,000 (2004: 491,000) ordinary shares of \$0.10 each	– *	49
At end of year		
- 115,365,000 (2004: 115,360,000) ordinary shares of \$0.10 each	11,536	11,536

* Increase in share capital during the year is \$500.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

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

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

	Group and Company	
	2005	2004
	\$'000	\$'000
Options outstanding		
At beginning of year	2,060	537
Issued during the year	–	2,161
Exercised	(5)	(491)
Lapsed	(336)	(147)
At end of year	1,719	2,060

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

Expiry date	Exercise price		
4 March 2011	\$0.24	41	46
1 September 2013	\$0.49	1,678	2,014
		1,719	2,060

16. RESERVES**(a) Share premium**

The share premium may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares. With the exception of the reserve fund, share premium and translation reserve, the reserves of the Company are available for distribution as dividends.

(b) Reserve fund

In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), profits of the subsidiary, Spindex Precision Engineering (Shanghai) Co., Ltd., are available for distribution in the form of cash dividends to the investors after the subsidiary has (1) satisfied all tax liabilities; (2) provided for losses in previous years and (3) made appropriations to statutory reserve fund and staff bonus and welfare fund. The subsidiary has 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 subsidiary until the statutory reserve fund reaches 50% of its registered capital. Appropriation to the staff bonus and welfare fund is determined at the discretion of the board of directors.

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

For the financial year ended 30 June 2005, the board of directors of the subsidiary resolved to appropriate 10% (2004: 10%) of the net profit as reported in its statutory financial statements for the financial year ended 31 December 2004 to the reserve fund.

17. TURNOVER

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

18. OTHER OPERATING INCOME

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Dividend income from subsidiaries	–	–	648	5,309
Insurance claims	33	8	12	5
Sale of scrap	587	608	96	48
Other income	–	35	–	30
Interest income from banks	71	48	16	1
	691	699	772	5,393

19. PROFIT FROM OPERATIONS

This is determined after charging (crediting) the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-audit fees				
- payable to auditors of the Company	14	14	14	14
- payable to other auditors	6	-	-	-
Directors' remuneration (Note 21)				
- directors of the Company	549	766	549	766
Directors' fees (Note 21)				
- directors of the Company	79	81	79	81
(Gain)/loss on disposal of fixed assets	(2)	(121)	(2)	1
Foreign exchange loss, net	322	299	211	266
Personnel expenses (Note 20)*	8,705	9,368	5,140	5,958
Provision for stock obsolescence	47	71	32	-
Write-back of provision for stock obsolescence	(21)	(147)	-	(51)
Gain on disposal of stocks previously written off	-	(76)	-	-
Write-back of provision for doubtful trade debts	-	(4)	-	(4)
Stocks written off	58	6	43	5
Operating lease expenses	29	128	29	28

* This includes the amounts shown as directors' remuneration.

20. PERSONNEL EXPENSES

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Wages, salaries and bonuses	7,503	7,955	4,486	5,173
Pension contributions	747	777	380	435
Other personnel costs	455	636	274	350
	8,705	9,368	5,140	5,958

21. DIRECTORS' REMUNERATION AND FEES

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

	2005			2004		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
\$500,000 and above	-	-	-	1	-	1
\$250,000 to \$499,999	2	-	1	1	-	1
\$0 to \$249,999	-	3	4	-	3	3
	2	3	5	2	3	5

22. FINANCIAL EXPENSES

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest expense				
- bank term loans	128	208	111	183

23. TAX

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current tax				
- current year	540	1,388	89	256
- over provision in respect of prior year	(117)	(278)	-	(120)
Deferred tax				
- current year	(191)	(143)	(96)	(127)
- effect of adjustment of tax rate	-	(208)	-	(208)
- under provision in respect of prior year	124	34	11	86
	356	793	4	(113)

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

Profit before tax	2,071	5,190	375	5,931
Tax at the applicable tax rate of 20% (2004: 20%)	414	1,038	75	1,186
Tax effect of:				
- different tax rates in other countries	(101)	81	-	-
- expenses not deductible for tax purposes	149	44	19	15
- income not subject to tax	-	(3)	(129)	(1,061)
- tax exemption on first \$100,000	(11)	(11)	(11)	(11)
- change in tax rate	-	(208)	-	(208)
- over provision of current tax in respect of prior year	(117)	(278)	-	(120)
- under provision of deferred tax in respect of prior year	124	34	11	86
- utilisation of deferred tax asset not recognised in prior year	(106)	-	-	-
- utilisation of reinvestment allowance	(38)	-	-	-
- others	42	96	39	-
Tax expense/(credit)	356	793	4	(113)

23. TAX (cont'd)**Subsidiaries**

Subject to agreement with the relevant authorities in Malaysia, as at 30 June 2005, the subsidiary has tax exempt profits available for distribution of approximately RM8,012,000 (2004: RM10,196,000). The subsidiary has sufficient tax exempt accounts and tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits of RM18,747,000 as at 30 June 2005.

For the subsidiaries incorporated in the People's Republic of China ("PRC"), Spindex Precision Engineering (Shanghai) Co., Ltd. and Spindex Precision Engineering (Suzhou) Co., Ltd., provide for PRC Enterprise Income Tax on the basis of its statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for tax purposes.

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

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

24. EARNINGS PER SHARE (CENTS)

Basic earnings per share is calculated by dividing the net profit for the year of \$1,715,000 (2004: \$4,397,000) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share

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

	Weighted average number of shares	
	2005	2004
Issued ordinary shares at beginning of year	115,360,000	114,869,000
Weighted average number of ordinary shares issued during the year	3,778	474,967
At end of year	115,363,778	115,343,967

24. EARNINGS PER SHARE (CENTS) (cont'd)***Diluted earnings per share***

When calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares. The number of unissued shares under options granted under the Spindex ESOS and their exercise price are set out in the Directors' Report. The average fair value of one ordinary share during the financial year was \$0.37 (2004: \$0.53).

The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

	Weighted average number of shares	
	2005	2004
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	115,363,778	115,343,967
Effect of dilutive securities share options	12,862	120,716
Weighted average number of issued ordinary shares at the end of year (diluted)	115,376,640	115,464,683

25. RELATED PARTY INFORMATION

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties, were as follows:

	Company	
	2005 \$'000	2004 \$'000
Income		
Sales to subsidiaries	3,992	2,982
Expenses		
Purchases from subsidiaries	4,418	5,540
Others		
Sale of fixed assets to subsidiaries	682	1,244

Executive officers' remuneration totalled \$785,000 (2004: \$788,000).

26. CONTINGENT LIABILITIES AND COMMITMENTS**(a) Contingent liabilities**

Unsecured contingent liabilities not provided for in the financial statements are as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Guarantees	618	2,140	500	734

Included above is a guarantee amounting to \$118,000 (2004: \$598,000) issued in favour of a financial institution for credit facilities extended to a subsidiary.

(b) Capital expenditure commitments

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

Commitments in respect of contracts placed	794	-	-	-
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(c) Non-cancellable operating lease commitments

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

Not later than one year	31	50	31	50
1 year through 5 years	122	136	122	136
Later than 5 years	603	707	603	707
	756	893	756	893

27. SEGMENT INFORMATION**(a) Business segments**

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

- (a) Printing and imaging
- (b) Machinery, automotive systems and telecommunications
- (c) Domestic appliances, consumer electronics and others
- (d) Data storage

Segment accounting policies are the same as the policies of the Group as described in Note 2.

	Printing and imaging \$'000	Machinery, automotive systems and tele- communications \$'000	Domestic appliances, consumer electronics and others \$'000	Data storage \$'000	Group \$'000
2005					
Turnover	18,944	17,798	8,677	2,640	48,059
Results	2,898	3,781	1,550	619	8,848
Unallocated expenses					(6,649)
Operating profit					2,199
Financial expenses – net					(128)
Tax					(356)
Net profit for the year					1,715
2004					
Turnover	20,700	17,046	9,154	3,224	50,124
Results	4,635	4,406	1,865	926	11,832
Unallocated expenses					(6,434)
Operating profit					5,398
Financial expenses – net					(208)
Tax					(793)
Net profit for the year					4,397

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

(Amounts Expressed in Singapore dollars, unless otherwise stated)

27. SEGMENT INFORMATION (cont'd)**(b) Geographical segments**

Turnover is based on the location of customers regardless of where the goods are produced. Assets and additions to property, plant and equipment are based on the location of those assets.

	Turnover		Assets		Capital expenditure	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
People's Republic of China	23,710	21,305	21,754	17,492	1,665	307
Singapore	7,833	12,070	18,914	26,177	389	1,074
ASEAN (excludes Singapore)	10,715	12,483	15,821	13,922	2,572	360
USA, Europe and others	5,801	4,266	–	–	–	–
	48,059	50,124	56,489	57,591	4,626	1,741

28. DIVIDENDS PAID AND PROPOSED

	Group and Company	
	2005 \$'000	2004 \$'000
Dividends paid		
Interim dividend of Nil (2004: 0.40) cents per ordinary share less tax in respect of current financial year	–	461
Final dividend of 0.80 (2004: 0.48) cents per ordinary share less tax in respect of previous financial year	923	450
	923	911

The directors propose that a final dividend of 0.32 (2004: 0.8) cents per ordinary share less tax, amounting to \$369,000 (2004: \$923,000) be paid for the year ended 30 June 2005.

29. FINANCIAL INSTRUMENTS***Financial risk management and policies***

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

Interest rate risk

The Group's exposure to interest rate risk relates to the interest bearing fixed deposit. The fixed deposit is at a fixed interest rate. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

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

29. FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk

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

The Group entered into foreign currency forward exchange contracts in order to limit the Group's exposure to adverse fluctuations in foreign currency exchange rates. It is the Group's policy not to enter into derivative forward foreign exchange contracts for speculative purposes. There are no open forward exchange contracts as at year-end.

Credit risk

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

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

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

Liquidity risk

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

Fair value

Fair value is defined as the amount at which a financial instrument can be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, intercompany balances and other financial assets

The carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

Short-term borrowings and other current liabilities

The carrying amount approximates fair value because of the short period of maturity of these instruments.

29. FINANCIAL INSTRUMENTS (cont'd)

Long term loans

(a) Variable interest rate bearing

The fair value of long term loans with variable interest rates approximates its carrying amounts.

(b) Fixed interest rate bearing

The fair value of long term loans with fixed interest rates are based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. As at 30 June 2005, the carrying amount of these fixed interest rate term loans is approximately \$781,000 (2004: \$2,156,000) and the fair value is approximately \$766,000 (2004: \$1,442,000).

30. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2005 were authorised for issue in accordance with a resolution of the directors on 12 September 2005.

Details of Major Properties in the Group 30 June 2005

(Amounts Expressed in Singapore dollars, unless otherwise stated)

Major properties of the Group are as follows:

Description	Location	Area (sq.metres)	Tenure of lease	Net book value	
				2005 \$'000	2004 \$'000
Leasehold property	Singapore 6 Neythal Road Singapore 628573	4,477	60 years	2,708	2,759
	People's Republic of China 475 Fa Sai Road WaiGaoQiao Free Trade Zone Shanghai 200131 China	8,144	50 years	3,782	4,111
	Vietnam Lot No. 7A Noi Bai Industrial Zone Quang Tien Commune Soc Son District Hanoi Vietnam	9,578	30 years	906	–
Freehold property	Malaysia 6 Jalan Istimewa 7 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Malaysia	9,470	NA	3,443	3,551

Statistics of Shareholdings As at 13 September 2005

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	10	0.86	6,882	0.01
1,000 - 10,000	784	67.30	4,338,554	3.76
10,001 - 1,000,000	357	30.64	20,200,112	17.51
1,000,001 and above	14	1.20	90,819,452	78.72
Total	1,165	100.00	115,365,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Choo Heng Thong	28,175,670	24.42
2	Tan Choo Pie @ Tan Chang Chai	28,175,670	24.42
3	HSBC (Singapore) Nominees Pte Ltd	9,651,000	8.37
4	UOB Kay Hian Pte Ltd	7,558,000	6.55
5	United Overseas Bank Nominees Pte Ltd	5,111,000	4.43
6	Mayban Nominees (S) Pte Ltd	1,823,000	1.58
7	Ng Ching Siang	1,803,000	1.56
8	Loh Buck Chin Jenigeline	1,515,000	1.31
9	OCBC Securities Private Ltd	1,358,000	1.18
10	Lee Chui Huat	1,274,000	1.10
11	Phillip Securities Pte Ltd	1,204,000	1.04
12	Wong Liang Kwang	1,106,000	0.96
13	Tan Kin Tatt	1,049,112	0.91
14	Wang Jung Hsin	1,016,000	0.88
15	HL Bank Nominees (S) Pte Ltd	983,000	0.85
16	Kwa Ching Tze	970,000	0.84
17	Ng Sim Bio	964,000	0.84
18	Estate of Ng Boon Bee, Deceased	600,000	0.52
19	DBS Nominees Pte Ltd	469,000	0.41
20	Kim Eng Securities Pte Ltd	439,000	0.38
	Total	95,244,452	82.55

Based on the information available to the Company, approximately 51.16% 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 requires at least 10% of a listing issuer's equity securities to be held by public.

Name of Substantial Shareholders	No. of Shares Direct Interest	No. of Shares Deemed Interest
Choo Heng Thong	28,175,670	-
Tan Choo Pie @ Tan Chang Chai	28,175,670	-
Chartered Asset Management Pte Ltd	-	9,833,000
CAM-GTF Limited *	9,651,000	-

* CAM-GTF Limited is a fund managed by Chartered Asset Management Pte Ltd ("CAM"). CAM's deemed interest includes the direct interest of CAM-GTF.

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of the Company will be held at 6 Neythal Road, Singapore 628573 on Wednesday, 26th day of October 2005 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 30 June 2005, together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final dividend of 0.4 cent per ordinary share less income tax of 20% for the financial year ended 30 June 2005 (previous year : 1.0 cent per ordinary share less income tax of 20%). **(Resolution 2)**
3. To re-elect Mr Sim Beng Chye as a Director under Article 104 of the Company's Articles of Association. **(Resolution 3)**
4. To re-elect Mr Chen Chang Rong as a Director under Article 108 of the Company's Articles of Association. **(Resolution 4)**
5. To sanction the amount proposed as Directors' Fees of S\$78,625 for the financial year ended 30 June 2005 (previous year : S\$80,750). **(Resolution 5)**
6. To re-appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

8. "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and notwithstanding the provisions 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

Notice of the 18th Annual General Meeting

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

provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued share capital 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 issued share capital shall be calculated based on the issued share capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.” **(Resolution 7)**

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

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 10 October 2005

Notice of the 18th Annual General Meeting

Explanatory Notes

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

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

Resolution 7 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 50% of the issued share capital of the Company, with a sub-limit of 20% for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the issued share capital of the Company at the time of the passing of Resolution 7, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (c) any subsequent consolidation or subdivision of shares.

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

Notes:

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



SPINDEX INDUSTRIES LIMITED
 (Incorporated in the Republic of Singapore)
 Company Registration No. 198701451M

IMPORTANT:

- 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.
- This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name)

of _____ (Address)

being a member/members of Spindex Industries Limited (the "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 18th Annual General Meeting of the Company to be held at 6 Neythal Road, Singapore 628573 on 26 October 2005 at 10.00 a.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
Ordinary Business			
1.	Adoption of Reports and Audited Accounts (Resolution 1)		
2.	Approval of final dividend of 0.4 cent per ordinary share less income tax of 20% (Resolution 2)		
3.	Re-election of Mr Sim Beng Chye as a Director (Resolution 3)		
4.	Re-election of Mr Chen Chang Rong as a Director (Resolution 4)		
5.	Approval of Directors' Fees of S\$78,625 (Resolution 5)		
6.	Re-appointment of Ernst & Young as Auditors (Resolution 6)		
7.	Any other ordinary business		
Special Business			
8.	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50 (Resolution 7)		
9.	Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the Spindex Employees' Share Option Scheme (Resolution 8)		

Dated this _____ day of _____ 2005

TOTAL NUMBER OF SHARES HELD IN:	
CDP Register	
Register of Members	

 Signature(s) of Member(s) or
 Common Seal of Corporate Shareholder

(Please see notes overleaf before completing this form)

Proxy Form 18th Annual General Meeting

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the proportion of Shares to be represented by each proxy must be stated.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specified the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. This instrument of proxy must be executed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or its attorney or affixed with its common seal thereto.
4. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representative in accordance with its Articles of Association and Section 179 of the Companies Act, Cap. 50 of Singapore to attend and vote for and on behalf of such body corporate.
5. This instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 6 Neythal Road, Singapore 628573 not less than 48 hours before the time fixed for holding the Annual General Meeting.
6. Please insert the total number of shares held by you. If you have shares entered against your name on the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.
7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for the holding of the Annual General Meeting as certified by CDP to the Company.