



operating & financial review

HLN Group is an integrated mechanical component supplier serving primarily the consumer electronics, office automation, automotive, industrial applications, defense and other sectors located mainly in the fast growing Asian countries. The Group offers an array of quality customized precision products such as bumpers, pads, ink absorbers, roller parts, name plates, labels, adhesives and high grade aluminium plates and rods to multinational corporations and local blue-chip manufacturing powerhouses. These parts are used in printers and copiers, vacuum cleaners and other electrical appliances, automobiles, semi-conductor equipments and other information communication devices.

Currently, HLN Group supports its wide base of customers in diverse industries through its eleven operating subsidiaries operating in four countries, namely; Singapore, Indonesia (Batam), Malaysia (Johor) and China (Shenzhen and Suzhou). Pursuant to a group restructuring exercise in October 2008, the Group is organized into controlling business units ("CBU") based on their products and services and all CBU report directly to the Group Chief Operating Officer ("Group COO"). The Group COO and the Group Chief Financial Officer ("Group CFO") report to the Group Chief Executive Officer ("Group CEO). The CBU are further aggregated into operating segments for management reporting and control purposes. The four operating segments are Office Automation ("OA"), Lifestyle Products ("LP"), Industrial Applications ("IA") and Investment Holding ("IH") segments.

The *Office Automation* ("OA") segment manufactures and distributes polymeric components, polymeric die-cutting services and precision turned parts for the office automation end products including printers, copiers, electronic devices, computers, note books and peripheral accessories.

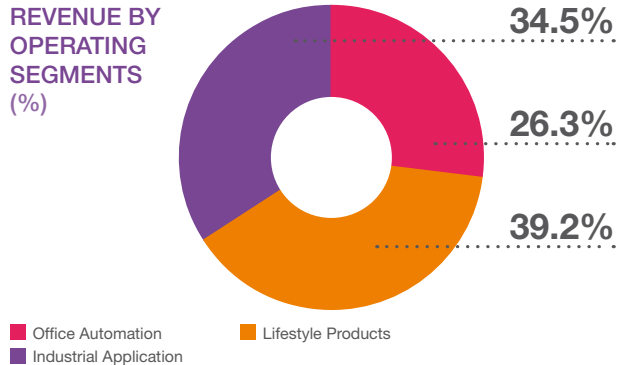
The *Lifestyle Products* ("LP") segment manufactures and distributes compound rubber and precision molded rubber parts and components for the consumer and lifestyle products including household electrical appliances, consumer electronic devices, vibration control components and peripheral accessories.

The *Industrial Application* ("IA") segment manufactures and distributes metallic products and aluminium plates, rods and sheets for various customers in the semiconductor, military, medical instruments, precision engineering, aviation and transport, and food and beverage industries.

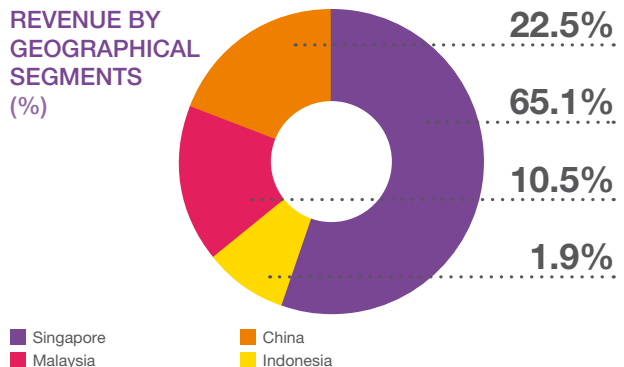
The Corporate ("IH") segment is involved in Group level corporate services, treasury functions and investments. It derives its income substantially from inter-company transactions.

OPERATIONS REVIEW

REVENUE BY OPERATING SEGMENTS (%)



REVENUE BY GEOGRAPHICAL SEGMENTS (%)



Our revenue has declined by \$4.2 million or 8.4% from \$50.4 million in FY 2007 to \$46.1 million in FY 2008, mainly due to the disposal of our Singapore metal service centre business, HLN Metal Centre, under the IA segment, in September 2008. This business was a major revenue contributor in FY 2007. In addition, the Group was also affected by the global economic recession in the 4Q of FY 2008 which contributed to lower sales in the LP segment. Incidentally, sales by geographical locations witnessed a decline in Singapore and Malaysia, our major markets, in FY 2008. However, our expansion strategy in China paid off as sales from the China market increased \$3.2 million or 44.5% year-on-year.

We would still focus our resources on our core OA and LP segments, which in aggregate, contributed 65.5% of the Group's total revenue in FY 2008 and would continue to strengthen our

business presence in China which accounted for 22.5% of our total revenue. The OA and LP segments contributed 60.5% of our revenue and China accounted for 14.2% of our revenue in FY 2007. We have expanded our production capacities in the OA and LP segments, in Malaysia and China, in FY 2008 to prepare the Group for the expected increase in sales in the future when the global economy recovers.

At the same time, we have restructured our operations and organization structures to better align with ever changing business conditions and market demands. We have consolidated our Johor operations geographically and fused operations management so as to achieve synergies and cost savings.

FINANCIAL REVIEW

Operating Results

In S\$'000

	2008	2007	2006
Revenue	46,176	50,350	24,546
Gross Profit	12,015	13,997	8,954
Operating EBITDA ⁽¹⁾	4,888	6,423	5,563
Net Profit Attributable to Shareholders	496	3,543	2,841
Basic Earnings Per Share – cents	0.43	3.36	2.90
Dividend paid Per Share – cents	2.24	0.00	1.60

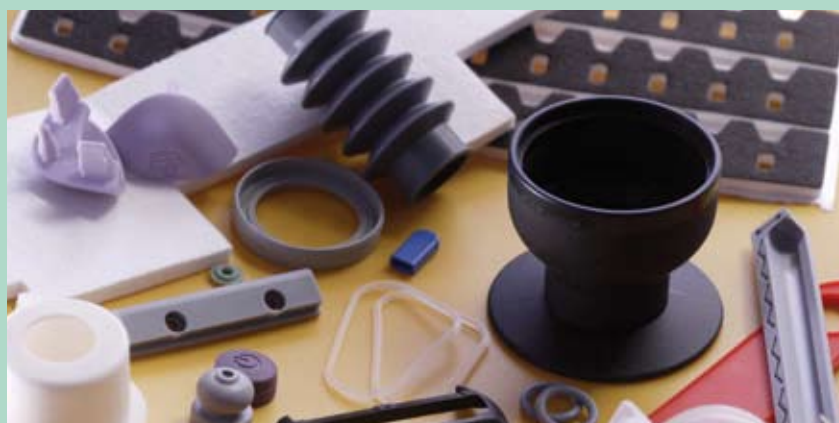
(1) Operating EBITDA refers to net profit before interest, tax, depreciation, amortization, other charges and impairment losses

Financial Position

	2008	2007	2006
Total Assets – S\$'000	32,719	44,203	24,750
Total Shareholders' Equity – S\$'000	23,994	23,773	14,233
Current Ratio – Times	3.32	1.82	1.94
Gross Gearing Ratio – %	13.2	51.0	17.0
Net Gearing Ratio ⁽²⁾ – %	positive cash	22.6	positive cash
Net Asset Value Per Share – cents	19.06	21.60	14.52
Cash Value Per Share – cents	6.88	6.13	4.50
Total Issued Shares, excluding Treasury Shares	125,882,920	110,037,920	98,005,920

(2) Net gearing ratio refers to total interest-bearing borrowings less cash and cash equivalents over shareholders equity

The Group posted its first ever half year loss in FY 2008 but managed to turn around with a \$0.50 million net profit attributable to shareholders (“PATMI”) for the full year. Compared to FY 2007, however, PATMI has decreased by \$3.0 million or 86.0% due to lower sales, higher costs and the higher restructuring costs and impairment losses during the year.





operating & financial review (cont'd)

While Group revenue reduced by \$4.2 million or 8.4% from \$50.4 million in FY 2007 to \$46.1 million in FY 2008, gross profit reduced by 14.2% due to the high and relatively fixed production costs. Gross profit declined by \$2.0 million and gross margin dropped from 27.8% in FY 2007 to 26.0% in FY 2008. Operating expenses and finance costs increased slightly by \$76,000 or 0.8% compared to FY 2007. Excluding the other charges, which consist of provisions and impairment losses, operating EBITDA declined at a lower rate of 23.9% from \$6.4 million in FY 2007 to \$4.9 million in FY 2008, which stood at 10.6% of revenue.

While earnings per share ("EPS") have dropped to 0.43 cent per share in FY 2008, the Group has paid out 1.60 cents and 2.24 cents dividends per share in FY 2006 and FY 2008 respectively, or approximately 38.5% of the Groups' revenue reserves as at 31 December 2008 (before cumulative dividends).

Our Group balance sheet and financial position continue to be strong, with shareholders' equity of \$24.0 million and cash and cash equivalents of \$8.7 million as at 31 December 2008. Despite having posted lower PATMI of \$0.5 million and paid out dividends of \$2.58 million in FY 2008, Group Net Asset Value ("NAV") per share only reduced 2.54 cents to 19.06 cents as at 31 December 2008 compared to 21.60 cents per share as at 31 December 2007 due to increase in shareholders' equity from share placement during the year when the Group raised \$2.94 million net proceeds.

The increase in Group cash and cash equivalents of \$1.9 million in FY 2008 was mainly due to better cash flow management. During FY 2008, \$8.6 million net cash flows were generated from operating activities whereas \$9.5 million net cash flows were used in FY 2007. During FY 2008, the Group repaid bank borrowings of \$8.8 million which was partially financed by net cash flows generated from investing activities pertaining to our disposal of business in HLN Metal that raised \$3.8 million. As a result, net increase in cash and cash equivalents of \$2.9 million arose, including the discharge of restriction over a \$1.0 million fixed deposit which was previously placed with a financial

institution for banking facilities granted to HLN Metal. Excluding this \$1.0 million, actual increase in cash and cash equivalents was \$1.9 million.

The Group's working capital management in FY 2008 improved with 62 days of inventory turnover and 62 days of debtors' turnover, as compared to 133 days and 88 days respectively in FY 2007. In addition, the current ratio improved from 1.82 times to 3.32 times over the same period. The reduction in Group bank borrowings also contributed to the lower 13.2% gearing ratio as at 31 December 2008. If cash and cash equivalents are included, net gearing ratio becomes cash flow positive as compared to 22.6% as at 31 December 2007. The reduction in cash cycle and better liquidity results are due to faster collection and lower inventory holding, especially after the disposal of our business in HLN Metal.

PROSPECTS IN FY 2009

The Group will continue to build upon its relatively diversified business portfolio, strong regional presence and strong financial position to face the challenges of FY 2009. FY 2009 will be characterized by even greater uncertainties than FY 2008 due to the global financial crisis and economic recession, which are expected to bring adverse impact on global demand and manufacturing activities in this region and beyond. The Group will proactively seek various economic and financial measures to mitigate the risks and enhance its flexibility to weather the turbulence through production location evaluation, product and process re-engineering and cost management among others. In FY 2008, the Group has implemented a Group-wide flexible and performance-based compensation system to ensure cost flexibility, while balancing the need to reward talents and performance.

In addition, the Group would continue to explore other business opportunities which can enhance long term shareholder value. These include geographical expansion, mergers and acquisitions, divestment and partnering with long term strategic investor(s) who can add depth and breadth to the Group's existing business portfolio.



group structure



Legend > **SBU** – Strategic Business Unit > **S-SBU** – Supporting SBU > **MS-SBU** – Micro S-SBU





advancing our lead

HLN will continue to seek strategic opportunities and forge further into growing economies like China that present growth potential.



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board of directors

“ At the same time, we have restructured our operations and organisation structures to better align with ever changing business conditions and market demands. ”



1. Mr Ng Khoon Seng EXECUTIVE CHAIRMAN / GROUP CHIEF OPERATING OFFICER

Mr Ng Khoon Seng, was appointed Executive Chairman of our Company on 27 November 2006 (date of next re-election: 30 April 2009). As the Executive Chairman, Mr Ng's role is to manage the Board, to ensure timely and accurate flow of information between the Management and the Board, to encourage constructive relations among the directors and to promote harmonious relations with the shareholders. He also oversees the Group Human Resources functions.

On 01 November 2008, Mr Ng was appointed as the Group Chief Operating Officer pursuant to a re-organization. As the Group COO, Mr Ng is responsible for the management of the Group's business and operating activities within the SBUs as well as overseeing the Group's production planning and strategic production decision making to achieve efficiency and profitability.

Mr Ng has more than 28 years of experience in the stamping and die-cutting industry, making significant progress in his career beginning as a senior supervisor and technician in the 80s and founded his own business in 1992. He is also a Non-Executive Director of Pro-stamping industrial, a company engaged in providing of printed circuit boards, which he founded in March 1992, together with his family members. Mr Ng holds a Diploma in Business Efficiency and Productivity (Production Management) from the NPB Institute for Productivity Training.

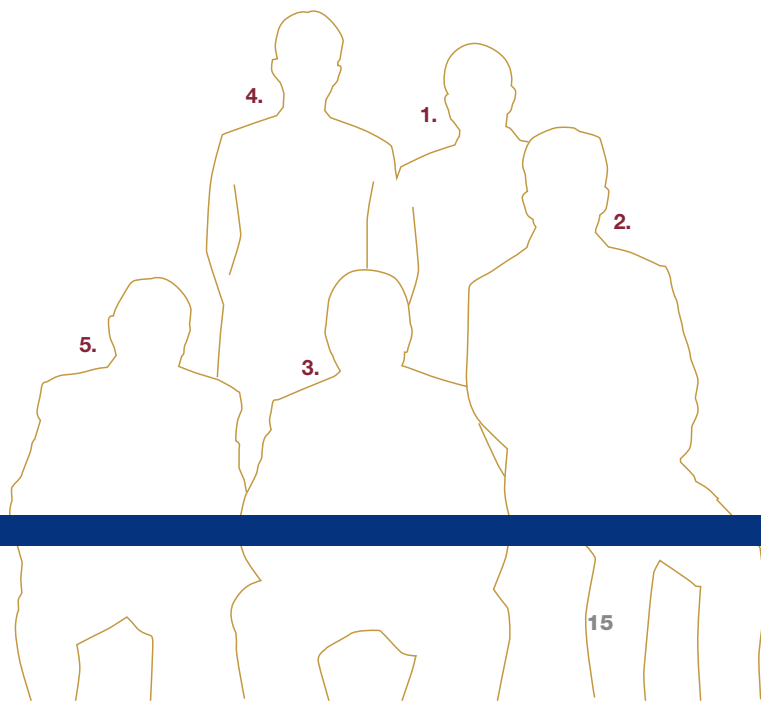
As at 31 December 2008, Mr Ng holds 7,539,540 shares (including deemed interest) in HLN Technologies, representing 5.99% of the Company's total shares issued.

2. Mr Wa Kok Liang, Leslie GROUP CHIEF EXECUTIVE OFFICER

Mr Wa Kok Liang, Leslie, was appointed as an Executive Director and the Group Chief Executive Officer of our Company since its incorporation on 26 February 2004 (date of last re-election: 28 April 2008). As our Group CEO, Mr Wa is responsible for our Group's strategic marketing and financial planning and market development. He has been spearheading the expansion and growth of our Group, including the expansion of our Group's production facilities and services in the region and in the PRC. He is overall responsible for the performance of the Group.

Mr Wa has more than 10 years of experience in the elastomeric and polymeric products industry. Following his graduation in 1995, Mr Wa joined HLN Rubber Products Pte Ltd in November 1995 as a Business Development Manager. He subsequently became the Managing Director of HLN Rubber Products Pte Ltd. Mr Wa holds a MBA (International Management) degree and a Bachelor of Business in Business Administration degree from the RMIT University, Australia. Mr Wa was voted amongst the Finalist for Rotary-ASME Entrepreneur of the Year Award 2006.

As at 31 December 2008, Mr Wa holds 34,557,720 shares (including deemed interest) in HLN Technologies, representing 27.45% of the Company's total shares issued.





board of directors (cont'd)

3. Mr Jovenal R. Santiago LEAD INDEPENDENT DIRECTOR

Mr Jovenal R. Santiago was appointed as an Independent Director of our Company on 30 September 2005. Pursuant to Section 153 of the Companies Act, Mr Santiago shall be subjected to retirement and re-election on a yearly basis. Mr Santiago also holds directorships in other Singapore listed companies namely; Fastech Synergy Ltd, Ionics EMS, Inc., Giant Wireless Technology Ltd, Willas-Array Electronics (Holdings) Ltd and Cosmosteel Holdings Ltd.

A Certified Public Accountant, Mr Santiago has more than 40 years of experience in the accounting and auditing profession in Singapore and the Philippines before his retirement in 1998. From 1971 to 1998, he was an audit principal of an international accounting firm in Singapore where he was in charge of audit engagements of a wide portfolio of clients including several public listed companies.

Mr Santiago holds a Bachelor of Science degree in Commerce from the University of Santo Tomas, Philippines and MBA degree from New York University, USA.

As at 31 December 2008, Mr Santiago holds 150,000 shares (including deemed interest) in HLN Technologies, representing 0.12% of the Company's total share issued.

4. Mr Tang Chi Loong INDEPENDENT DIRECTOR

Mr Tang Chi Loong was appointed as an Independent Director of our Company on 14 September 2006 (date of last re-election: 23 April 2007).

Mr Tang is currently a partner of M/s Hin Tat Augustine and Partners, a law firm established in Singapore. He started his legal career at M/s Choo & Soh in 1995 and became partner in 1998. In 2003, M/s Choo & Soh merged with M/s Hin Tat & Partners to form M/s Hin Tat Augustine and Partners. Mr Tang is a founding member of that firm.

Mr Tang holds a Bachelor of Law (Honours) degree from the National University of Singapore.

As at 31 December 2008, Mr Tang does not hold any share (including deemed interest) in HLN Technologies.

5. Mr Lim Chye Huat @ Bobby Lim Chye Huat NON-EXECUTIVE AND NON- INDEPENDENT DIRECTOR

Mr Lim Chye Huat @ Bobby Lim Chye Huat was appointed as a Non-Executive Director of our Company on 06 October 2008 (date of next re-election: 30 April 2009).

Mr Lim has more than 30 years of experience in the electrical and engineering business. He is currently the Managing Director of SGX-ST Main Board listed Tai Sin Electrical Limited. Prior to his current position, Mr Lim was the Managing Director of Lim Kim Hai Electric Co (S) Pte Ltd from 1972 to 1997. He is also the Non-Executive Director of Dynamic Colours Limited and the current Chairman of The National St. John Council and Chairman (SMC) of the Lighthouse School (formerly known as The Singapore School for the Visually Handicapped).

As at 31 December 2008, Mr Lim holds 8,000,000 shares (including deemed interest) in HLN Technologies, representing 6.35% of the Company's total share issued.



key management staff

Mr Ee Teck Siew

Mr Ee Teck Siew, is our Group Chief Financial Officer. He joined our Group on 27 December 2004 as the Group Financial Controller, and was promoted to Group CFO on 01 August 2007. He has overall responsibilities over the Group's financial management, system implementation, internal controls, treasury and banking matters, and mergers and acquisitions. Mr Ee has more than 14 years of experience in finance and accounting, having worked in various companies mainly involved in manufacturing and distribution. He has also stationed in China for more than 4 years. Mr Ee was Group Finance Manager of another SGX-ST Main Board listed company and held managerial positions in subsidiaries of other listed companies. Mr Ee graduated with a Bachelor degree in Accountancy (2nd Class Upper) from the Nanyang Technological University in 1994 and is also a non-practising member of the Institute of Certified Public Accountants, Singapore.

Mr Tan Chye Thiam, Kelvin

Mr Tan Chye Thiam, Kelvin, is the General Manager of our Elastomeric SBU. He is responsible for the general and operations management of the Elastomeric SBU spanning Batam, Johor, Suzhou and Singapore. Mr Tan joined our Group on 12 February 2007 as a Deputy General Manager and was promoted to General Manager of Elastomeric SBU on 01 September 2007. Mr Tan has more than 10 years of experience in Plant Management for the rubber industry. Prior to joining our Group, Mr Tan was Assistant Plant Manager of Hi-Tech Polymer Limited from 2000 to 2007, and worked as Production Manager for various manufacturers between 1991 to 2000. Mr Tan holds a Diploma in Chemical Process Technology from Singapore Polytechnic.

Mr Ng Koon Chuan, Francis

Mr Ng Koon Chuan, Francis, is the General Manager of our Polymeric SBU. He is also the Operation Director of Process Innovation Technology Pte Ltd ("PIT") since September 2001. Mr Ng is responsible for the general and operations management of PIT including materials sourcing and planning, sales, customer relationship management, public relations and inventory management, as well as overseeing the three subsidiaries of our Polymeric SBU. After completing his secondary level education, Mr Ng served in the Singapore Armed Forces and Ministry of Defence and later worked as a shipbroker in several local shipbroking companies.

Ms Wa Sock Yin, Yvonne

Ms Wa Sock Yin, Yvonne, is the Sales Director of our Elastomeric SBU. She is responsible for sales, material planning, customer relationship and regional sales development for the Elastomeric SBU. Ms Wa joined our Group in April 1996 as an Accounts Executive. She later became the Marketing Manager in July 1999, and has held the position as the General Manager of HLN Rubber Products Pte Ltd and the Elastomeric SBU since January 2004 until her re-designation to her present position in July 2007. Prior to joining our Group in April 1996, Ms Wa was an Assistant Accountant at DBS Asset Management Limited, a fund management company from May 1993 to March 1996. Ms Wa holds a Diploma in Accountancy with Merit from Ngee Ann Polytechnic.

Ms Ng Lian Hong, Elsie

Ms Ng Lian Hong, Elsie, is the Senior Operations Manager of Process Innovation Technology Pte Ltd ("PIT"). She is responsible for human resources, purchasing and general administration of PIT as well as finance activities for the three subsidiaries of our Polymeric SBU. Ms Ng is currently also a Non-Executive Director of Pro-stamping Industrial Pte Ltd, which she formed in March 1992 together with her family members including our Executive Chairman, Mr Ng Khoo Seng. Ms Ng holds a Higher Accounting and Business Statistics Certificate from the London Chamber of Commerce and Industry.



corporate information

BOARD OF DIRECTORS

Ng Khooon Seng

Executive Chairman / Chief Operating Officer

Wa Kok Liang, Leslie

Chief Executive Officer / Executive Director

Jovenal R. Santiago

Lead Independent Director

Tang Chi Loong

Independent Director

Lim Chye Huat @ Bobby Lim Chye Huat

Non-Executive and Non-Independent Director

AUDIT COMMITTEE

Jovenal R. Santiago

Chairman

Tang Chi Loong

Member

Lim Chye Huat @ Bobby Lim Chye Huat

Member

NOMINATING COMMITTEE

Jovenal R. Santiago

Chairman

Tang Chi Loong

Member

Ng Khooon Seng

Member

REMUNERATION COMMITTEE

Tang Chi Loong

Chairman

Jovenal R. Santiago

Member

Ng Khooon Seng

Member

COMPANY SECRETARY

Catherine Lim Siok Ching

REGISTERED OFFICE

Blk 16 Kallang Place

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Singapore 339156

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd

3 Church Street

#08-01 Samsung Hub

Singapore 049483

AUDITORS

RSM Chio Lim LLP

8, Wilkie Road

#04-08, Wilkie Edge

Singapore 228095

PARTNER-IN-CHARGE

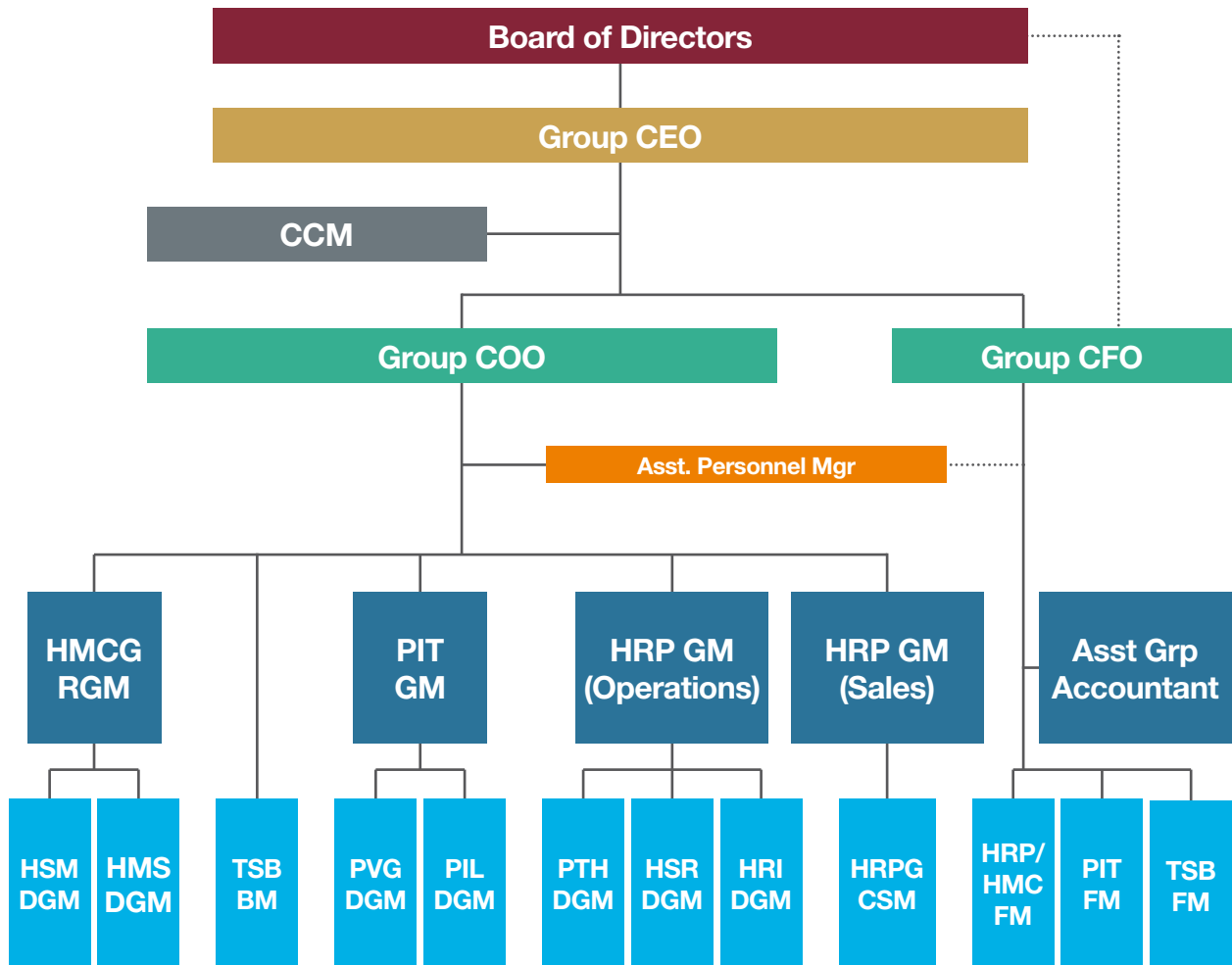
Mr Peter Jacob

since financial year ended 31 December 2004





organisation chart



Abbreviation in the Organisation Chart:

Companies:

- HMCG = HLN Metal Centre Group
- HSM = HLN Metal (Suzhou) Co., Ltd
- HMS = HLN Metal (Shenzhen) Co., Ltd
- TSB = HLN Technologies Sdn Bhd

- PIT = Process Innovation Technology Pte Ltd
- PVG = PRI-V International Group
- PIL = Process Innovation Technology (Suzhou) Co., Ltd

- HRP = HLN Rubber Products Pte Ltd
- HRPG = HRP Group
- PTH = PT HLN Batam
- HSR = HLN (Suzhou) Rubber Products Co., Ltd
- HRI = HLN Rubber Industries Sdn Bhd

Positions:

- CCM = Corporate Communications Manager
- BM = Business Manager
- CSM = Corporate Sales Manager
- FM = Finance Manager
- GM = General Manager
- DGM = Deputy General Manager
- RGM = Regional General Manager



corporate addresses

HLN Technologies Limited

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Facsimile : (65) 6295 6080

METALLIC BUSINESS UNIT

HLN Micron Pte Ltd

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HLN Metal (Suzhou) Co., Ltd

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Facsimile : (86) 512 6292 7050

ELASTOMERIC BUSINESS UNIT

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Facsimile : (65) 6295 6080

PT HLN Batam

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Batamindo Industrial Park, Muka Kuning,
Batam Island 29433, Indonesia
Telephone : (62)-770 612 008
Facsimile : (62)-770 612 886

HLN (Suzhou) Rubber Products Co., Ltd

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Suzhou Industrial Park,
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HLN Rubber Industries Sdn Bhd – Plant 1

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80350, Johor Bahru, Johor, Malaysia
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Facsimile : (607) 238 6784

HLN Rubber Industries Sdn Bhd – Plant 2

No. 19A, Jalan Padu,
Tampoi Industrial Estate,
80350, Johor Bahru, Johor, Malaysia

POLYMERIC BUSINESS UNIT

Process Innovation Technology Pte Ltd

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Process Innovation Technology (Suzhou) Co., Ltd

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