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# corporate governance report

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The Board of Directors and Management are committed to ensuring high standards of corporate governance for the protection of shareholders' interests and value and to promote investors' confidence. We have taken steps, as far as practicable, towards the compliance of the recommendations in the Code of Corporate Governance 2005 ("the Code") issued by the Ministry of Finance on 14 July 2005. Deviation from the Code, if any, is explained.

## BOARD MATTERS

### The Board's Conduct of Its Affairs

#### Principle 1: An effective Board to lead and control the Company

As at the date of this report, the Board comprises two executive directors (including the Chairman), two non-executive and independent directors and a non-executive non-independent director. Together, these directors bring a wide range of business, legal and financial experience relevant to the Group.

Ng Khoon Seng	Executive Chairman and Group Chief Operating Officer
Wa Kok Liang, Leslie	Group Chief Executive Officer and Executive Director
Jovenal R. Santiago	Non-Executive and Lead Independent Director
Tang Chi Loong	Non-Executive and Independent Director
Lim Chye Huat @ Bobby Lim Chye Huat <sup>(1)</sup>	Non-Executive and Non-Independent Director

(1) appointed on 6 October 2008

The Board provides leadership to the Group through setting overall strategic aims, establishing framework of controls, reviewing management performance and approving important decisions affecting the Group.

The Board meets at least every quarter and as warranted by particular circumstances. Matters requiring the Board's approval include:

- (a) Approving corporate objectives, plans, strategies, policies and financial objectives of the Group and monitoring the performance of Management;
- (b) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (c) Approving nominations and appointments of Board directors, committee members and key executives; and
- (d) Approving annual budgets, investments, capital expenditures, major acquisitions and divestments proposals.

The Company has adopted internal guidelines on matters such as annual budgets and transactions relating to investment, financing, treasury, legal and corporate secretarial and the parameters of such matters which require the Board's approval. The Board will review the guidelines on a periodic basis to ensure their relevance to the operations of the Company.

The Board also constituted various Board Committees such as the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") to allow in-depth review and discussion before the Board makes a decision. These committees function within clearly defined terms of reference and they meet regularly to review relevant matters which are then referred to the Board for approval. The attendance of the directors at meetings of the Board and the Board Committees, and the frequency of such meetings, is disclosed on page 30.

Newly appointed directors are acquainted with the Company's operations and governance practices through a customized induction program for directors. In addition, first-time directors attended Listed Company Directors course conducted by the Singapore Institute of Directors. A letter is sent to all new directors setting out their duties and obligations.

The Company also encourages the directors to attend seminars and receive training to improve themselves in the discharge of their duties as directors. The Company works closely with external professionals to update its directors with changes to relevant laws, regulations and accounting standards.



# corporate governance report

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## Board Composition and Balance

### **Principle 2: A strong and independent Board**

Independent directors make up more than one-third of the Board, with 2 out of the 5 Board members being independent directors. Specifically, the Company adopts the definition of independence as defined in the Code in all aspects. The Nominating Committee ("NC") has reviewed and determined that the said directors are independent. The independence of each director is reviewed annually by the NC.

The Board is of the opinion that its current size of 5 directors is both effective and efficient for effective decision making given the nature and size of the Company's operations as well as the background and competence of all the directors acting collectively. Together, the Board members possess a balanced field of core competencies to lead the Company.

The independent directors participated actively in all Board discussions and made constructive and positive contribution in areas including strategy formulation, policies, management performance appraisal and monitoring of the Company's financial performance and financial position regularly. In addition, all the Chairmanships of the Board Committees are held by the independent directors.

The directors are appointed on the strength of their caliber and experience. Details of all the directors' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

## Chairman and Group Chief Executive Officer

### **Principle 3: Chairman and Group Chief Executive Officer**

The Chairman and Group Chief Executive Officer ("Group CEO") are 2 separate persons and they are not related to each other. Mr Ng Khoo Seng was appointed as the Executive Chairman on 27 November 2006 and Mr Wa Kok Liang, Leslie was the Group CEO since 26 February 2004.

In their separate capacities, the Chairman is primarily responsible for the functioning of the Board and the Group CEO is charged with steering the business of the Group. All important decisions are made by the Board collectively.

Assisted by the Company Secretary, the Chairman's role is to schedule Board meetings and set the agenda. He ensures that all directors receive accurate, timely and clear information prior to the Board meetings, encourages constructive relations between the Board and Management and among executive, non-executive and independent directors. He also facilitates the effective contribution of non-executive and independent directors and ensures effective communication with shareholders. The Chairman also leads in promoting high standards of corporate governance in the Company.

The Group CEO has full executive responsibilities over the running of the Group's businesses, the business direction and operational decisions of the Group. The Group CEO leads the Management and he reports to and is accountable to the Board.

In compliance with the Code, the Company has appointed Mr Jovenal R. Santiago as the Lead Independent Director as both the Chairman and the Group CEO are part of the executive management team. The Lead Independent Director is present at all the Company shareholder meetings. The shareholders can have direct access to the Lead Independent Director to raise their concerns of which through the normal channels to the Chairman, Group CEO or Group CFO, the Company has failed to resolve or for which such contact is inappropriate.



# corporate governance report

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## Board Membership

### **Principle 4: A formal and transparent process for the appointment of new directors**

The Company has established a Nominating Committee (“NC”) on 30 September 2005 and the composition of the NC was changed on 27 November 2006 after the resignation of 2 non-executive directors including the Chairperson of the NC. The NC now comprises 3 directors, the majority of whom, including the Chairman, are independent directors.

Chairman	Jovenal R. Santiago
Member	Tang Chi Loong
Member	Ng Khoon Seng

The Chairman of the NC is not associated in any way with the substantial shareholders of the Company. The NC is established for the purposes of ensuring that there is a formal and transparent process in the selection and appointment of new Board members as well as their subsequent re-nomination/re-election.

Taking into consideration the time spent through attendance at meetings and attention to the affairs of the Company, the NC is of the view that all the directors have adequately discharged their duties effectively.

The duties of the NC are as follows:

- (a) Annual review of the terms of reference of NC, the composition of NC, the size of the Board with a view to determining the impact of the number upon effectiveness, and make recommendation to the Board on the appropriate size for the Board to facilitate effective decision making, the required expertise of the directors as a group to ensure that they as a group have adequate relevant core competencies to discharge the functions of an effective and balanced Board;
- (b) Annual assessment of the effectiveness of the Board as a whole and of individual directors;
- (c) Evaluation of the Board's performance;
- (d) Review and make recommendations on all nomination of appointments and re-nomination/re-election; and
- (e) Annual determination of directors' independence.

The Articles of Association of the Company currently require one-third of the directors to retire and subject themselves to re-election by the shareholders in every Annual General Meeting. In addition, all directors of the Company (including the CEO) shall retire from office at least once every three years.

The dates of initial appointment and last re-election/next re-election of each director, together with their directorship in other listed companies are presented in this Annual Report under the heading “Board of Directors”.

## Board Performance

### **Principle 5: A formal assessment of the effectiveness of the Board and the contribution of each director**

The NC has established a performance appraisal process to assess the effectiveness of the Board as a whole and also to assess the contribution by each individual director to the effectiveness of the Board. The performance appraisal includes qualitative and quantitative factors including Board structure, conduct of meetings, corporate strategy and planning, risk management and internal control, and so on as well as appraisal of contribution of individual director.



# corporate governance report

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## **Principle 5: A formal assessment of the effectiveness of the Board and the contribution of each director (Cont'd)**

The NC undertakes the Board performance appraisal annually and the appraisal results are presented to and tabled during the Board meeting. Although the Code proposes certain financial indicators as performance criteria, such as the Company's share price performance, the Board is of the opinion that the performance criteria should be geared toward evaluating the Board and the directors' performance in discharging its principal responsibilities, upholding high standards of corporate governance and strategic oversight of the Company's business rather than the specific performance of its share price and other financial indicators.

### Access to Information

## **Principle 6: Access to complete, adequate and timely information**

The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable the directors to obtain additional information or explanation from the Management, if necessary. The Board papers include minutes of the previous meeting, reports relating to investment proposals, budgets, financial results announcements, and reports from Board committees and internal and external auditors.

The directors may communicate directly with the Management team and the Company Secretary on all matters whenever they deem necessary to ensure there is separate and independent access to them. The Company Secretary attends all Board meetings, is responsible for recording of the proceedings as well as oversees all processes and practices relating to company secretarial matters.

The Company currently does not have a formal procedure for directors to seek independent and professional advice for the furtherance of their duties. However, directors may, on a case-to-case basis, propose to the Board for such independent and professional advice, the cost of which will be borne by the Company.

The Company has a transparent policy wherein directors are welcomed to request further information or informal discussions and make recommendations on any aspects of the Company's operations or business issues.

## **REMUNERATION MATTERS**

### Procedures for Developing Remuneration Policies

## **Principle 7: A formal and transparent procedure for fixing the remuneration packages of individual directors**

The Company has established a Remuneration Committee ("RC") on 30 September 2005 and the composition of the RC was changed on 27 November 2006 after the resignation of 2 non-executive directors. The RC now comprises 3 directors, the majority of whom, including the Chairman, are independent directors.

Chairman	Tang Chi Loong
Member	Jovenal R. Santiago
Member	Ng Khoon Seng

The Board is of the opinion that the composition of the RC, although not entirely comprising non-executive directors as required by the Code, has appropriate checks and balances to minimize potential conflict of interest. The only executive member in the RC, Mr Ng Khoon Seng, only participates in the discussion on remuneration matters but does not participate in the decision or voting on any remuneration matters concerning the executive directors and key executives of the Group.



# corporate governance report

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## **Principle 7: A formal and transparent procedure for fixing the remuneration packages of individual directors (Cont'd)**

The RC is established for the purpose of ensuring that there is a formal and transparent framework for determination of appropriate remuneration packages of individual directors and key executives. The overriding principle is to ensure that the level of remuneration should be appropriate to attract, retain and motivate the directors and key executives needed to run the Company successfully and ensure that they are fairly rewarded for their individual contributions to overall performance. The RC will also work within the principle that the remuneration should be structured so as to link rewards to corporate and individual performance. It has adopted written terms of reference that defines its membership, roles, functions and administration. The RC will seek professional advice when necessary in discharging its duties and responsibilities.

The duties of the RC are as follows:

- (a) To review and make recommendations to the Board a framework of remuneration and the specific remuneration packages of each director (executive and non-executive) and Group CEO;
- (b) To review and make recommendations to the Board the Company's compensation policies, structures and service contracts, based on proposal by the Group CEO; and
- (c) To review and make recommendations to the Board the Company's compensation policies, structures and service contracts as proposed by the Company's Group CEO, for relatives of a Director and/or a substantial shareholder who are employed in managerial positions by the Company, or any of its subsidiaries.

## **Level and Mix of Remuneration**

### **Principle 8: An appropriate remuneration policy to attract, retain and motivate**

The Company adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary which reflects market worth. The variable component comprises both short-term and long-term incentives.

Non-executive directors will be paid a fee for their board services and appointment to board committees and performance shares pursuant to the Company's performance share plan approved by shareholders on 15 May 2008. Directors' fees for non-executive directors are subject to the approval of shareholders at AGMs.

Executive directors are not paid directors' fee. The Company has entered into a service agreement with each of the 2 executive directors on a 2-year term. The remuneration of the executive directors comprises a basic salary component and an annual incentive bonus which is pegged to the Group's financial performance.

The HLN Technologies Limited Performance Share Plan ("HLN PSP") was approved by shareholders at an Extraordinary General Meeting held on 15 May 2008 and is administered by the Remuneration Committee. The HLN PSP replaces the HLN Technologies Limited Employee Share Option Scheme ("HLN ESOS") which was implemented in September 2005. Persons eligible to participate in the HLN PSP are selected employees of the Group (including Executive Directors, Non-Executive Directors and Independent Directors as well as Controlling Shareholders of the Company and their Associates). The HLN PSP contemplates the award of fully paid shares, their equivalent cash value or combinations thereof, free of charge, when or after prescribed performance targets and service conditions are achieved and/or when due recognition should be given to any good work performance and/or any significant contribution to the Company.

The Company will terminate the current HLN ESOS once unexercised Options granted are exercised or expired. The Group has not granted any new Options under the HLN ESOS in 2008.



# corporate governance report

## Disclosure on Remuneration

### Principle 9: Clear disclosure of its remuneration policy, level and mix of remuneration

#### Remuneration of Directors of the Company

A breakdown, showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2008, is as follows:-

	Fee <sup>(1)</sup>	Salary & fixed allowance <sup>(2)</sup>	Bonus & incentives <sup>(2)</sup>	Long term incentives <sup>(3)</sup>	Total
<u>Above S\$250,000</u>					
Ng Khoon Seng	-	78%	21%	1%	100%
Wa Kok Liang, Leslie	-	89%	10%	1%	100%
<u>Below S\$250,000</u>					
Jovenal R. Santiago	84%	2%	-	14%	100%
Tang Chi Loong	78%	3%	-	19%	100%
Lim Chye Huat @ Bobby Lim Chye Huat <sup>(4)</sup>	95%	5%	-	-	100%

(1) Director fees are payable in 2009 after approval by shareholders in the AGM

(2) Salary & fixed allowance and bonus & incentives shown are inclusive of employer CPF. The non-executive directors are paid S\$300.00 meeting allowance for each Board meeting

(3) Long term incentives include performance shares awarded during the year. For details, please refer to the Directors' Report

(4) Appointed on 6 October 2008

#### Remuneration of Top 5 Executives of the Company

A breakdown, showing the level and mix of each of the Top 5 executives' remuneration payable for the financial year ended 31 December 2008, is as follows:-

	Salary & fixed allowance <sup>(1)</sup>	Bonus & incentives <sup>(1)</sup>	Long term incentives <sup>(2)</sup>	Total
<u>Below S\$250,000</u>				
Ee Teck Siew	81%	18%	1%	100%
Wa Sock Yin, Yvonne <sup>(3)</sup>	91%	7%	2%	100%
Ng Koon Chuan, Francis <sup>(4)</sup>	66%	28%	6%	100%
Tan Chye Thiam, Kelvin	91%	7%	2%	100%
Ng Lian Hong, Elsie <sup>(5)</sup>	66%	32%	2%	100%

(1) Salary & fixed allowance and bonus & incentives shown are inclusive of employer CPF

(2) Long term incentives includes performance shares awarded during the year

(3) Ms Wa Sock Yin, Yvonne, is the sister of our Group CEO and Executive Director, Mr Wa Kok Liang, Leslie

(4) Mr Ng Koon Chuan, Francis, is the brother of our Executive Chairman, Mr Ng Khoon Seng

(5) Ms Ng Lian Hong, Elsie, is the sister of our Executive Chairman, Mr Ng Khoon Seng



# corporate governance report

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## Principle 9: Clear disclosure of its remuneration policy, level and mix of remuneration (Cont'd)

For the financial year ended 31 December 2008, other than Mr Ng Koon Chuan, Francis as disclosed above, there is no employee in the Group, being an immediate family member of a Director or the Group CEO, whose annual remuneration exceeded S\$150,000.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

## ACCOUNTABILITY AND AUDIT

### Accountability

#### Principle 10: Board to present a balanced and understandable assessment of the Company's performance, position and prospects

Management provides quarterly management accounts to the Board and the Board updates shareholders regularly on the financial performance, position and prospects of the Company through the SGXNET announcement released to SGX-ST every half-yearly and annually as well as through the Annual Report to the shareholders.

### Audit Committee

#### Principle 11: Establishment of an Audit Committee ("AC") with written terms of reference

The Company has established an Audit Committee ("AC") on 30 September 2005 and the composition of the AC was changed on 27 November 2006 after the resignation of 2 non-executive directors. The AC now comprises 3 non-executive directors, the majority of whom, including the Chairman, are independent directors.

Chairman	Jovenal R. Santiago
Member	Tang Chi Loong
Member	Wa Kok Liang, Leslie (resigned on 6 October 2008)
Member	Lim Chye Huat @ Bobby Lim Chye Huat (appointed on 6 October 2008)

The Chairman, Mr Jovenal R. Santiago, has many years of experience in the accounting and auditing profession in Singapore and the Philippines before his retirement in 1998. The other members of the AC possess experience in legal and business management. At least two members have the appropriate accounting or related financial management expertise and experience.

The Board is of the opinion that the members of the AC have sufficient financial management expertise and experience in discharging their duties.

The role of the AC is to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal controls.

In accordance with the terms of reference adopted by the AC on 17 January 2006, the AC shall review, appraise and report to the Board on:

- (a) The discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit;
- (b) The review with external auditors, their evaluation of the system of internal controls, the Management Letter and Management's response thereto;
- (c) The discussion of problems and concerns, if any, arising from the interim and final audits and any matters that the external auditors may wish to discuss with the AC in the absence of the Management;



# corporate governance report

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## **Principle 11: Establishment of an Audit Committee (“AC”) with written terms of reference (Cont’d)**

- (d) The review of the independence of the external auditors and nomination of their re-appointment as external auditors of the Company;
- (e) The review of the internal audit program including the scope and results of the internal audit;
- (f) The review of interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST);
- (g) The review of interim and full year financial results and recommendation to the Board for release to the SGX-ST via SGXNET; and
- (h) Any other functions that are requested by the Board, as may be required by statutes or the Listing Manual.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director or Executive Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before recommending their re-nomination to the Board.

The AC has met at least once with the external auditors, and with the internal auditors, without the presence of Management during the year.

### Whistle Blowing

The AC has approved a Whistle Blowing Policy to provide employees of the Group with an independent and confidential channel to our independent internal auditor to report suspected fraud, corruption, dishonest practices or irregularities involving the Company and its subsidiaries. The policy encourages the reporting of such matters by employees with confidence that the reporting made in good faith will be handled on a confidential and anonymous basis in compliance with applicable laws and the employees will not be penalized. The Whistle Blowing Policy has been implemented since 1 May 2008 and disseminated to all employees of the Group.

### Internal Control and Internal Audit

#### **Principle 12: A sound system of internal controls**

#### **Principle 13: Establishing an internal audit function**

The Board recognizes its responsibilities for maintaining a system of internal control processes to safeguard shareholders’ investments and the Group’s assets and business.

The AC has approved key risk management policies and processes for the Group and fine tune over the years and engaged a professional internal audit firm since 2006 to carry out internal audit review(s) every year covering the key operating subsidiaries of the Company over a multi-year period. The internal audit firm reports directly to the Chairman of the AC.

The internal auditors report its findings to the Audit Committee after the conclusion of the audit every year. Based on the annual internal auditors’ report, the Board is satisfied that the internal control system of the Group is reasonably adequate.

### Risk Management

The primary responsibility for identifying business risks lies with Management, who then table and recommend processes to the Board for their deliberations and for formulating policies and procedures to deal with the risks. The Board also approves the recommended processes and procedures for managing risks, which could include review of key management personnel, hedging and establishing internal controls.



# corporate governance report

## Communication with Shareholders

### **Principle 14: Regular, effective and fair communication with shareholders**

The Company endeavours to communicate regularly, effectively and fairly with its shareholders.

The Company releases its half yearly and full year results via the SGXNET and press releases are also made available on the SGXNET.

Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period and are available on the Company's website. The Company does not practice selective disclosure.

The Company communicates with its shareholders through its corporate website <http://www.hintech.com>. In addition, the Company has engaged an investor relations firm to assist in its communication with shareholders.

### **Principle 15: Greater shareholder participation at AGMs**

Annual reports and notices of AGM are sent to all shareholders. The notice is also published in the local newspapers and made available on the SGXNET. At the AGM, the shareholders are given the opportunity to express their views and raise any queries regarding the Company.

Each item of special business included in the notice of meeting will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

In addition, the Chairmen of the respective committees and the external auditors will be present at the AGM to address any queries from the shareholders.

## Directors' Attendance At Board And Board Committee Meetings

(For the financial year ended 31 December 2008)

Name	Board	Audit Committee	Remuneration Committee	Nominating Committee
<b>No. of meeting</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>2</b>
Ng Khoo Seng (Executive Chairman/Group COO)	4	NA	2	2
Wa Kok Liang, Leslie (Group CEO/Executive Director)	4	NA	NA	NA
Jovenal R. Santiago (Lead Independent Director)	4	4	2	2
Tang Chi Loong (Independent Director)	4	4	2	2
Lim Chye Huat @ Bobby Lim Chye Huat (Non-Executive and Non-Independent Director) <sup>(1)</sup>	1	1	–	–

(1) Appointed on 6 October 2008



# corporate governance report

## SECURITIES TRADING CODE

The Company has devised and adopted its own internal Code of Conduct on dealing in the securities of the Company (the "Code"). The Code was modeled on the best practices on dealings in securities in the Listing Manual of the SGX-ST. This Code provides guidance to the Group's directors and employees on their dealings in its securities. Officers of the Group are required to confirm their compliance with the Code annually.

The Company has complied with the internal Code of Conduct in the financial year.

## INTERESTED PERSON TRANSACTIONS

The Company has adopted internal guidelines in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions as disclosed in the Prospectus dated 15 November 2005. The main objective is to ensure that all interested person transactions are conducted on arm's length basis and on normal commercial terms and will not be prejudicial to our shareholders.

The Company monitors all its interested person transactions closely and all interested person transactions are subject to review by the Audit Committee on a quarterly basis.

The aggregate value of interested person transactions entered into during the year is as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Nil	NA	NA

## MATERIAL CONTRACTS

There is no other material contract entered into between the Company and any of its subsidiaries with the Group CEO or any director or Controlling Shareholder at the end of the financial year ended 31 December 2008.

## USE OF PROCEEDS FROM SHARE PLACEMENT

The Company completed a share placement of 21,000,000 ordinary shares in the capital of the Company on 8 September 2008 and raised net proceeds of \$2,940,000.

Use of placement proceeds as at 28 February 2009 is as follows:-

S/N	Intended Use	Amount allocated S\$'000	Amount utilized S\$'000	Balance amount S\$'000
1	To expand the Group's polymeric facility in Suzhou	1,200	850	350
2	To repay loans to financial institutions <sup>(1)</sup>	1,015	967	48
3	As working capital for the Group	725	425	300
	Total	2,940	2,242	698

(1) The loans to financial institutions have been fully repaid in accordance with the placement, therefore the balance of S\$48,000 will be transferred to the Group's working capital.



# director's report

The directors of the Company are pleased to present their report together with the audited financial statements of the company and of the Group for the financial year ended 31 December 2008.

## 1. DIRECTORS AT DATE OF REPORT

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

Mr. Ng Khoon Seng  
Mr. Wa Kok Liang, Leslie  
Mr. Jovenal R. Santiago  
Mr. Tang Chi Loong  
Mr. Lim Chye Huat, Bobby (appointed on 6 October 2008)

## 2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options rights mentioned below.

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and options of the company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Cap. 50 except as follows:

Name of directors and Companies in which interest are held	Direct Interest		Deemed Interest	
	At beginning of year or date of appointment if later	At end of year	At beginning of year or date of appointment if later	At end of year
<b>Company</b>	<b>Number of shares of no par value</b>			
Ng Khoon Seng	5,039,540	3,539,540	3,000,000	4,000,000
Wa Kok Liang, Leslie	33,720,720	34,557,720	–	–
Jovenal R. Santiago	150,000	150,000	–	–
Lim Chye Huat, Bobby	8,000,000	8,000,000	–	–

By virtue of section 7 of the Companies Act, Cap. 50, Mr Wa Kok Liang, Leslie, is deemed to have an interest in the company and in all the related corporations of the Company.

The directors' interests as at 21 January 2009 were the same as those at the end of the year.

## 4. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap. 50, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

There were certain transactions (shown in the financial statements under related party transactions) with a corporation/corporations in which certain directors have an interest.



# director's report

## 5. OPTIONS TO TAKE UP UNISSUED SHARES

### Activities Under The Share Options Scheme

The HLN Technologies Employee Share Option Scheme (the "Scheme") in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting held on 23 September 2005. The Scheme, which forms an integral component of its compensation plan, is designed to reward and retain eligible participants whose services are vital to its well being and success. It provides eligible participants who have contributed to the success and development of the Company with an opportunity to participate and also increase the dedication and loyalty of these participants and motivate them to perform better.

Under the rules of the Scheme, all directors and employees of the Company are eligible to participate in the Scheme. Controlling shareholders or their associates are also eligible to participate in the Scheme subject to the approval of independent shareholders in the form of separate resolutions for each participant. Further, independent shareholders' approval is also required in the form of separate resolutions for each grant of options and the terms thereof, to each participant who is a controlling shareholder or his associate.

The total number of shares over which options may be granted shall not exceed 20% of the issued share capital of the Company at any time.

The Scheme is administered by the Remuneration Committee ("Committee") whose members are:

Tang Chi Loong  
Jovenal R. Santiago  
Ng Khoon Seng

Mr Jovenal R. Santiago was not involved in the Committee's deliberations in respect of options granted to him.

Mr Ng Khoon Seng was not a member of the Committee when the stock options were granted to him as he was only appointed to the Committee on 27 November 2006.

Under the Scheme granted to the directors and employees, an option may, except in certain special circumstances, be exercised at any time after one year from the date of grant but no later than the expiry date. The ordinary shares of the Company (the "Shares") under option may be exercised in full or in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The exercise price is based on the average of closing prices of the Shares on the Singapore Exchange Securities Trading Limited for the five market days immediately preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20 percent to the above price. No options have been granted at a discount.

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. The number of outstanding share options under the Scheme are as follows:

Date of grant	Balance at 01.01.2007	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2007	Exercise price per Share	Exercisable periods
01.03.2006	1,560,000	–	(1,230,000)	(20,000)	310,000	\$0.28	01.03.2007 to 28.02.2017 <sup>(i)</sup>
01.03.2006	450,000	–	(450,000)	–	–	\$0.28	01.03.2007 to 28.02.2012 <sup>(ii)</sup>



# director's report

## 5. OPTIONS TO TAKE UP UNISSUED SHARES (Cont'd)

Date of grant	Balance at 01.01.2008	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2008	Exercise price per Share	Exercisable periods
01.03.2006	310,000	–	–	(150,000)	160,000	\$0.28	01.03.2007 to 28.02.2017 <sup>(i)</sup>
01.03.2006	–	–	–	–	–	\$0.28	01.03.2007 to 28.02.2012 <sup>(ii)</sup>

(i) For employees of the Company and/or its subsidiaries other than the Group non-executive directors.

(ii) For Group non-executive directors who are selected by the Remuneration Committee to participate in the Scheme.

In respect of options granted to employees of related corporations, a total of 1,360,000 options were granted during the financial year of 2006. This was included in the options granted on 1 March 2006. There were no further options granted to employees and Group non-executive directors in the financial years of 2007 and 2008.

Holders of the above share options have no right to participate in any share issues of any other company. Other than as disclosed in this section, no employee or employee of related corporations has received 5% or more of the total options available under this Scheme.

During the 2007 financial year, 1,100,000 and 580,000 shares of the Company were allotted and issued on 9 April 2007 and 16 June 2007 respectively by virtue of the exercise of options to take up unissued shares of the Company.

The information on directors of the Company participating in the Scheme and employees of the group who have received 5% or more of the total options is as follows:

Directors and the ex-directors of the Company who received options available under the Scheme.

Name of director	Options granted during the year 2007	Aggregate options granted since commencement of the Scheme to the end of financial year 2007	Aggregate options exercised since commencement of the Scheme to the end of financial year 2007	Aggregate options cancelled / lapsed since commencement of the Scheme to the end of financial year 2007	Aggregate options outstanding as at the end of financial year 2007
Ng Khoon Seng	–	150,000	–	–	150,000
Hein Ke Long, Henry <sup>(a)</sup>	–	150,000	–	–	150,000
Jovenal R. Santiago	–	150,000	(150,000)	–	–
Chow Kok Kee <sup>(b)</sup>	–	150,000	(150,000)	–	–
Kong Yim Pui, Susan <sup>(c)</sup>	–	150,000	(150,000)	–	–



# director's report

## 5. OPTIONS TO TAKE UP UNISSUED SHARES (Cont'd)

Name of director	Options granted during the year 2008	Aggregate options granted since commencement of the Scheme to the end of financial year 2008	Aggregate options exercised since commencement of the Scheme to the end of financial year 2008	Aggregate options cancelled / lapsed since commencement of the Scheme to the end of financial year 2008	Aggregate options outstanding as at the end of financial year 2008
Ng Khoon Seng	–	150,000	–	–	150,000
Hein Ke Long, Henry <sup>(a)</sup>	–	150,000	–	(150,000)	–
Jovenal R. Santiago	–	–	–	–	–
Chow Kok Kee <sup>(b)</sup>	–	–	–	–	–
Kong Yim Pui, Susan <sup>(c)</sup>	–	–	–	–	–

(a) resigned on 30 June 2008

(b) resigned on 25 November 2006

(c) resigned on 31 October 2006

Employees who received 5% or more of the total options available under the Scheme.

Name of employee	Options granted during the year 2007	Aggregate options granted since commencement of the Scheme to the end of financial year 2007	Aggregate options exercised since commencement of the Scheme to the end of financial year 2007	Aggregate options lapsed since commencement of the Scheme to the end of financial year 2007	Aggregate options outstanding as at the end of financial year 2007
Ng Koon Chuan, Francis	–	120,000	(120,000)	–	–
Seow Teck Lim, Benjamin <sup>(a)</sup>	–	120,000	(120,000)	–	–
Ee Teck Siew	–	120,000	(120,000)	–	–

Name of employee	Options granted during the year 2008	Aggregate options granted since commencement of the Scheme to the end of financial year 2008	Aggregate options exercised since commencement of the Scheme to the end of financial year 2008	Aggregate options lapsed since commencement of the Scheme to the end of financial year 2008	Aggregate options outstanding as at the end of financial year 2008
Ng Koon Chuan, Francis	–	–	–	–	–
Seow Teck Lim, Benjamin <sup>(a)</sup>	–	–	–	–	–
Ee Teck Siew	–	–	–	–	–

(a) resigned on 20 March 2008



# director's report

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## 6. OPTIONS EXERCISED

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares except as indicated in paragraph 5 above.

## 7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares under option except as indicated in paragraph 5 above.

## 8. HLN TECHNOLOGIES LIMITED PERFORMANCE SHARE PLAN ("HLN TECHNOLOGIES PSP")

### Activities Under The HLN Technologies PSP

The HLN Technologies PSP was approved by the shareholders of the Company at the extraordinary general meeting held on 13 May 2008 to replace the HLN Technologies Employee Share Option Scheme ("the Scheme"). It is the Company's intention to terminate the Scheme once the remaining stock options outstanding as at 31 December 2008, granted under the Scheme, are fully exercised or expired. There will be no further options granted to employees and Group non-executive directors under the Scheme in future.

Under the HLN Technologies PSP, it is contemplated that the award of fully paid ordinary shares of the Company, their equivalent cash value or combinations thereof, issued free of charge to eligible participants would incentivise the participants to excel in their performance and encourage greater dedication and loyalty to the company. The Company is able to recognise and reward past contributions and services and motivate the participants to continue to strive for the Company's long-term prosperity. The HLN Technologies PSP will further strengthen and enhance the Company's competitiveness in attracting and retaining employees with suitable talents. In addition the HLN Technologies PSP aims to foster an ownership culture within the Company which aligns the interests of the key executives and employees with the interests of the shareholders.

The HLN Technologies PSP contemplates the award of fully paid ordinary shares of the Company when or after pre-determined performance or service conditions are accomplished and/or when due recognition should be given to any good work performance and/or any significant contribution to the Company upon expiry of prescribed vesting periods.

The HLN Technologies PSP is administered by the Remuneration Committee ("Committee") whose members are:

Tang Chi Loong  
Jovenal R. Santiago  
Ng Khoon Seng

Members of the Committee were not and shall not be involved in the Committee's deliberations in respect of performance shares granted to them.

Under the rules of HLN Technologies PSP, any employee (including Executive Directors and Independent Directors of the Company) who holds such rank as may be designated by the Committee from time to time, who has attained the age of 21 years on the date of grant of the award and is not an undischarged bankrupt and has not entered into composition with their respective creditors and who has contributed or will contribute to the success of the company shall be eligible to participate in the HLN Technologies PSP. However, any grant of awards to the Independent Directors pursuant to the HLN Technologies PSP is subject to and shall comply with the provisions of section 76 of the Companies Act, Cap. 50.

Controlling shareholders or their associates who meet the eligible criteria above and who have contributed to the success and development of the Group are eligible to participate in the HLN Technologies PSP provided that the participation by each such controlling shareholder or associate and each grant of awards to any one of them may be effected only with the specific prior approval of shareholders at a general meeting in separate resolutions. The Company will at such time seek the specific prior approval of shareholders at a general meeting in separated resolutions for any proposal to grant the controlling shareholder or their associates any awards.



# director's report

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## 8. HLN TECHNOLOGIES LIMITED PERFORMANCE SHARE PLAN ("HLN TECHNOLOGIES PSP") (Cont'd)

There shall be no restriction on the eligibility of any of the eligible participants to participate in any other share option or share incentive schemes implemented or to be implemented by the Company.

The granting of awards will be made by the Committee at any time during the period when HLN Technologies PSP is in force.

The awards granted under the HLN Technologies PSP are performance-based, and such awards entitle eligible participants to be allotted fully paid shares upon satisfactory achievement of pre-determined performance targets. The awards given are determined at the discretion of the Committee, who will take into account factors such as the eligible participants' capability, scope of responsibility and skill. The Committee also set specific performance-based criteria such as profitability, growth, asset efficiency, return on capital employed, and other financial indicators, penetration into new markets, increasing market share and market ranking, management skills and succession planning. In addition to the achievement of any pre-determined performance targets or service conditions, awards may also be granted upon the Committee's post-event determination that any eligible participants has performed well and/or made a significant contribution to the Company.

Awards are vested and the shares comprised in the awards are issued at the end of the performance and/or service period once the Committee is, at its sole discretion, satisfied that the prescribed performance targets and/or service conditions have been achieved. The Committee may also grant an award where in its opinion an eligible participant's performance and/or contribution to the Company warrants it.

Eligible participants are not required to pay for the grant of the awards. All taxes (including income tax) arising from the exercise of any awards granted to any eligible participants under the HLN Technologies PSP shall be borne by the participants.

The total number of new shares issued or issuable pursuant to awards granted under HLN Technologies PSP, when added to the number of new shares issued and issuable in respect of:

- (a) all awards granted thereunder;
- (b) all options granted under the Option Scheme; and
- (c) all shares or awards granted under any other share option or share incentive schemes of the company then in force, shall not exceed 15% of the number of issued shares of the Company on the day preceding the relevant date of award.

The total number of new shares issued or issuable under the HLN Technologies PSP is subject to the maximum limit of 15% of the Company's total issued share capital from time to time.

In addition, the total number of new shares issued or issuable under the HLN Technologies PSP available to:

- (a) all controlling shareholders and their associates must not exceed 25% of the shares available under HLN Technologies PSP.
- (b) each of the controlling shareholders and their associates must not exceed 10% of the shares available under HLN Technologies PSP.

During the financial year of 2008, 252,000 performance shares were granted subject to the terms and conditions of the HLN Technologies PSP as follows:

	<u>Number of shares granted</u>
Executive Directors	30,000
Independent Directors	<u>60,000</u>
Subtotal	90,000
Employees	<u>162,000</u>
Total	<u>252,000</u>

The shares will be issued subsequent to the balance sheet date.



# director's report

## 8. HLN TECHNOLOGIES LIMITED PERFORMANCE SHARE PLAN ("HLN TECHNOLOGIES PSP") (Cont'd)

The information on directors of the Company participating in the HLN Technologies PSP and employees of the Group who have received 5% or more of the total shares is as follows:

Directors of the Company who received performance shares under the HLN Technologies PSP.

Name of director	Number of shares granted during the year	Balance as at 31 December 2008
Wa Kok Liang	15,000	15,000
Ng Khoo Seng	15,000	15,000
Jovenal R. Santiago	30,000	30,000
Tang Chi Loong	30,000	30,000

Associates of controlling shareholders who received performance shares under the HLN Technologies PSP.

Name of associate of controlling shareholder	Number of shares granted during the year	Balance as at 31 December 2008
Wa Sock Yin, Yvonne (Sister of Wa Kok Liang)	8,000	8,000

Employees of the company who received 5% or more of the total performance shares granted under the HLN Technologies PSP.

Name of employee	Number of shares granted during the year	Balance as at 31 December 2008
Ng Koon Chuan, Francis	49,000	49,000
Patrick Anthony Peh	20,000	20,000

## 9. AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

Jovenal R. Santiago	(Chairman of Audit Committee and Lead Independent Director)
Tang Chi Loong	(Independent Director)
Lim Chye Huat, Bobby	(Non-Executive and Non-Independent Director) (appointed on 6 October 2008)

The audit committee performs the functions specified by section 201B(5) of the Companies Act. Among others, it performed the following functions:

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the Company's internal accounting control, and their report on the financial statements and the assistance given by the Company's officers to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).



# director's report

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## 9. AUDIT COMMITTEE (Cont'd)

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how independent auditors' objectivity and independence are safeguarded where the independent auditors provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the Company.

## 10. INDEPENDENT AUDITORS

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

## 11. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the Group's and Company's preliminary financial statements, as announced on 28 February 2009, which would materially affect the Group operating and financial performance as of the date of this report.

## ON BEHALF OF THE DIRECTORS

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Wa Kok Liang, Leslie  
Director

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Ng Khoon Seng  
Director

10 March 2009



## statement by directors

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In the opinion of the directors, the accompanying financial statements set out on pages 43 to 103 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date and 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 DIRECTORS

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Wa Kok Liang, Leslie  
Director

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Ng Khoon Seng  
Director

10 March 2009



# independent auditor's report

Independent Auditors' Report to the Members of HLN Technologies Limited (Registration No: 200402180C)

We have audited the accompanying financial statements of HLN Technologies Limited and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement of the Group, and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

## INDEPENDENT AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



# independent auditor's report

Independent Auditors' Report to the Members of HLN Technologies Limited (Registration No: 200402180C)

## INDEPENDENT AUDITOR'S REPORT (Cont'd)

### OPINION

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the independent auditors have been properly kept in accordance with the provisions of the Act.

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RSM Chio Lim LLP  
Public Accountants and  
Certified Public Accountants

Singapore  
10 March 2009

Partner in charge of audit: Peter Jacob  
Effective from year ended 31 December 2004



# consolidated income statement

Year ended 31 December 2008

	Notes	Group	
		2008 \$'000	2007 \$'000
<b>Revenue</b>	5	46,176	50,350
Cost of Sales		(34,161)	(36,353)
<b>Gross Profit</b>		12,015	13,997
<b><u>Other Items of Income</u></b>			
Interest Income	6	59	48
Other Credits	7	3	8
<b><u>Other Items of Expense</u></b>			
Marketing and Distribution Costs		(2,810)	(2,875)
Administrative Expenses	8	(6,055)	(5,964)
Finance Costs	9	(533)	(483)
Other Charges	7	(1,898)	(751)
<b>Profit Before Tax From Continuing Operations</b>		781	3,980
Income Tax Expense	10	(375)	(793)
<b>Profit Net of Tax</b>		406	3,187
Profit Attributable to Owners of the Parent, Net of Tax		496	3,543
Loss Attributable to Minority Interest, Net of Tax		(90)	(356)
		406	3,187
<b>Earnings Per Share</b>			
Earnings per Share Currency Unit		<u>Cents</u>	<u>Cents</u>
<b>Basic</b>			
Continuing Operations	12	0.43	3.36
<b>Diluted</b>			
Continuing Operations	12	0.43	3.34

The accompanying notes form an integral part of these financial statements.



# balance sheet

as at 31 December 2008

	Notes	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>ASSETS</b>					
<b>Non-Current Assets:</b>					
Plant and Equipment, Total	15	9,035	10,226	337	484
Intangible Assets, Total	16	72	128	–	–
Investments in Subsidiaries	17	–	–	4,350	7,750
Other Financial Assets, Non-Current	18	133	–	133	–
<b>Total Non-Current Assets</b>		<b>9,240</b>	<b>10,354</b>	<b>4,820</b>	<b>8,234</b>
<b>Current Assets:</b>					
Inventories	19	5,830	13,236	–	–
Trade and Other Receivables, Current	20	8,209	13,220	1,960	4,599
Other Assets, Current	21	776	645	68	120
Cash and Cash Equivalents	22	8,664	6,748	3,339	2,389
<b>Total Current Assets</b>		<b>23,479</b>	<b>33,849</b>	<b>5,367</b>	<b>7,108</b>
<b>Total Assets</b>		<b>32,719</b>	<b>44,203</b>	<b>10,187</b>	<b>15,342</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share Capital	23	15,908	13,708	15,908	13,708
Retained Earnings / (Accumulated Loss)		8,193	10,277	(6,311)	1,055
Other Reserves, Total	25	(107)	(212)	53	16
<b>Equity, Attributable to Equity Holders of the Parent, Total</b>		<b>23,994</b>	<b>23,773</b>	<b>9,650</b>	<b>14,779</b>
Minority Interest		942	759	–	–
<b>Total Equity</b>		<b>24,936</b>	<b>24,532</b>	<b>9,650</b>	<b>14,779</b>
<b>Non-Current Liabilities:</b>					
Deferred Tax Liabilities	10	393	341	58	–
Trade and Other Payables, Non-Current	27	72	63	–	–
Finance Leases, Non-Current	26	10	126	–	–
Other Financial Liabilities, Non-Current	26	245	530	–	–
<b>Total Non-Current Liabilities</b>		<b>720</b>	<b>1,060</b>	<b>58</b>	<b>–</b>
<b>Current Liabilities:</b>					
Income Tax Payable, Current		436	745	–	2
Trade and Other Payables, Current	27	3,713	6,409	479	561
Finance Leases, Current	26	7	49	–	–
Other Financial Liabilities, Current	26	2,907	11,408	–	–
<b>Total Current Liabilities</b>		<b>7,063</b>	<b>18,611</b>	<b>479</b>	<b>563</b>
<b>Total Liabilities</b>		<b>7,783</b>	<b>19,671</b>	<b>537</b>	<b>563</b>
<b>Total Equity and Liabilities</b>		<b>32,719</b>	<b>44,203</b>	<b>10,187</b>	<b>15,342</b>

The accompanying notes form an integral part of these financial statements.



# statements of changes in equity

Year ended 31 December 2008

Group	Capital \$'000	Other reserves \$'000	Retained earnings \$'000	Parent sub-total \$'000	Minority interest \$'000	Total equity \$'000
<b>Current Year:</b>						
<b>Opening Balance at 1 January 2008</b>	13,708	(212)	10,277	23,773	759	24,532
<u>Items of Income and Expense</u>						
<u>Recognised Directly in Equity:</u>						
Exchange Differences on						
Translating Foreign Operations	–	68	–	68	23	91
Losses on Available-for-Sale						
Investment Taken to Equity (Note 18)	–	(17)	–	(17)	–	(17)
Net Income Recognised Directly in Equity	–	51	–	51	23	74
Profit / (Loss) for the Year	–	–	496	496	(90)	406
Total Recognised Income and						
Expenses for the Year	–	51	496	547	(67)	480
<u>Other Movements in Equity:</u>						
Issue of Share Capital (Note 23)	3,129	–	–	3,129	–	3,129
Share Issue Expenses (Note 23)	(189)	–	–	(189)	–	(189)
Purchase of Treasury Shares (Note 23)	(740)	–	–	(740)	–	(740)
Capital Contribution by Minority Shareholders	–	–	–	–	250	250
Cancellation of Share Options (Note 24B)	–	(8)	–	(8)	–	(8)
Share Based Payments (Note 24D)	–	62	–	62	–	62
Dividend Paid (Note 13)	–	–	(2,580)	(2,580)	–	(2,580)
Total Other Movements in Equity	2,200	54	(2,580)	(326)	250	(76)
<b>Closing Balance at 31 December 2008</b>	15,908	(107)	8,193	23,994	942	24,936
<b>Previous Year:</b>						
<b>Opening Balance at 1 January 2007</b>	7,570	(71)	6,734	14,233	1,050	15,283
<u>Items of Income and Expense</u>						
<u>Recognised Directly in Equity:</u>						
Exchange Differences on Translating						
Foreign Operations	–	(52)	–	(52)	–	(52)
Net Expenses Recognised Directly in Equity	–	(52)	–	(52)	–	(52)
Profit / (Loss) for the Year	–	–	3,543	3,543	(356)	3,187
Total Recognised Income and						
Expenses for the Year	–	(52)	3,543	3,491	(356)	3,135
<u>Other Movements in Equity:</u>						
Issue of Share Capital (Note 23)	5,782	–	–	5,782	–	5,782
Share Issue Expenses (Note 23)	(198)	–	–	(198)	–	(198)
Acquisition of Subsidiary (Note 29)	–	–	–	–	(498)	(498)
Disposal of Subsidiary (Note 31)	–	–	–	–	(589)	(589)
Capital Contribution by Minority Shareholders	–	–	–	–	1,152	1,152
Equity Share Options Issued (Note 23)	470	–	–	470	–	470
Share Based Payments (Notes 23 and 24B)	84	(84)	–	–	–	–
Lapse of Share Options (Note 24B)	–	(5)	–	(5)	–	(5)
Total Other Movements in Equity	6,138	(89)	–	6,049	65	6,114
<b>Closing Balance at 31 December 2007</b>	13,708	(212)	10,277	23,773	759	24,532

The accompanying notes form an integral part of these financial statements.



# statements of changes in equity (cont'd)

Year ended 31 December 2008

Company	Capital \$'000	Other reserves \$'000	Retained earnings / (Accumulated loss) \$'000	Total equity \$'000
<b>Current Year:</b>				
<b>Opening Balance at 1 January 2008</b>	13,708	16	1,055	14,779
<u>Items of Income and Expense Recognised Directly in Equity:</u>				
Losses on Available-for-Sale Investment Taken to Equity (Note 18)	–	(17)	–	(17)
Net Expense Recognised Directly in Equity	–	(17)	–	(17)
Loss for the Year	–	–	(4,786)	(4,786)
Total Recognised Income and Expenses for the Year	–	(17)	(4,786)	(4,803)
<u>Other Movements in Equity:</u>				
Issue of Share Capital (Note 23)	3,129	–	–	3,129
Share Issue Expenses (Note 23)	(189)	–	–	(189)
Purchase of Treasury Shares (Note 23)	(740)	–	–	(740)
Cancellation of Share Options (Note 24B)	–	(8)	–	(8)
Share Based Payments (Note 24D)	–	62	–	62
Dividend Paid (Note 13)	–	–	(2,580)	(2,580)
Total Other Movements in Equity	2,200	54	(2,580)	(326)
<b>Closing Balance at 31 December 2008</b>	15,908	53	(6,311)	9,650
<b>Previous Year:</b>				
<b>Opening Balance at 1 January 2007</b>	7,570	105	1,041	8,716
<u>Items of Income and Expense Recognised Directly in Equity:</u>				
Profit for the Year	–	–	14	14
Total Recognised Income and Expenses for the Year	–	–	14	14
<u>Other Movements in Equity:</u>				
Issue of Share Capital (Note 23)	5,782	–	–	5,782
Share Issue Expenses (Note 23)	(198)	–	–	(198)
Equity Share Options Issued (Note 23)	470	–	–	470
Share Based Payments (Notes 23 and 24B)	84	(84)	–	–
Lapse of Share Options (Note 24B)	–	(5)	–	(5)
Total Other Movements in Equity	6,138	(89)	–	6,049
<b>Closing Balance at 31 December 2007</b>	13,708	16	1,055	14,779

The accompanying notes form an integral part of these financial statements.



# consolidated cash flow statement

Year ended 31 December 2008

	Group	
	2008 \$'000	2007 \$'000
<b>Cash Flows From Operating Activities</b>		
Profit before Tax	781	3,980
Adjustment for		
Dividend Income	(3)	–
Interest Income	(59)	(48)
Interest Expense	533	483
Amortisation of Intangible Assets	56	91
Depreciation of Plant and Equipment	1,676	1,209
Impairment of Plant and Equipment	246	–
(Gain)/Loss on Disposal of Plant and Equipment	(5)	31
Plant and Equipment Written off	251	62
Loss on Disposal of Subsidiary (Note 31)	–	77
Loss on Disposal of Assets in a Subsidiary (Note 30)	338	–
Negative Goodwill Written off	–	(8)
Share Based Payment (Notes 24B and 24D)	54	(5)
Operating Cash Flows before Changes in Working Capital	3,868	5,872
Inventories	3,601	(10,287)
Trade and Other Receivables, Current	4,553	(6,816)
Other Assets, Current	(131)	192
Trade and Other Payables, Total	(2,687)	2,493
Net Cash Flows From / (Used In) Operations Before Interest and Tax	9,204	(8,546)
Income Taxes Paid	(632)	(946)
Net Cash Flows From / (Used In) Operating Activities	8,572	(9,492)
<b>Cash Flows From Investing Activities</b>		
Acquisition of Subsidiaries (Net of Cash Acquired) (Note 29)	–	(98)
Purchase of Plant and Equipment (Note 22B)	(2,025)	(5,117)
Proceeds from Disposal of Plant and Equipment	467	1,073
Receipt from Acquirer for Disposal of Subsidiary (Notes 31)	458	–
Disposal of Subsidiary (Net of Cash Inflow) (Note 31)	–	106
Proceeds from Disposal of Assets in a Subsidiary (Note 30)	3,791	–
Investment in Quoted Equities	(150)	–
Interest Received	59	48
Dividend Received	3	–
Net Cash Flows From / (Used In) Investing Activities	2,603	(3,988)



# consolidated cash flow statement (cont'd)

Year ended 31 December 2008

	Group	
	2008	2007
	\$'000	\$'000
<b>Cash Flows From Financing Activities</b>		
Cash Restricted in Use Over 3 Months	977	200
Issue of Shares	3,129	5,860
Shares Issue Expenses	(189)	(198)
Purchase of Treasury Shares	(740)	–
Interest Paid	(533)	(483)
Finance Lease Repayments	(158)	(32)
Minority Shareholder Contributions	250	1,152
Net Borrowings (Decrease) / Increase	(8,750)	9,544
Loans from Minority Shareholder	–	(74)
Dividend Paid	(2,580)	–
Net Cash Flows (Used In) / From Financing Activities	(8,594)	15,969
<b>Net Effect of Exchange Rate Changes in Consolidating Subsidiaries</b>	348	41
<b>Net Increase in Cash and Cash Equivalents</b>	2,929	2,530
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	5,712	3,182
<b>Cash and Cash Equivalents, Cash Flow Statement, Ending Balance (Note 22A)</b>	8,641	5,712

The accompanying notes form an integral part of these financial statements.



# notes to the financial statements

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## 1. GENERAL

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the parent and the Group entities.

The financial statements were approved and authorised for issue by the Board of directors on the date of the statement of directors.

The Company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited which is a market on Singapore Exchange Securities Trading Ltd.

The principal activities of the subsidiaries are described in Note 17 to the financial statements.

The registered office is: 16 Kallang Place #01-18, Kallang Basin Industrial Estate, Singapore 339156. The Company is domiciled in Singapore.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) as well as all related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Cap 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

### Basis of Presentation

The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the end of the reporting year each year of the Company and all of its directly and indirectly controlled subsidiaries. Consolidated financial statements are the financial statements of the Group presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal which is the date on which effective control is obtained of the acquired business until that control ceases. On disposal the attributable amount of goodwill if any is included in the determination of the gain or loss on disposal.

The Company’s financial statements have been prepared on the same basis, and as permitted by the Companies Act, Cap. 50, no income statement is presented for the Company.

### Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.



# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the entity and it is shown net of any related sales taxes, estimated returns, discounts and volume rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed. Interest is recognised using the effective interest method. Dividend from equity instruments is recognised as income when the entity's right to receive payment is established.

### Employee Benefits

Certain subsidiaries operate a defined benefit retirement plan, in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund are held separately from those of the entity in an independently administered fund. This plan is in addition to the contributions to government managed retirement benefit plans such as the Central Provident Fund in Singapore which specifies the employer's obligations which are dealt with as defined contribution retirement benefit plans.

Short-term benefits are recognised at an undiscounted amount where employees have rendered their services to the Group during the accounting periods. Post employment benefits are recognised at discounted amounts when the employees have rendered their services to the Group during the accounting periods. Liabilities and expenses are measured using actuarial techniques which include constructive obligations that arise from the Group's common practices. In calculating the liabilities, the benefits are discounted by using the projected unit credit method. Termination benefits are recognised when, and only when, the Group is committed to either; (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Contributions to defined contribution retirement benefit plans are recorded as an expense as and when they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

### Share Based Compensation

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using the Black-Scholes pricing model. This fair value is charged to the income statement over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in the income statement.



# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Income Tax**

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised in the income statement except that when they relate to items that initially bypass the income statement and are taken to equity, in which case they are similarly taken to equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognised for all taxable temporary differences associated with investments in subsidiaries, because (a) the company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

### **Foreign Currency Transactions**

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement except when deferred in equity as qualifying cash flow hedges. The presentation is in the functional currency.

### **Translation of Financial Statements of Other Entities**

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements the assets and liabilities denominated in currencies other than the functional currency of the Company are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The components of shareholders' equity are stated at historical value. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of that investee. The presentation is in the functional currency.

### **Borrowing Costs**

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method.



# notes to the financial statements

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Plant and Equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Plant and equipment	–	10% to 33 <sup>1</sup> / <sub>3</sub> %
Leasehold improvements	–	10%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the income statement. The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement when they are incurred.

### Leased Assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

### Intangible Assets

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Customer list	–	3 years
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# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Segment Reporting**

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

### **Subsidiaries**

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the company's own separate financial statements, the investments in subsidiaries are stated at cost less any provision for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

### **Business Combinations**

Business combinations are accounted for by applying the purchase method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Any excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is accounted for as "negative goodwill". The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed. For negative goodwill a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit and loss.

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

### **Minority Interest**

The minority interest in the net assets and net results of consolidated subsidiary are shown separately in the consolidated balance sheet and consolidated income statement. Any minority interest in the acquiree (subsidiary) is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.



# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Impairment of Non-Financial Assets**

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down through the income statement to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **Goodwill**

Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at fair value as part of the business combination process. After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Irrespective of whether there is any indication of impairment, goodwill (and also an intangible asset with an indefinite useful life or an intangible asset not yet available for use) are tested for impairment, at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

### **Financial Assets**

Initial recognition and measurement and derecognition of financial assets:

A financial asset is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through income statement includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit and loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.



# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial Assets (Cont'd)

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

- #1. Financial assets at fair value through profit and loss: As at year end date there were no financial assets classified in this category.
- #2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
- #3. Held-to-maturity financial assets: As at year end date there were no financial assets classified in this category.
- #4. Available for sale financial assets: These are non-derivative financial assets that are designated as available for sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value by reference to the transaction price or current bid prices in an active market. If such market prices are not reliably determinable, management establishes fair value by using valuation techniques. Changes in fair value of available for sale financial assets (other than those relating to foreign exchange translation differences on non-monetary investments) are recognised directly in equity in other reserves. Such reserves are recycled to the income statement when realised through disposal. Impairments below cost are recognised in the income statement. When there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is reclassified from equity to the income statement as a reclassification adjustment. If, in a subsequent period, the fair value of an equity instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against other reserves and are not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. For non-equity instruments classified as available for sale the reversal of impairment is recognised in income statement. They are classified as non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting year. Typically non-current investments in equity shares and debt securities are classified in this category but do not include subsidiaries, joint ventures, or associates.



# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Cash and Cash Equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the cash flow statement the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

### Financial Liabilities

Initial recognition and measurement of financial liabilities:

A financial liability is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through income statement includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

- #1. Liabilities at fair value through profit and loss: As at year end date there were no financial liabilities classified in this category.
- #2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

### Financial Guarantees

A financial guarantee contract requires that the issuer makes specified payments to reimburse the holder for a loss when a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18.

### Fair Value of Financial Instruments

The carrying values of current financial assets and financial liabilities approximate their fair values due to the short-term maturity of these instruments. Disclosures of fair value are not made when the carrying amount current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant items at the end of the reporting year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting year. The fair value of a financial instrument is derived from an active market. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or liability held, the asking price. If there is no market, or the markets available are not active, the fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of similar instruments and incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.



# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Inventories**

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### **Equity**

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when paid. Where the company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders and no gain or loss is recognised in the income statement.

### **Provisions**

A liability or provision is recognised when there is 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 made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the income statement in the period they occur.

### **Critical Judgements, Assumptions and Estimation Uncertainties**

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Provision for retirement benefits:

The determination of the Group's obligations and cost for pension and employee benefits liability is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turnover rate, disability rate, retirement age and mortality rate. Actual results that differ from the assumptions are recognised immediately in the income statement as and when they occur. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the group's actual experience or significant changes in the assumptions may materially affect its estimated liabilities for pensionable and employee benefits and net employee benefits expense. The carrying amounts of the estimated liabilities for employee benefits at the end of the reporting year were \$72,000.



# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

#### Plant and equipment:

The Group has plant and equipment stated at carrying value of \$9,035,000. An assessment is made at each reporting date whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected.

#### Plant and equipment:

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the plant and equipment at the end of the reporting year affected by the assumption is \$9,035,000.

#### Estimated impairment of goodwill:

An assessment is made annually whether goodwill has suffered any impairment loss, based on the recoverable amounts of the cash generating units ("CGU"). The recoverable amounts of the CGUs were determined based on value in use calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 16. Actual outcomes could vary from these estimates as disclosed in Note 16.

#### Estimated impairment of subsidiary:

When a subsidiary is in net equity deficit and has suffered operating losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investment is \$600,000 at the end of the reporting year. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset affected.

#### Allowance for doubtful accounts:

An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses accounts receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year.



# notes to the financial statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

#### Net realisable value of inventories:

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year was \$5,830,000.

#### Deferred tax estimation:

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, it is likely that deferred tax calculation relates to complex fact patterns for which assessments of likelihood are judgmental and not susceptible to precise determination. The amount of the deferred tax liability at the end of the reporting year was \$393,000.

## 3. RELATED PARTY TRANSACTIONS

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

### 3.1. Related companies:

Related companies in these financial statements refer to subsidiaries of the Company.

There are transactions and arrangements between the Company and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed unless stated otherwise based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance. For financial guarantees a fair value is imputed and is recognised accordingly if significant where no charge is payable. The transactions were not significant.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.



# notes to the financial statements

## 3. RELATED PARTY TRANSACTIONS (Cont'd)

### 3.2. Other related parties:

There are transactions and arrangements between the Company and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed unless stated otherwise based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance.

A shareholder and directors of subsidiaries have provided a personal guarantee for bank borrowings. For financial guarantees a fair value is imputed and is recognised accordingly if significant where no charge is payable. The transactions were not significant.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Group	Related parties	
	2008 \$'000	2007 \$'000
Sale of goods <sup>(a)</sup>	–	173
Purchase of goods <sup>(b)</sup>	(50)	(35)
Rental expense <sup>(c)</sup>	(90)	(94)
Technical and advisory fees <sup>(d)</sup>	(76)	(75)
Legal and professional expenses <sup>(e)</sup>	(7)	(7)

(a) Sale of goods relate to transactions with a related party, Jin-Wa Rubber Products (formerly known as Jin-Wa Advanced Rubber Extrusion), whose shareholder is the brother-in-law of a director, Mr Wa Kok Liang, Leslie.

(b) In 2008, purchases of goods relate to transactions with a related party, Jin-Wa Rubber Products. In 2007, purchase of goods relate to transactions with related parties, Jin-Wa Rubber Products and Advance Process Technologies Pte Ltd (whose shareholder is the sister of a director, Mr Ng Khoon Seng).

(c) Rental expense relates to transactions with Pro-Stamping Industrial Pte Ltd, a related party where a director, Mr Ng Khoon Seng, has a direct interest in shares.

(d) Technical and advisory fees relate to fees paid to the father of a director of the company, Mr Wa Kok Liang, Leslie.

(e) Legal and professional expenses paid to a firm in which a director, Mr Tang Chi Loong is a member.



# notes to the financial statements

## 3. RELATED PARTY TRANSACTIONS (Cont'd)

### 3.3. Key management compensation:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Salaries and other short-term employee benefits	2,115	2,151	1,000	1,138
Directors' fees	83	85	81	75
Share based payments	<u>50</u>	<u>–</u>	<u>23</u>	<u>–</u>

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Remuneration of directors of the Company	740	882	740	882
Fees to directors of the Company	81	75	81	75
Share based payments	<u>22</u>	<u>–</u>	<u>22</u>	<u>–</u>

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

## 4. FINANCIAL INFORMATION BY SEGMENTS

The primary reporting format is by products (business segment) and the second reporting format is by geographical area.

### 4A. **Primary Analysis by Business Segment**

For management purposes, the group is organised into controlling business units ("CBU") based on their products and services which are further aggregated into four reportable segments as follows:

- 1) 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.
- 2) The *Lifestyle Products* ("LP") segment manufactures and distributes compound rubber and precision molded rubber parts and components for the consumer and life style products including household electrical appliances, consumer electronic devices, vibration control components and peripheral accessories.
- 3) 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.



# notes to the financial statements

## 4. FINANCIAL INFORMATION BY SEGMENTS (Cont'd)

### 4A. Primary Analysis by Business Segment (Cont'd)

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

Management monitors the operating results of its CBU separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Group financing costs (interest expense) and income taxes are managed on a Group basis and are not allocated to operating segments.

Segment information about these businesses is presented below:

2008	OA \$'000	LP \$'000	IA \$'000	IH \$'000	Total \$'000
<b>Revenue:</b>					
External customers	12,154	18,072	15,950	–	46,176
Inter-segment	538	14	13	–	565
<b>Total Revenue</b>	<b>12,692</b>	<b>18,086</b>	<b>15,963</b>	<b>–</b>	<b>46,741</b>
Interest Income	22	35	32	(30)	59
Depreciation and Amortisation	427	1,035	112	158	1,732
Other Non Cash Expenses	603	467	562	–	1,632
Segment Profit (Loss)	1,842	785	(876)	(437)	1,314
Segment Assets	10,667	12,726	6,336	8,917	38,646
Capital Expenditure	692	1,127	191	15	2,025
Segment Liabilities	1,344	2,327	4,955	459	9,085
<b>2007</b>					
<b>Revenue:</b>					
External customers	11,218	19,217	19,915	–	50,350
Inter-segment	556	66	1,227	–	1,849
<b>Total Revenue</b>	<b>11,774</b>	<b>19,283</b>	<b>21,142</b>	<b>–</b>	<b>52,199</b>
Interest Income	1	11	2	34	48
Depreciation and Amortisation	416	695	177	12	1,300
Other Non Cash Expenses	–	62	–	–	62
Segment Profit (Loss)	2,091	2,446	(41)	(33)	4,463
Segment Assets	10,370	14,340	16,842	7,623	49,175
Capital Expenditure	567	3,653	1,111	485	5,816
Segment Liabilities	1,606	3,830	4,482	561	10,479



# notes to the financial statements

## 4. FINANCIAL INFORMATION BY SEGMENTS (Cont'd)

### 4A. Primary Analysis by Business Segment (Cont'd)

Reconciliations of Reportable Segment Profit (Loss) Assets and Liabilities:

<b>Segment Profit (Loss)</b>	<b>2008 \$'000</b>	<b>2007 \$'000</b>
Total Reportable Segment Profit	1,314	4,463
Finance Costs	(533)	(483)
Profit Before Tax from Continuing Operations	781	3,980

  

<b>Segment Assets</b>	<b>2008 \$'000</b>	<b>2007 \$'000</b>
Total Assets for Reportable Segments	38,646	49,175
Inter-Segment Assets	(5,927)	(4,972)
Total Assets	32,719	44,203

  

<b>Segment Liabilities</b>	<b>2008 \$'000</b>	<b>2007 \$'000</b>
Total Liabilities for Reportable Segments	9,085	10,479
Income Tax Payable	436	745
Borrowings	3,169	12,113
Deferred Tax Liabilities	393	341
Inter-Segment Liabilities	(5,300)	(4,007)
Total Liabilities	7,783	19,671

### 4B. Secondary Analysis by Geographical Area

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

	Revenue		Non-Current Assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Singapore	30,052	36,501	1,657	2,219
Malaysia	4,832	5,854	4,653	5,512
Indonesia	925	822	625	1,376
China	10,367	7,173	2,305	1,247
Total	46,176	50,350	9,240	10,354

The Group's main operations are located in Singapore, Malaysia, Indonesia and China. Revenue from external customers are attributed to the Group companies' countries of domicile and all foreign countries in total from which the Group derived revenues. Non-current assets are attributed to countries based on the Group companies' country of domicile and all foreign countries in total in which the Group holds assets.



# notes to the financial statements

## 5. REVENUE

	Group	
	2008 \$'000	2007 \$'000
Sale of goods	46,127	50,222
Sundry income	49	128
	<u>46,176</u>	<u>50,350</u>

## 6. INTEREST INCOME

	Group	
	2008 \$'000	2007 \$'000
Interest income	<u>59</u>	<u>48</u>

## 7. OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2008 \$'000	2007 \$'000
Allowance for impairment on trade and other receivables	(240)	(154)
Amortisation of intangible assets	(56)	(91)
Bad debts written off trade receivables	(1)	(1)
Rental deposit written off	(24)	-
Compensation received	50	-
Dividend income from quoted corporations	3	-
Foreign exchange adjustment losses	-	(272)
Gain/(loss) on disposal of plant and equipment	5	(31)
Impairment losses on plant and equipment	(246)	-
Inventories written off	(409)	-
Loss of inventories	(91)	-
Loss on disposal of assets in a subsidiary (Note 30)	(338)	-
Loss on disposal of subsidiary (Note 31)	-	(77)
Negative goodwill written off	-	8
Plant and equipment written off	(251)	(62)
Pre-operating expenses	-	(63)
Allowance for slowing moving and obsolete inventories	(297)	-
	<u>(1,895)</u>	<u>(743)</u>
Presented in the income statement as:		
Other Credits	3	8
Other Charges	(1,898)	(751)
Net	<u>(1,895)</u>	<u>(743)</u>



# notes to the financial statements

## 8. ADMINISTRATIVE EXPENSES

	Group	
	2008 \$'000	2007 \$'000
The major components include the following:		
Employee benefits expense	3,422	3,818
Depreciation expenses	<u>490</u>	<u>254</u>

## 9. FINANCE COSTS

	Group	
	2008 \$'000	2007 \$'000
Interest expense	<u>533</u>	<u>483</u>

## 10. INCOME TAX

	Group	
	2008 \$'000	2007 \$'000
Current tax expense	323	695
Deferred tax expense	<u>52</u>	<u>98</u>
Total tax expense	<u>375</u>	<u>793</u>

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 18% (2007 : 18%) to profit before income tax as a result of the following differences:

	Group	
	2008 \$'000	2007 \$'000
Profit before tax	<u>781</u>	<u>3,980</u>
Income tax expense at the statutory rate	140	717
Non-allowable items	378	123
Effect of different tax rates in other countries	(165)	62
Tax exemptions and relief	(196)	(177)
Deferred tax assets valuation allowance	244	176
Under/(over) provision of income tax	(58)	(130)
Reduction of tax rate	20	14
Other items less than 3% each	<u>12</u>	<u>8</u>
Total income tax expense	<u>375</u>	<u>793</u>
Effective tax rate	<u>48.02%</u>	<u>19.92%</u>

There are no income tax consequences of dividends to shareholders of the Company.

In January 2009, the government announced a change in the national income tax rate from 18.0% to 17.0%. The new rate will apply to current and deferred tax assets and liabilities from results for the year ending in 2009.



# notes to the financial statements

## 10. INCOME TAX (Cont'd)

At the balance sheet date, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was insignificant. No liability has been recognised in respect of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

### Deferred tax:

The deferred tax amounts and movement in the year are as follows:

Group	Consolidated balance sheet		Net change in income statement	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<u>Deferred tax liabilities:</u>				
Excess of net book value of plant and equipment	(612)	(341)	271	98
Total deferred tax liabilities	(612)	(341)	271	98
<u>Deferred tax assets:</u>				
Tax loss carryforwards	979	516	463	176
Deferred tax valuation allowance	(760)	(516)	(244)	(176)
Total deferred tax assets	219	-	219	-
Net total of deferred tax liabilities	(393)	(341)	52	98

Presented in the balance sheet as follows:

Deferred tax liabilities	(393)	(341)
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Company	Balance sheet		Net change in income statement	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<u>Deferred tax liabilities:</u>				
Excess of net book value of plant and equipment	(58)	-	58	-
Total deferred tax liabilities	(58)	-	58	-

Presented in the balance sheet as follows:

Deferred tax liabilities	(58)	-
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It is impracticable to estimate the amount expected to be settled or used within one year.

Unrecorded deferred tax asset:	Group	
	2008 \$'000	2007 \$'000
Unused tax losses available	760	516
A deferred tax asset has not been recognised	760	516

No deferred tax asset has been recognised in respect of the remaining for the above balance, as the future profit streams are not probable.



# notes to the financial statements

## 10. INCOME TAX (Cont'd)

For the Singapore companies, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. For the losses in Malaysia and Indonesia, the realisation of the future income tax benefits from tax loss carry forwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

## 11. ITEMS IN THE INCOME STATEMENT

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	2008 \$'000	2007 \$'000
Other fees to independent auditors included under administrative expenses:		
- Company's independent auditors	22	13
- Other independent auditors	6	6

## 12. EARNINGS PER SHARE

The earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of shares of no par value in issue during the year.

The basic earnings per share has been calculated based on profit attributable to shareholders of \$496,000 (2007: \$3,543,000) and the weighted average number of ordinary shares of 115,346,445 (2007: 105,555,147) in issue during the financial year.

The fully diluted earnings per share has been calculated based on profit attributable to shareholders of \$496,000 (2007: \$3,543,000) and the weighted average number of ordinary shares of 115,603,782 (2007: 106,204,671) in issue during the financial year.

The dilutive effect derives from two categories of transaction: share options (Note 24A) and performance share plan (Note 24C).

## 13. DIVIDENDS ON EQUITY SHARES

	2008 \$'000	2007 \$'000
2007 Final tax exempt (1-tier) dividend paid of 0.2 cents per share	220	-
2008 Interim exempt (1-tier) dividends paid of 2.0 cents per share	2,360	-
	2,580	-

In respect of the current year, the directors propose that a 2008 final dividend of 0.1 cent per share to be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to the approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements.



# notes to the financial statements

## 14. EMPLOYEE BENEFITS EXPENSE

	Group	
	2008 \$'000	2007 \$'000
Employee benefits expense including directors	8,689	9,648
Contributions to defined benefit plan (Notes 27A)	42	22
Contributions to defined contribution plan	486	569
Share based payments (Notes 24B and 24D)	54	(5)
Total employee benefits expense	9,271	10,234

## 15. PLANT AND EQUIPMENT

Group	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost</b>			
At 1 January 2007	932	9,173	10,105
Exchange adjustments	(31)	(157)	(188)
Additions	445	5,371	5,816
Arising from disposal of subsidiary (Note 31)	(48)	(1,208)	(1,256)
Disposals	–	(1,408)	(1,408)
At 1 January 2008	1,298	11,771	13,069
Exchange adjustments	(19)	(402)	(421)
Additions	316	1,709	2,025
Arising from disposal of assets in subsidiary (Note 30)	–	(416)	(416)
Disposals	(204)	(779)	(983)
At 31 December 2008	1,391	11,883	13,274
<b>Accumulated depreciation and impairment:</b>			
At 1 January 2007	396	1,708	2,104
Exchange adjustments	(14)	(81)	(95)
Depreciation for the year	99	1,110	1,209
Arising from disposal of subsidiary (Note 31)	(8)	(125)	(133)
Disposals	–	(242)	(242)
At 1 January 2008	473	2,370	2,843
Exchange adjustments	(12)	(152)	(164)
Depreciation for the year	187	1,489	1,676
Arising from disposal of assets in subsidiary (Note 30)	–	(92)	(92)
Disposals	(163)	(107)	(270)
Impairment for the year	–	246	246
At 31 December 2008	485	3,754	4,239
<b>Net book value:</b>			
At 1 January 2007	536	7,465	8,001
At 1 January 2008	825	9,401	10,226
At 31 December 2008	906	8,129	9,035



# notes to the financial statements

## 15. PLANT AND EQUIPMENT (Cont'd)

Company	Plant and equipment \$'000
<b>Cost</b>	
At 1 January 2007	15
Additions	484
At 1 January 2008	499
Additions	15
Disposals	(5)
At 31 December 2008	509
<b>Accumulated depreciation:</b>	
At 1 January 2007	3
Depreciation for the year	12
At 1 January 2008	15
Depreciation for the year	159
Disposals	(2)
At 31 December 2008	172
<b>Net book value:</b>	
At 1 January 2007	12
At 1 January 2008	484
At 31 December 2008	337

The depreciation expense and impairment loss are charged as follows:

	Cost of sales \$'000	Marketing and distribution costs \$'000	Administrative expenses \$'000	Other charges \$'000	Total \$'000
2008	1,168	18	490	246	1,922
2007	940	15	254	–	1,209

Certain motor vehicles are under finance lease agreements (see Note 26D).

During the year plant and equipment with a carrying amount of \$401,416 was subject to an impairment allowance of \$245,905. The value was determined in December 2008 based on the existing use basis to reflect the actual market state and circumstances as of the end of the reporting year and not as of either a past or future date. The fair value was based on a valuation made by management based on reference to market evidence of transaction prices for similar plant and equipment.



# notes to the financial statements

## 16. INTANGIBLE ASSETS

	Group	
	2008 \$'000	2007 \$'000
Goodwill (Note 16A)	33	33
Other Intangible Assets (Note 16B)	39	95
	<u>72</u>	<u>128</u>

### 16A. Goodwill

	Group	
	2008 \$'000	2007 \$'000
<b>Cost:</b>		
At beginning of year 1 January	33	94
Acquisition of subsidiaries (Note 29)	–	(8)
Disposal of subsidiary (Note 31)	–	(61)
Negative goodwill written off (Note 7)	–	8
At end of year 31 December	<u>33</u>	<u>33</u>

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each subsidiary as follows :

	Group	
	2008 \$'000	2007 \$'000
Pri-V International Pte Ltd	33	33
	<u>33</u>	<u>33</u>

The goodwill was tested for impairment at the end of the year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs to sell or its value in use. The recoverable amounts of cash-generating units have been determined based on its value in use method.

In this case no impairment charges were recognised because the carrying amount of all cash-generating units was lower than their recoverable amount.

The value in use was determined by management. The key assumptions used for value in use of each CGU are consistent with those used for the calculation last performed and are analysed as follows:

	2008	2007
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs.	8.61%	12.46%
2. Growth rates based on suitable growth rate and not exceeding the average long-term growth rate for the relevant markets.	10% – 19%	4% – 13%
3. Cash flow forecasts derived from the most recent financial budgets approved by management.	5 years	5 years



# notes to the financial statements

## 16. INTANGIBLE ASSETS (Cont'd)

### 16B. Other Intangible Assets

Group	Customer list	
	2008 \$'000	2007 \$'000
<u>Cost</u>		
At beginning of year 1 January	165	524
Disposal of subsidiary (Note 31)	–	(359)
At end of year 31 December	<u>165</u>	<u>165</u>
<u>Accumulated amortisation:</u>		
At beginning of year 1 January	70	56
Amortisation for the year	56	91
Disposal of subsidiary (Note 31)	–	(77)
At end of year 31 December	<u>126</u>	<u>70</u>
Net book value:		
At end of year 31 December	<u>39</u>	<u>95</u>

The amortisation expense is charged to income statement and included in other charges (Note 7).

## 17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008 \$'000	2007 \$'000
Unquoted equity shares at cost	7,750	7,750
Less provision for impairment	(3,400)	–
Total at cost	<u>4,350</u>	<u>7,750</u>
Net book value of subsidiaries	<u>15,603</u>	<u>16,760</u>
Movements in provision for impairment:		
Balance at beginning of year	–	–
Impairment loss charge to income statement	(3,400)	–
Balance at end of year	<u>(3,400)</u>	<u>–</u>



# notes to the financial statements

## 17. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The subsidiaries held by the Company and the subsidiaries are listed below:

Name of subsidiary, country of incorporation, place of operations and principal activities (and independent auditors)	Cost of the Investments		Effective Percentage of Equity held by Group	
	2008 \$'000	2007 \$'000	2008 %	2007 %
HLN Rubber Products Pte. Ltd. <sup>(a)</sup> Singapore Precision elastomeric moulding of rubber components	2,813	2,813	100	100
Process Innovation Technology Pte Ltd <sup>(a)</sup> Singapore Precision polymeric die-cutting of foams and other materials	937	937	100	100
HLN Micron Pte. Ltd. <sup>(a) (e)</sup> Singapore Investment holding company	4,000	4,000	100	100
<u>Held through HLN Rubber Products Pte. Ltd.</u> PT HLN Batam <sup>(d)</sup> Indonesia Precision elastomeric moulding of rubber components (Drs Sukimto Sjamsull, Indonesia)	910	910	100	100
HLN (Suzhou) Rubber Products Co., Ltd <sup>(c) (f)</sup> People's Republic of China Precision elastomeric moulding of rubber components (RSM China CPA Firm Shanghai International Division, People's Republic of China)	1,587	839	100	100
HLN Rubber Industries Sdn Bhd <sup>(d)</sup> Malaysia Precision elastomeric moulding of rubber components (SQ Morison, Malaysia)	1,064	1,064	100	100
<u>Held through Process Innovation Technology Pte. Ltd.</u> Process Innovation Technology (Suzhou) Co., Ltd <sup>(b) (g)</sup> People's Republic of China Die-cutting, fabricating and converting of polymeric products.	1,016	–	100	–
Pri-V International Pte Ltd <sup>(a)</sup> Singapore Sale and distribution of brand-identification nameplates	614	614	60	60
<u>Held through Pri-V International Pte Ltd</u> Pri-V Technology Sdn Bhd <sup>(d)</sup> Malaysia Manufacture and sale of brand-identification nameplates (SQ Morison, Malaysia)	492	492	60	60



# notes to the financial statements

## 17. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of subsidiary, country of incorporation, place of operations and principal activities (and independent auditors)	Cost of the Investments		Effective Percentage of Equity held by Group	
	2008 \$'000	2007 \$'000	2008 %	2007 %
<u>Held through HLN Micron Pte. Ltd.</u> HLN Technologies Sdn Bhd <sup>(d) (h)</sup> Malaysia Precision turning of metallic components (SQ Morison, Malaysia)	2,450	1,611	100	100
HLN Metal Centre Pte. Ltd. <sup>(a) (i)</sup> Singapore Precision machining and slitting of aluminium products	2,242	1,492	75	75
<u>Held through HLN Metal Centre Pte. Ltd.</u> HLN Metal (Shenzhen) Co., Ltd. <sup>(d)</sup> People's Republic of China Precision machining and slitting of aluminium products (Yangcheng Certified Public Accountants Co., Ltd, People's Republic of China)	769	769	75	75
HLN Metal (Suzhou) Co., Ltd. <sup>(c) (i)</sup> People's Republic of China Precision machining and slitting of aluminium products (RSM China CPA Firm Shanghai International Division, People's Republic of China)	746	228	75	75

(a) Audited by RSM Chio Lim LLP, Singapore.

(b) Not audited as it is immaterial.

(c) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(d) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(e) During the year, a provision for impairment of \$3,400,000 was made on the investment in HLN Micron Pte Ltd. Thus, the balance after provision for impairment is \$600,000.

(f) During April 2008, the Group increased the investment in HLN (Suzhou) Rubber Products Co., Ltd by contributing additional share capital of US\$550,000 (approximately S\$748,000).

(g) Process Innovation Technology (Suzhou) Co., Ltd was incorporated on 4 September 2008 with total committed capital contribution of US\$700,000 (approximately S\$1,016,000). As at 31 December 2008, Process Innovation Technology Pte. Ltd. has contributed US\$700,000 (approximately S\$1,016,000).



# notes to the financial statements

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## 17. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (h) During June and August 2008, HLN Micron Pte Ltd subscribed for additional 1,200,000 and 800,000 ordinary shares in the capital of HLN Technologies Sdn Bhd for consideration of MYR1,200,000 (approximately S\$501,000) and MYR800,000 (approximately S\$338,000) respectively. The consideration was satisfied by capitalisation of MYR1,200,000 and MYR800,000 respectively owing by HLN Technologies Sdn Bhd to HLN Micron Pte Ltd.

During May and December 2007, HLN Micron Pte Ltd subscribed for additional 840,000 and 1,100,000 ordinary shares in the capital of HLN Technologies Sdn Bhd for consideration of MYR840,000 (approximately S\$374,000) and MYR1,100,000 (approximately S\$478,000) respectively. The consideration was satisfied by capitalisation of MYR840,000 and MYR1,100,000 respectively owing by HLN Technologies Sdn Bhd to HLN Micron Pte Ltd.

During November 2007, HLN Micron Pte Ltd acquired the remaining 40% interest from minority shareholders of HLN Technologies Sdn Bhd for cash consideration of S\$98,000. See Note 29.

- (i) During January 2008, HLN Metal Centre Pte Ltd issued 1,000,000 ordinary shares. 750,000 ordinary shares have been subscribed by HLN Micron Pte Ltd and the remaining shares were subscribed by the minority shareholder for cash consideration of S\$750,000 and S\$250,000 respectively.

During April 2007, HLN Metal Centre Pte Ltd issued 1,999,998 ordinary shares. 1,099,998 ordinary shares have been subscribed by HLN Micron Pte Ltd and the remaining shares were subscribed by the minority shareholder for cash consideration of S\$1,099,998 and S\$900,000 respectively.

During November 2007, HLN Micron Pte Ltd acquired a further 20% interest from minority shareholders of HLN Metal Centre Pte Ltd for consideration of \$391,920. The consideration was satisfied by the issue of 552,000 ordinary shares of the company. See Notes 23 and 29.

- (j) HLN Metal (Suzhou) Co., Ltd was incorporated on 17 July 2007 with total committed capital contribution of US\$1,000,000 (approximately S\$1,437,500). As at 31 December 2008, HLN Metal Centre Pte Ltd has contributed US\$500,000 (approximately S\$746,450) (2007: US\$150,000 (approximately S\$227,925)). In January 2009, the total authorised and registered capital of US\$1,000,000 each has been reduced to US\$700,000 and US\$500,000 respectively. The balance of capital commitments for 2007 is disclosed in Note 33.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the audit committee and the Board of directors of the Company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.



# notes to the financial statements

## 18. OTHER FINANCIAL ASSETS, NON-CURRENT

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Movements during the year:				
Fair value at beginning of year	-	-	-	-
Additions	150	-	150	-
Decrease in fair value through equity	(17)	-	(17)	-
Fair value at end of year	<u>133</u>	<u>-</u>	<u>133</u>	<u>-</u>
Balance is made up of:				
Quoted equity shares in corporations as available-for-sale at fair value through equity	133	-	133	-
Balance at end of year	<u>133</u>	<u>-</u>	<u>133</u>	<u>-</u>

The investments in quoted equity securities are held primarily for long-term growth potential. The fair value of these investments at the end of the reporting year, based on current bid prices in an active market, are shown above.

A loss of \$16,700 on remeasuring available-for-sale assets to fair value was recognised directly in equity. It will be transferred to the income statement upon the disposal of the investment.

## 19. INVENTORIES

	Group	
	2008 \$'000	2007 \$'000
Finished goods	681	1,781
Work in process	196	383
Raw materials and consumables	4,953	11,072
	<u>5,830</u>	<u>13,236</u>
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of year	-	-
Charge to income statement included in other charges	297	-
Balance at end of year	<u>297</u>	<u>-</u>
The write-down of inventories charged to income statement included in other charges	(297)	-
Changes in inventories of finished goods and work in progress – decrease/(increase)	7,652	(7,022)
Raw materials and consumables used included in cost of sales	<u>(24,535)</u>	<u>(25,460)</u>



# notes to the financial statements

## 20. TRADE AND OTHER RECEIVABLES, CURRENT

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<u>Trade receivables:</u>				
Outside parties	8,114	12,294	–	–
Less: allowance for impairment	(182)	(154)	–	–
Subtotal	<u>7,932</u>	<u>12,140</u>	<u>–</u>	<u>–</u>
<u>Other receivables and prepayments:</u>				
Staff loans and advances	48	2	–	–
Subsidiaries (Note 3)	–	–	5,059	4,591
Other receivables	329	1,078	1	8
Less: allowance for impairment	(100)	–	(3,100)	–
Subtotal	<u>277</u>	<u>1,080</u>	<u>1,960</u>	<u>4,599</u>
Total trade and other receivables	<u>8,209</u>	<u>13,220</u>	<u>1,960</u>	<u>4,599</u>
Movements in above allowance:				
Balance at beginning of year	(154)	–	–	–
Exchange adjustments	2	–	–	–
Charge for trade and other receivables to income statement included in other charges	(240)	(154)	(3,100)	–
Bad debts written off	110	–	–	–
Balance at end of year	<u>(282)</u>	<u>(154)</u>	<u>(3,100)</u>	<u>–</u>

The allowance is based on individual accounts that are determined to be impaired at the year end date. These are not secured.

Included in the amount of other receivables is an amount of \$264,000 (2007: \$722,000) due from an ex-related party of which \$54,000 (2007: \$512,000) arose from the disposal of a subsidiary in year 2007 (Note 31) and the balance \$210,000 (2007: \$210,000) for YE 2006 and YE 2007 management fees due to the Company's subsidiary. During the year, the Company's subsidiary has made an allowance for impairment of \$100,000 (2007: NIL) on this amount.

## 21. OTHER ASSETS, CURRENT

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deposits to secure services	406	377	24	79
Prepayments	370	268	44	41
	<u>776</u>	<u>645</u>	<u>68</u>	<u>120</u>



# notes to the financial statements

## 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Not restricted in use	8,641	5,748	3,339	1,389
Restricted in use <sup>#a</sup>	23	1,000	–	1,000
	<u>8,664</u>	<u>6,748</u>	<u>3,339</u>	<u>2,389</u>
Interest earning balances	<u>3,598</u>	<u>2,541</u>	<u>3,000</u>	<u>1,541</u>

#a These are fixed deposits that have been pledged to a bank for credit facilities granted and bank guarantees issued.

The rate of interest for the cash on interest earning balances is between 0.25% and 3.40% (2007: 1.6% and 3.23%) per annum.

### 22A. Cash and cash equivalents in the cash flow statement:

	Group	
	2008 \$'000	2007 \$'000
As shown above	8,664	6,748
Bank overdrafts (Note 26)	–	(36)
Fixed deposits pledged as security	(23)	(1,000)
Cash and cash equivalents for cash flow statement purposes at end of year	<u>8,641</u>	<u>5,712</u>

### 22B. Non-cash transactions:

During the year there were acquisitions of plant and equipment with a total cost of NIL (2007: \$699,000) acquired by means of finance leases.

In November 2007, a total of 552,000 ordinary shares of no par value in the Company were issued in acquiring 20% interest in a subsidiary from its minority shareholders at \$0.71 per share. The amount of consideration was \$391,920. See Notes 23 and 29.



# notes to the financial statements

## 23. SHARE CAPITAL

	Number of shares issued	Share capital \$'000	Treasury shares \$'000	Total \$'000
<u>Ordinary shares of no par value:</u>				
Balance at beginning of year 1 January 2007	98,005,920	7,570	–	7,570
Issue of shares <sup>(a)</sup>	1,680,000	470	–	470
Share based payments <sup>(a)</sup>	–	84	–	84
Issue of shares <sup>(b)</sup>	9,800,000	5,390	–	5,390
Share issue expenses <sup>(b)</sup>	–	(198)	–	(198)
Issue of shares <sup>(c)</sup>	552,000	392	–	392
Balance at end of year 31 December 2007	110,037,920	13,708	–	13,708
Issue of shares <sup>(d)</sup>	21,000,000	3,129	–	3,129
Share issue expenses <sup>(d)</sup>	–	(189)	–	(189)
Treasury shares purchased <sup>#a</sup>	(5,155,000)	–	(740)	(740)
Balance at end of year 31 December 2008	<u>125,882,920</u>	<u>16,648</u>	<u>(740)</u>	<u>15,908</u>

The ordinary shares of no par value which are fully paid carry no right to fixed income.

The objectives when managing capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The management sets the amount of capital in proportion to risk. There were no changes in the approach to capital management during the year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The primary objective for capital management is to ensure a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The management does not set a target level of gearing but uses capital opportunistically to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, and retained earnings).



## notes to the financial statements

### 23. SHARE CAPITAL (Cont'd)

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net debt:				
All current and non-current borrowings including finance leases	3,169	12,113	–	–
Less cash and cash equivalents	<u>(8,664)</u>	<u>(6,748)</u>	<u>(3,339)</u>	<u>(2,389)</u>
Net debt	<u>(5,495)</u>	<u>5,365</u>	<u>(3,339)</u>	<u>(2,389)</u>
Net capital:				
Equity	<u>23,994</u>	<u>23,773</u>	<u>9,650</u>	<u>14,779</u>
Debt-to-adjusted capital ratio	<u>#</u>	<u>22.6%</u>	<u>#</u>	<u>#</u>

# Not meaningful.

The reduction in the debt-to-adjusted capital ratio during 2008 resulted primarily from the reduction in current and non-current borrowings including finance leases.

The only externally imposed capital requirement is that, for the company to maintain its listing on the Singapore Stock Exchange, it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

During 2007 and 2008, the Company has issued the following number of shares:

- A total of 1,680,000 fully paid ordinary shares to employees at an exercise price of \$0.28 per share pursuant to the Company's Share Option Scheme. Share based payments amounted to \$84,000. See Note 24B.
- 9,800,000 fully paid ordinary shares of \$0.55 per share pursuant to a share placement exercise. Share issue expenses incurred were \$198,000.
- A total of 552,000 ordinary shares to minority shareholders of a subsidiary in consideration of the Company acquiring 20% interest in the subsidiary from them at \$0.71 per share. See Note 29.
- 21,000,000 fully paid ordinary shares of \$0.15 per share pursuant to a share placement exercise. Share issue expenses incurred were \$189,000.

#a. As approved by the general shareholders meeting, 5,155,000 treasury shares were acquired during the year on the Singapore Stock Exchange in order to be cancelled in future or to serve the current performance share plan (Note 24C) for a consideration of \$740,509. As at the end of the reporting year these shares have a market value of \$567,050.



# notes to the financial statements

## 24. SHARE-BASED PAYMENTS

### 24A. Activities Under The Share Options Scheme

The HLN Technologies Employee Share Option Scheme (the "Scheme") in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting held on 23 September 2005. The Scheme, which forms an integral component of its compensation plan, is designed to reward and retain eligible participants whose services are vital to its well being and success. It provides eligible participants who have contributed to the success and development of the company with an opportunity to participate and also increase the dedication and loyalty of these participants and motivate them to perform better.

Under the rules of the Scheme, all directors and employees of the Company are eligible to participate in the Scheme. Controlling shareholders or their associates are also eligible to participate in the Scheme subject to the approval of independent shareholders in the form of separate resolutions for each participant. Further, independent shareholders' approval is also required in the form of separate resolutions for each grant of options and the terms thereof, to each participant who is a controlling shareholder or his associate.

The total number of shares over which options may be granted shall not exceed 20% of the issued share capital of the Company at any time.

The Scheme is administered by the Remuneration Committee ("Committee") whose members are:

Tang Chi Loong  
Jovenal R. Santiago  
Ng Khoon Seng

Mr Jovenal R. Santiago was not involved in the Committee's deliberations in respect of options granted to him.

Mr Ng Khoon Seng was not a member of the Committee when the stock options were granted to him as he was only appointed to the Committee on 27 November 2006.

Under the Scheme granted to the directors and employees, an option may, except in certain special circumstances, be exercised at any time after one year from the date of grant but no later than the expiry date. The ordinary shares of the Company (the "Shares") under option may be exercised in full or in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The exercise price is based on the average of closing prices of the Shares on the Singapore Exchange Securities Trading Limited for the five market days immediately preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20 percent to the above price. No options have been granted at a discount.

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. The numbers of outstanding share options under the Scheme are as follows:

Date of grant	Balance at 01.01.2007	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2007	Exercise price per Share	Exercisable periods
01.03.2006	1,560,000	–	(1,230,000)	(20,000)	310,000	\$0.28	01.03.2007 to 28.02.2017 <sup>①</sup>
01.03.2006	450,000	–	(450,000)	–	–	\$0.28	01.03.2007 to 28.02.2012 <sup>①</sup>



# notes to the financial statements

## 24. SHARE-BASED PAYMENTS (Cont'd)

### 24A. Activities Under The Share Options Scheme (cont'd)

Date of grant	Balance at 01.01.2008	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2008	Exercise price per Share	Exercisable periods
01.03.2006	310,000	–	–	(150,000)	160,000	\$0.28	01.03.2007 to 28.02.2017 <sup>(i)</sup>
01.03.2006	–	–	–	–	–	\$0.28	01.03.2007 to 28.02.2012 <sup>(ii)</sup>

- (i) For employees of the Company and/or its subsidiaries other than the Group non-executive directors.  
(ii) For Group non-executive directors who are selected by the Remuneration Committee to participate in the Scheme.

In respect of options granted to employees of related corporations, a total of 1,360,000 options were granted during the financial year of 2006. This was included in the options granted on 1 March 2006. There were no further options granted to employees and Group non-executive directors in the financial years of 2007 and 2008.

Holders of the above share options have no right to participate in any share issues of any other company. Other than as disclosed in this section, no employee or employee of related corporations has received 5% or more of the total options available under this Scheme.

During the 2007 financial year, 1,100,000 and 580,000 shares of the company were allotted and issued on 9 April 2007 and 16 June 2007 respectively by virtue of the exercise of options to take up unissued shares of the Company.

The information on directors of the Company participating in the Scheme and employees of the Group who have received 5% or more of the total options is as follows:

Directors and the ex-directors of the Company who received options available under the Scheme.

Name of director	Options granted during the year 2007	Aggregate options granted since commencement of the Scheme to the end of financial year 2007	Aggregate options exercised since commencement of the Scheme to the end of financial year 2007	Aggregate options cancelled / lapsed since commencement of the Scheme to the end of financial year 2007	Aggregate options outstanding as at the end of financial year 2007
Ng Khoon Seng	–	150,000	–	–	150,000
Hein Ke Long, Henry <sup>(a)</sup>	–	150,000	–	–	150,000
Jovenal R. Santiago	–	150,000	(150,000)	–	–
Chow Kok Kee <sup>(b)</sup>	–	150,000	(150,000)	–	–
Kong Yim Pui, Susan <sup>(c)</sup>	–	150,000	(150,000)	–	–



# notes to the financial statements

## 24. SHARE-BASED PAYMENTS (Cont'd)

### 24A. Activities Under The Share Options Scheme (cont'd)

Name of director	Options granted during the year 2008	Aggregate options granted since commencement of the Scheme to the end of financial year 2008	Aggregate options exercised since commencement of the Scheme to the end of financial year 2008	Aggregate options cancelled / lapsed since commencement of the Scheme to the end of financial year 2008	Aggregate options outstanding as at the end of financial year 2008
Ng Khoon Seng	–	150,000	–	–	150,000
Hein Ke Long, Henry <sup>(a)</sup>	–	150,000	–	(150,000)	–
Jovenal R. Santiago	–	–	–	–	–
Chow Kok Kee <sup>(b)</sup>	–	–	–	–	–
Kong Yim Pui, Susan <sup>(c)</sup>	–	–	–	–	–

(a) resigned on 30 June 2008

(b) resigned on 25 November 2006

(c) resigned on 31 October 2006

Employees who received 5% or more of the total options available under the Scheme.

Name of employee	Options granted during the year 2007	Aggregate options granted since commencement of the Scheme to the end of financial year 2007	Aggregate options exercised since commencement of the Scheme to the end of financial year 2007	Aggregate options lapsed since commencement of the Scheme to the end of financial year 2007	Aggregate options outstanding as at the end of financial year 2007
Ng Koon Chuan, Francis	–	120,000	(120,000)	–	–
Seow Teck Lim, Benjamin <sup>(a)</sup>	–	120,000	(120,000)	–	–
Ee Teck Siew	–	120,000	(120,000)	–	–

Name of employee	Options granted during the year 2008	Aggregate options granted since commencement of the Scheme to the end of financial year 2008	Aggregate options exercised since commencement of the Scheme to the end of financial year 2008	Aggregate options lapsed since commencement of the Scheme to the end of financial year 2008	Aggregate options outstanding as at the end of financial year 2008
Ng Koon Chuan, Francis	–	–	–	–	–
Seow Teck Lim, Benjamin <sup>(a)</sup>	–	–	–	–	–
Ee Teck Siew	–	–	–	–	–

(a) resigned on 20 March 2008



# notes to the financial statements

## 24. SHARE-BASED PAYMENTS (Cont'd)

### 24B. Accounting For The Share Options

The Company has an employee share option scheme known as the "HLN Technologies Employee Share Option Scheme" (the "Scheme") more fully disclosed in paragraph 24A above.

Activities under the Scheme are summarised as follows:

	Total share options - number		Weighted average exercise price	
	2008	2007	2008 \$	2007 \$
Balance at 1 January	310,000	2,010,000	0.28	0.28
Exercised	–	(1,680,000)	0.28	0.28
Cancelled/lapsed	(150,000)	(20,000)	0.28	0.28
Balance at 31 December	<u>160,000</u>	<u>310,000</u>	<u>0.28</u>	<u>0.28</u>

The following table summarises information about employee and director stock options outstanding at 31 December 2008 and 31 December 2007:

Exercise price	Number outstanding at 31 December 2008	Number exercisable	Weighted average remaining life (years)
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\$0.28	160,000	160,000	8.2
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Exercise price	Number outstanding at 31 December 2007	Number exercisable	Weighted average remaining life (years)
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\$0.28	310,000	310,000	9.2
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	Group and Company	
	2008 \$'000	2007 \$'000
<u>Share option reserve:</u>		
Balance at 1 January	16	105
Exercised	–	(84)
Cancelled/lapsed	(8)	(5)
At end of year	<u>8</u>	<u>16</u>

The fair values of the options were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants:

	2008	2007
Weighted average share price	–	0.27
Weighted average exercise price	–	0.28
Dividend yield expected	–	0%
Risk-free annual interest rates	–	3.226%
Volatility expected - determined by calculating the historical volatility of the Company's share price over the previous 4 months	–	49.11%
Expected option term of years, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations	–	5 years

There was no grant of options in 2008.



# notes to the financial statements

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## 24. SHARE-BASED PAYMENTS (Cont'd)

### 24C. HLN Technologies Limited Performance Share Plan ("HLN Technologies PSP")

#### Activities Under The HLN Technologies PSP

The HLN Technologies PSP was approved by the shareholders of the Company at the extraordinary general meeting held on 13 May 2008 to replace the HLN Technologies Employee Share Option Scheme ("the Scheme"). It is the Company's intention to terminate the Scheme once the remaining stock options outstanding as at 31 December 2008, granted under the Scheme, are fully exercised or expired. There will be no further options granted to employees and Group non-executive directors under the Scheme in future.

Under the rules of the HLN Technologies PSP, it is contemplated that the award of fully paid ordinary shares of the company, their equivalent cash value or combinations thereof, issued free of charge to eligible participants would incentivise the participants to excel in their performance and encourage greater dedication and loyalty to the Company. The Company is able to recognise and reward past contributions and services and motivate the participants to continue to strive for the Company's long-term prosperity. The HLN Technologies PSP will further strengthen and enhance the Company's competitiveness in attracting and retaining employees with suitable talents. In addition the HLN Technologies PSP aims to foster an ownership culture within the Company which aligns the interests of the key executives and employees with the interests of the shareholders.

The HLN Technologies PSP contemplates the award of fully paid ordinary shares of the Company when or after pre-determined performance or service conditions are accomplished and/or when due recognition should be given to any good work performance and/or any significant contribution to the Company upon expiry of prescribed vesting periods.

The HLN Technologies PSP is administered by the Remuneration Committee ("Committee") whose members are:

Tang Chi Loong  
Jovenal R. Santiago  
Ng Khoon Seng

Members of the Committee were not and shall not be involved in the Committee's deliberations in respect of performance shares granted to them.

Under the rules of HLN Technologies PSP, any employee (including Executive Directors and Independent Directors of the Company) who holds such rank as may be designated by the Committee from time to time, who has attained the age of 21 years on the date of grant of the award and is not an undischarged bankrupt and has not entered into composition with their respective creditors and who has contributed or will contribute to the success of the Company shall be eligible to participate in the HLN Technologies PSP. However, any grant of awards to the Independent Directors pursuant to the HLN Technologies PSP is subject to and shall comply with the provisions of section 76 of the Companies Act, Cap. 50.

Controlling shareholders or their associates who meet the eligible criteria above and who have contributed to the success and development of the group are eligible to participate in the HLN Technologies PSP provided that the participation by each such controlling shareholder or associate and each grant of awards to any one of them may be effected only with the specific prior approval of shareholders at a general meeting in separate resolutions. The Company will at such time seek the specific prior approval of shareholders at a general meeting in separate resolutions for any proposal to grant the controlling shareholder or their associates any awards.

There shall be no restriction on the eligibility of any of the eligible participants to participate in any other share option or share incentive schemes implemented or to be implemented by the Company.

The granting of awards will be made by the Committee at any time during the period when HLN Technologies PSP is in force.



# notes to the financial statements

## 24. SHARE-BASED PAYMENTS (Cont'd)

### 24C. HLN Technologies Limited Performance Share Plan ("HLN Technologies PSP") (Cont'd)

The awards granted under the HLN Technologies PSP are performance-based, and such awards entitle eligible participants to be allotted fully paid shares upon satisfactory achievement of pre-determined performance targets. The awards given are determined at the discretion of the Committee, who will take into account factors such as the eligible participants' capability, scope of responsibility and skill. The Committee also set specific performance-based criteria such as profitability, growth, asset efficiency, return on capital employed, and other financial indicators, penetration into new markets, increasing market share and market ranking, management skills and succession planning. In addition to the achievement of any pre-determined performance targets or service conditions, awards may also be granted upon the Committee's post-event determination that any eligible participants has performed well and/or made a significant contribution to the Company.

Awards are vested and the shares comprised in the awards are issued at the end of the performance and/or service period once the Committee is, at its sole discretion, satisfied that the prescribed performance targets and/or service conditions have been achieved. The Committee may also grant an award where in its opinion an eligible participant's performance and/or contribution to the company warrants it.

Eligible participants are not required to pay for the grant of the awards. All taxes (including income tax) arising from the exercise of any awards granted to any eligible participants under the HLN Technologies PSP shall be borne by the participants.

The total number of new shares issued or issuable pursuant to awards granted under HLN Technologies PSP, when added to the number of new shares issued and issuable in respect of:

- (a) all awards granted thereunder;
- (b) all options granted under the Option Scheme; and
- (c) all shares or awards granted under any other share option or share incentive schemes of the company then in force, shall not exceed 15% of the number of issued shares of the company on the day preceding the relevant date of award.

The total number of new shares issued or issuable under the HLN Technologies PSP is subject to the maximum limit of 15% of the company's total issued share capital from time to time.

In addition, the total number of new shares issued or issuable under the HLN Technologies PSP available to:

- (a) all controlling shareholders and their associates must not exceed 25% of the shares available under HLN Technologies PSP.
- (b) each of the controlling shareholders and their associates must not exceed 10% of the shares available under HLN Technologies PSP.

During the financial year of 2008, 252,000 performance shares were granted subject to the terms and conditions of the HLN Technologies PSP as follows:

	<b>Number of shares granted</b>
Executive Directors	30,000
Independent Directors	60,000
Subtotal	90,000
Employees	162,000
Total	<u>252,000</u>

The shares will be issued subsequent to the balance sheet data.



# notes to the financial statements

## 24. SHARE-BASED PAYMENTS (Cont'd)

### 24C. HLN Technologies Limited Performance Share Plan ("HLN Technologies PSP") (Cont'd)

The information on directors of the Company participating in the HLN Technologies PSP and employees of the Group who have received 5% or more of the total shares is as follows:

Directors of the Company who received performance shares under the HLN Technologies PSP.

Name of director	Number of shares granted during the year	Balance as at 31 December 2008
Wa Kok Liang, Leslie	15,000	15,000
Ng Khoon Seng	15,000	15,000
Jovenal R. Santiago	30,000	30,000
Tang Chi Loong	30,000	30,000

Associates of controlling shareholders who received performance shares under the PSP.

Name of associates of controlling shareholder	Number of shares granted during the year	Balance as at 31 December 2008
Wa Sock Yin, Yvonne (Sister of Wa Kok Liang)	8,000	8,000

Employees of the Company who received 5% or more of the total performance shares granted under the HLN Technologies PSP.

Name of employee	Number of shares granted during the year	Balance as at 31 December 2008
Ng Koon Chuan, Francis	49,000	49,000
Patrick Anthony Peh	20,000	20,000

### 24D. Accounting For The HLN Technologies PSP

The Company has an employee performance share plan known as the "HLN Technologies Limited Performance Share Plan" ("HLN Technologies PSP") more fully disclosed in paragraph 24C above.

Activities under the HLN Technologies PSP are summarised as follows:

	Total shares granted – number		Group and Company	
	2008	2007	2008 \$	2007 \$
Equity Share Based Payment				
Balance at 1 January	–	–	–	–
Granted	252,000	–	62	–
Balance at 31 December	252,000	–	62	–

The shares will be issued subsequent to the balance sheet date.



# notes to the financial statements

## 24. SHARE-BASED PAYMENTS (Cont'd)

### 24D. Accounting For The HLN Technologies PSP (Cont'd)

The fair values of the HLN Technologies PSP were estimated on the date of grant using generally accepted valuation methodologies with the following assumptions used for grants:

	2008
Historical share price as at the valuation date, adjusted for vesting period	0.335
Dividend yield expected	0.60%
Marketability discount as at the date of valuation for the vesting period from the grant date to the end of March 2009	27.04%
Volatility expected - determined by calculating the historical volatility of the company's share price	74.90%

## 25. OTHER RESERVES

Group	Currency translation	Share based payments	Revaluation reserve	Total
	2008 \$'000	2008 \$'000	2008 \$'000	2008 \$'000
Balance at 1 January	(228)	16	–	(212)
Foreign exchange adjustments	68	–	–	68
Share based payments (Note 24D)	–	62	–	62
Cancellation of share options (Note 24B)	–	(8)	–	(8)
Available-for-sale investments:				
Valuation loss taken to equity (Note 18)	–	–	(17)	(17)
	(160)	70	(17)	(107)

Group	Currency translation	Share based payments	Revaluation reserve	Total
	2007 \$'000	2007 \$'000	2007 \$'000	2007 \$'000
Balance at 1 January	(176)	105	–	(71)
Foreign exchange adjustments	(52)	–	–	(52)
Share based payments (Note 24B)	–	(84)	–	(84)
Lapse of share options (Note 24B)	–	(5)	–	(5)
	(228)	16	–	(212)

The currency translation reserve accumulates all foreign exchange differences.

The revaluation reserve arises from the annual revaluation of available for sale financial assets. It is not distributable until it is released to the income statement on the disposal of the investments.

All reserves classified on the face of the balance sheet as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.



# notes to the financial statements

## 26. OTHER FINANCIAL LIABILITIES

	Group	
	2008 \$'000	2007 \$'000
<u>Non-current:</u>		
Bank loans (secured) (Note 26C)	245	530
Finance leases (Note 26D)	10	126
Non-current, total	<u>255</u>	<u>656</u>
<u>Current:</u>		
Bank overdrafts (secured) (Note 26A)	–	36
Trust receipts (Note 26B)	577	7,061
Bank loans (secured) (Note 26C)	2,330	4,311
Finance leases (Note 26D)	7	49
Current, total	<u>2,914</u>	<u>11,457</u>
Total	<u>3,169</u>	<u>12,113</u>

All the amounts except for certain finance leases are at floating interest rates.

The range of floating rate interest rates paid were as follows:

Bank overdrafts	–	7%
Bank loans (secured)	2.39% to 8.69%	4.01% to 7.75%
Trust receipts	<u>4.98% to 7.35%</u>	<u>4.0% to 7.0%</u>

The carrying amounts of the current portions and non-current portions are assumed to be a reasonable approximation of fair values.

### 26A. Bank Overdrafts (secured)

The bank overdrafts are secured by a corporate guarantee from a subsidiary, HLN Rubber Products Pte. Ltd. and a letter of awareness of the subsidiary, HLN Technologies Sdn. Bhd. These bear interest at NIL (2007: 0.25%) above the bank's base lending rate per annum calculated on monthly rests.

### 26B. Trust Receipts (secured)

The trust receipts of \$577,000 (2007: \$7,061,000) are covered by a corporate guarantee from the Company and a personal guarantee from a shareholder of HLN Metal Centre Pte. Ltd.

### 26C. Bank Loans (secured)

The long-term borrowing of \$307,000 (2007: NIL) is repayable by 60 monthly instalments from November 2008. This long-term borrowing is covered by corporate guarantees from subsidiaries, Pri-V International Pte. Ltd. and Process Innovation Technology Pte. Ltd. It bears interest at 1.25% (2007: NIL) above the bank's base lending rate per annum calculated on monthly rests. Out of the total \$307,000, the current portion and non-current portion of the long-term borrowing are \$62,000 and \$245,000 (2007: NIL) respectively.



# notes to the financial statements

## 26. OTHER FINANCIAL LIABILITIES (Cont'd)

### 26C. Bank Loans (secured) (Cont'd)

The long-term borrowing of NIL (2007: \$454,000) was repayable by 36 equal quarterly principal instalments from February 2008. This long-term borrowing was covered by a corporate guarantee from a subsidiary, HLN Rubber Products Pte. Ltd. It bears interest at NIL (2007: 1%) above the bank's base lending rate per annum calculated on monthly rests. Out of the total NIL (2007: \$454,000), the current portion and non-current portion of the long-term borrowing were NIL (2007: \$144,000 and \$310,000) respectively. This borrowing was fully paid during the year.

The long-term borrowing of NIL (2007: \$814,000) was repayable by 36 equal quarterly principal instalments from October 2006. This long-term borrowing was covered by a corporate guarantee from a subsidiary, HLN Rubber Products Pte. Ltd. Out of the total NIL (2007: \$814,000), the current portion and non-current portion of the long-term borrowing were NIL (2007: \$594,000 and \$220,000) respectively. This borrowing was fully paid during the year.

The short-term borrowings of \$1,218,000 (2007: \$2,177,000) relate to revolving money market loans with each maturity of not less than 3 months and not exceeding 6 months with rollovers. These short-term borrowings are covered by the corporate guarantees from the Company and HLN Rubber Products Pte. Ltd. The entire portion of the loans are payable within a year.

The short-term borrowings of \$1,050,000 (2007: \$1,396,000) relate to short-term loans granted to 2 subsidiaries in China, HLN (Suzhou) Rubber Products Co., Ltd and HLN Metal (Shenzhen) Co., Ltd by a Singapore owned bank incorporated in China. The credit facilities are covered by a banker's guarantee issued by the Singapore bank, pursuant to the Singapore bank's credit facility granted to HLN Rubber Products Pte. Ltd. and HLN Metal Centre Pte. Ltd. respectively.

### 26D. Finance Leases

Group	Minimum payments	Finance charges	Present value
	\$'000	\$'000	\$'000
<b>2008</b>			
Minimum lease payments payable:			
Due within one year	8	(1)	7
Due within 2 to 5 years	11	(1)	10
Total	<u>19</u>	<u>(2)</u>	<u>17</u>
Net book value of plant and equipment under finance leases			<u>21</u>
	Minimum payments	Finance charges	Present value
	\$'000	\$'000	\$'000
<b>2007</b>			
Minimum lease payments payable:			
Due within one year	53	(4)	49
Due within 2 to 5 years	129	(3)	126
Total	<u>182</u>	<u>(7)</u>	<u>175</u>
Net book value of plant and equipment under finance leases			<u>191</u>



# notes to the financial statements

## 26. OTHER FINANCIAL LIABILITIES (Cont'd)

### 26D. Finance Leases (Cont'd)

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 5 years (2007: 3 – 5 years). The range of interest rate for certain of the finance leases are fixed at 3.50% (2007: 3.50% to 4.25%) per annum. The range of interest rate for certain of the finance leases are at floating rates based on cost of funds + 1.5% per annum. There is an exposure to fair value interest risk because the certain interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in S\$. The obligations under finance leases are secured by the lessor's charge over the leased assets.

The finance leases were secured by a personal guarantee from a director of a subsidiary.

The carrying amount of the lease liabilities is not significant different from the fair value.

## 27. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables:				
Outside parties and accrued liabilities	3,299	4,213	439	561
Subsidiaries (Note 3)	–	–	12	–
Subtotal	<u>3,299</u>	<u>4,213</u>	<u>451</u>	<u>561</u>
Other payables:				
Retirement benefit obligations (Note 27A)	72	63	–	–
Other payables	414	2,196	28	–
Subtotal	<u>486</u>	<u>2,259</u>	<u>28</u>	<u>–</u>
Total trade and other payables	<u>3,785</u>	<u>6,472</u>	<u>479</u>	<u>561</u>
Presented as:				
Trade and other payables, current	3,713	6,409	479	561
Trade and other payables, non current	72	63	–	–
Total trade and other payables	<u>3,785</u>	<u>6,472</u>	<u>479</u>	<u>561</u>

### 27A. Retirement Benefit Obligations

#### Defined benefit plan:

The Group operates defined benefit retirement plans for all qualifying employees of its divisions in Indonesia. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

For the employees of the Group in certain countries including China and Singapore, contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. Contributions made to government managed retirement plan such as the Central Provident Fund in Singapore which specifies the employer's obligations are dealt with as defined contribution retirement plans.

These expensed amounts are disclosed under Note 14 employee benefits expense.



# notes to the financial statements

## 27. TRADE AND OTHER PAYABLES, CURRENT (Cont'd)

### 27A. Retirement Benefit Obligations (Cont'd)

The principal actuarial assumptions used for the purpose of the actuarial valuation of the defined benefit retirement plans at 31 December were as follows:

	2008	2007
Discount rate	11%	11%
Salary growth rate	10%	10%
Mortality rate	TMI 1999	TMI 1999
Disability rate	10% of TMI 1999	10% of TMI 1999
Withdrawal rate	6%	6%

The assumptions relating to longevity used to compute the defined benefit obligation liabilities are based on published mortality tables commonly used by the actuarial profession in each territory concerned.

The amount recognised in the income statement is as follows:

	2008 \$'000	Group 2007 \$'000
Current service cost	34	33
Net recognised actuarial losses (gains)	6	(11)
Past services cost - vested	2	-
Provision charged to income statement included in cost of sales	42	22

The following table analyses the amounts recognised in the balance sheet:

	2008 \$'000	Group 2007 \$'000
Present value of the defined benefit obligation	82	83
Unrecognised actuarial losses	(9)	(17)
Unrecognised past service cost – non vested	(1)	(3)
Balance sheet liability at end of year	72	63

The following table analyses the movements in retirement benefit obligations:

	2008 \$'000	Group 2007 \$'000
Present value of defined benefit obligations (wholly or partly funded)		
Current service cost	34	33
Net recognised actuarial losses (gains)	6	(11)
Past services cost - vested	2	-
Benefit paid	(22)	(2)
Exchange adjustments	(11)	(6)
Increase during the year	9	14
At beginning of year	63	49
Balance at end of year	72	63



# notes to the financial statements

## 28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

### 28A. Classification of Financial Assets and Liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<u>Financial assets:</u>				
Available for sale financial assets	133	–	133	–
Cash and cash equivalents	8,664	6,748	3,339	2,389
Trade and other receivables	8,209	13,220	1,960	4,599
At end of year	<u>17,006</u>	<u>19,968</u>	<u>5,432</u>	<u>6,988</u>
<u>Financial liabilities:</u>				
Measured at amortised cost:				
- Trade and other payables	3,785	6,472	479	561
- Finance leases	17	175	–	–
- Other financial liabilities	3,152	11,938	–	–
At end of year	<u>6,954</u>	<u>18,585</u>	<u>479</u>	<u>561</u>

Further quantitative disclosures are included throughout these financial statements.

### 28B. Financial Risk Management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. The management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The major guidelines are the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. Enter into derivatives or any other similar instruments solely for hedging purposes.
4. All financial risk management activities are carried out and monitored by senior management staff.
5. All financial risk management activities are carried out following good market practices.
6. May consider investing in shares or similar instruments.

The management committee who monitors the procedures reports to the board and ensures that the policies and procedures are followed in practice.





# notes to the financial statements

## 28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Cont'd)

### 28D. Liquidity Risk

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities.

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Borrowings 2008 \$'000	Trade and other payables 2008 \$'000	Total 2008 \$'000
Borrowings :			
Less than 1 year	2,914	3,785	6,699
1 – 3 years	255	–	255
At end of year	3,169	3,785	6,954

Group	Borrowings 2007 \$'000	Trade and other payables 2007 \$'000	Total 2007 \$'000
Borrowings :			
Less than 1 year	11,457	6,472	17,929
1 – 3 years	656	–	656
At end of year	12,113	6,472	18,585

Company	Trade and other payables 2008 \$'000	Total 2008 \$'000
Borrowings :		
Less than 1 year	479	479
1 – 3 years	–	–
At end of year	479	479

Company	Trade and other payables 2007 \$'000	Total 2007 \$'000
Borrowings :		
Less than 1 year	561	561
1 – 3 years	–	–
At end of year	561	561

The average credit period taken to settle non-related trade payables is about 60 – 100 days (2007: 60 – 100 days). The other payables are with short-term durations. The carrying amounts are assumed to be a reasonable approximation of fair values.



# notes to the financial statements

## 28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Cont'd)

### 28D. Liquidity Risk (Cont'd)

It is expected that all the liabilities will be paid at their contractual maturity. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bank facilities:				
Undrawn borrowing facilities	6,553	12,540	–	–
Undrawn bank guarantees	–	676	–	–

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the forecasted operations. A monthly schedule showing the maturity of financial liabilities and unused bank facilities is provided to management to assist them in monitoring the liquidity risk.

### 28E. Interest Rate Risk

The following table analyses the breakdown by type of interest rate:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial liabilities:				
Fixed rate	17	175	–	–
Floating rate	3,152	11,938	–	–
Non-interest bearing	3,785	6,472	479	561
At end of year	6,954	18,585	479	561

The interest rate risk exposure is mainly from changes in interest rates. The interest rate risk on financial assets is not significant.

The interest rates are disclosed in Note 26.

Sensitivity analysis: The effect on profit before tax is not significant.



# notes to the financial statements

## 28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Cont'd)

### 28F. Foreign Currency Risks

Analysis of above amounts denominated in non-functional currency:

Financial assets:

Group	Cash and cash equivalents \$'000	Receivables \$'000	Total \$'000
<b>At 31 December 2008:</b>			
US dollars	2,563	3,743	6,306
China RMB	473	2,158	2,631
Malaysian Ringgit	402	1,711	2,113
Euro	36	–	36
Indonesia Rupiah	75	122	197
At 31 December 2008	3,549	7,734	11,283

Group	Cash and cash equivalents \$'000	Receivables \$'000	Total \$'000
<b>At 31 December 2007:</b>			
US dollars	1,230	5,134	6,364
China RMB	461	2,949	3,410
Malaysian Ringgit	244	1,662	1,906
Euro	63	159	222
Indonesia Rupiah	13	75	88
At 31 December 2007	2,011	9,979	11,990

Financial liabilities:

Group	Borrowings \$'000	Payables \$'000	Total \$'000
<b>At 31 December 2008:</b>			
US dollars	576	699	1,275
China RMB	1,050	461	1,511
Malaysian Ringgit	723	818	1,541
Indonesia Rupiah	–	302	302
At 31 December 2008	2,349	2,280	4,629

Group	Borrowings \$'000	Payables \$'000	Total \$'000
<b>At 31 December 2007:</b>			
US dollars	4,418	701	5,119
China RMB	1,395	628	2,023
Malaysian Ringgit	1,556	2,488	4,044
Indonesia Rupiah	–	183	183
At 31 December 2007	7,369	4,000	11,369

There is exposure to foreign currency risk as part of its normal business.



# notes to the financial statements

## 28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Cont'd)

### 28F. Foreign Currency Risks (Cont'd)

Sensitivity analysis:

	Group	
	2008 \$'000	2007 \$'000
A hypothetical 5% increase in the exchange rate of the functional currency against the US\$ would have a favourable effect on profit before tax of	252	62
A hypothetical 5% increase in the exchange rate of the functional currency against the China RMB would have a favourable effect on profit before tax of	56	69
A hypothetical 5% increase in the exchange rate of the functional currency against the Malaysia Ringgit would have a favourable / (adverse) effect on profit before tax of	29	(106)
A hypothetical 5% increase in the exchange rate of the functional currency against the Euro would have a favourable effect on profit before tax of	2	11
A hypothetical 5% increase in the exchange rate of the functional currency against the Indonesia Rupiah would have an adverse effect on profit before tax of	<u>(5)</u>	<u>(5)</u>

The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

## 29. ACQUISITION OF SUBSIDIARIES

On 1 November 2007, a subsidiary of the company, HLN Micron Pte Ltd, acquired 5% and 15% interests in HLN Metal Centre Pte Ltd ("HMC") from Woodrow Robert Park ("WRP") (the ex-chief operating officer of the Company) and Tay Mun Hwa ("TMH") (the ex-director of HMC) respectively for total consideration of \$391,920. The transaction was accounted for by the purchase method of accounting. The consideration for the acquisition was to be settled through the issue of new ordinary shares in the capital of the company ("consideration shares"). The consideration shares were to be issued to WRP and TMH in two tranches:

- (i) The first tranche of 138,000 and 414,000 consideration shares has been issued to WRP and TMH respectively during the year 2007, at an issue price of \$0.71 per consideration share. See Note 23.
- (ii) The number of second tranche of consideration shares will be determined based on the actual audited consolidated net profit before tax ("NPBT") of HMC and its subsidiaries achieved for FY 2008, subject to FY 2008 NPBT of the HMC Group being greater than the FY 2007 NPBT. The second tranche of consideration shares (if any) will be issued within 30 days after the issue of the audited consolidated accounts of HMC group or 31 May 2009, whichever is earlier.

However, as at 31 December 2008, there was no issue of second tranche of consideration shares as the FY 2008 NPBT of the HMC Group was less than the FY 2007 NPBT.

The above transaction was deemed to take effect on 1 July 2007 such that the shares of HMC are transferred with all rights, benefits and interests in and to the shares of HMC to the company on 1 July 2007 and thereafter, notwithstanding that completion took place after 1 July 2007.



# notes to the financial statements

## 29. ACQUISITION OF SUBSIDIARIES (Cont'd)

On 10 November 2007, a subsidiary of the company, HLN Micron Pte Ltd, acquired the remaining 30% and 10% interests in HLN Technologies Sdn. Bhd. ("TSB") from Victor Liew Ching-Whye and Tiong Sin Lip respectively, the directors of TSB, for consideration of MYR 225,778 (approximately equivalent to S\$98,000). The transaction was accounted for by the purchase method of accounting.

The net assets acquired and the related fair values are as follows:

	Group Acquiree's carrying amount	
	Before combination	At fair values
	2007 \$'000	2007 \$'000
Cash and cash equivalents	72	72
Trade and other receivables	925	925
Inventories	1,092	1,092
Plant and equipment	808	808
Goodwill	–	(8)
Trade and other payables	(1,212)	(1,212)
Income tax payable	(1)	(1)
Finance leases	(211)	(211)
Term loan	(984)	(984)
Translation reserve	9	9
Total consideration	<u>498</u>	<u>490</u>
Satisfied by:		
Cash		98
Issue of share capital (Note 23)		<u>392</u>
		<u>490</u>
Cash consideration		98
Less: cash taken over		–
Net cash outflow on acquisition		<u>98</u>

The contributions from the subsidiaries for the period between the date of acquisition and the balance sheet date of 2007 were as follows:

	Acquisition in 2007 \$'000
Revenue	201
Loss before tax	<u>(178)</u>

The revenue and net profit of the subsidiaries acquired during the year 2007 as though the acquisition date effected during the year 2007 had been the beginning of that year would be as follows:

	Acquisition in 2007 \$'000
Revenue	1,539
Loss before tax	<u>(879)</u>



## notes to the financial statements

### 30. DISPOSAL OF ASSETS OF A SUBSIDIARY

On 13 September 2008, HLN Metal Centre Pte Ltd ("HMC"), a 75% owned subsidiary entered into an asset purchase agreement with Reliance Metalcenter Asia Pacific Pte. Ltd. ("RMAP") to dispose certain assets of HMC to RMAP for an aggregate consideration of US\$2,635,000 (approximately S\$3,791,000). The purchase consideration was paid in cash within two days from the date of the agreement. The purchase consideration was arrived on a willing-buyer and willing-seller basis having regard to the net book value of the assets sold which as at 13 September 2008 was approximately S\$4,129,000.

The assets sold are aluminium products comprising the entire inventory of HMC together with the equipment and machinery comprising its fixed assets.

The carrying amounts of the assets of HMC at the date of disposal and at 31 December 2007 were as follows:

	Date of disposal in 2008 \$'000	Group End of year 2007 \$'000
Inventories	3,805	6,584
Plant and equipment	324	364
	<u>4,129</u>	<u>6,948</u>
Loss on disposal	(338)	
Total consideration	<u>3,791</u>	
Satisfied by:		
Cash	<u>3,791</u>	
Net cash inflow on disposal	<u>3,791</u>	

### 31. DISPOSAL OF SUBSIDIARY

On 12 October 2007, a subsidiary of the company, HLN Micron Pte Ltd ("HMI"), sold its 51% owned subsidiary, HLN Promax Pte Ltd ("Promax") for an aggregate consideration of \$814,000 to Magarich Holding Pte Ltd ("Magarich"). The purchase consideration was determined based on the unaudited net tangible assets of Promax of \$1,050,000 as at 30 June 2007, plus the amortised intangible assets of \$279,000 in the books of HMI as at 30 June 2007 being the premium paid for the business acquisition.

Although this disposal was completed in 12 October 2007, the effective date of disposal was 30 June 2007 as HMI ceased to have management control in Promax on that date. Nevertheless, 255,000 ordinary shares in Promax (representing 25.5% shareholding) were transferred to Magarich before the completion of the consideration payment for the above sale.

See Note 20 for the amount of consideration still outstanding as at year end. The balance of the consideration was subsequently settled in February 2009.



# notes to the financial statements

## 31. DISPOSAL OF SUBSIDIARY (Cont'd)

The net assets of the Company at the date of disposal were as follows:

	<b>Group Date of disposal in 2007 \$'000</b>
Cash and cash equivalents	196
Trade and other receivables	2,031
Inventories	64
Plant and equipment	1,123
Goodwill	61
Intangible assets	282
Trade and other payables	(1,680)
Income tax payable	(14)
Deferred tax liability	(61)
Finance leases	(522)
Minority interest	(589)
	<hr/>
	891
Loss on disposal	(77)
Total consideration	<hr/> <u>814</u>
Satisfied by:	
Cash	302
Loan receivables (Note 20)	512
	<hr/> <u>814</u>
Net cash inflow on disposal:	
Cash consideration	302
Cash balance disposed of	(196)
Net cash inflow	<hr/> <u>106</u>

The disposal of the subsidiary and the unaudited results of the subsidiary for the period from 1 January 2007 to 30 June 2007, which have been included in the consolidated financial statements, were as follows:

	<b>Group Period ended 30/6/2007 \$'000</b>
Revenue	1,000
Cost of sales	(905)
Gross profit	<hr/> 95
Marketing and distribution costs	(65)
Administrative expenses	(100)
Finance costs	(3)
Other charges	7
Loss before tax	<hr/> (66)
Income tax expense	8
Loss for the year	<hr/> <u>(58)</u>



# notes to the financial statements

## 32. CONTINGENT LIABILITIES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Letter of credits	-	1,898	-	-
Performance guarantees	20	390	-	-
Corporate guarantees in favour of subsidiaries - unsecured	-	-	9,150	19,100

## 33. CAPITAL COMMITMENTS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Commitment to take up shares in HLN Metal (Suzhou) Co., Ltd (Note 17)	-	1,228	-	-
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	-	405	-	-

## 34. OPERATING LEASE PAYMENT COMMITMENTS

At the balance sheet date the total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2008 \$'000	2007 \$'000
Not later than one year	323	1,112
Later than one year and not later than five years	325	1,325
Rental expense for the year	951	1,085

Operating lease payments represent rentals payable for office and factory premises. The lease rental terms are negotiated for average terms of two to five years and rentals are subject to review and revision from time to time. Such revisions are not included in the above amounts.

## 35. EVENTS AFTER THE BALANCE SHEET DATE

In February 2009, the Company's subsidiaries, HLN Rubber Products Pte. Ltd. ("HRP") and Process Innovation Technology Pte. Ltd. ("PIT") have declared interim exempt (one-tier) dividends in aggregate of \$5,586,883 and \$5,357,894 respectively. The interim dividends of \$1,900,000 and \$1,400,000 declared by HRP and PIT respectively are payable by cash to the Company on or before 30 April 2009. The remaining balance will be settled by converting the dividend receivables into 3,686,883 ordinary shares and 3,957,894 ordinary shares in the capital of HRP and PIT respectively.



# notes to the financial statements

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## 36. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the year ended 31 December 2008 the following new or revised Singapore Financial Reporting Standards were adopted for the first time. The new or revised standards did not require material modification of the measurement method or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
INT FRS 111	FRS102 - Group and Treasury Share Transactions
INT FRS 112	Service Concessions Arrangements (*)
INT FRS 114	FRS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. (*)

(\*) Not relevant to the entity.

The Company opted to apply FRS 108 Operating Segments, effective from 1.1.2009 for the 2008 financial year. FRS 108 is a disclosure standard which may result in a redesignation of the Group's reportable segments, but has no impact on the reported results or financial position of the Group.

## 37. FUTURE CHANGES IN ACCOUNTING STANDARDS

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates are not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
FRS 1	(Revised) Presentation of Financial Statements	1.1.2009
FRS 23	Borrowing Costs	1.1.2009
FRS 103	(Revised) Business Combinations and consecutive amendments in other Standards	1.1.2009
INT FRS 113	Customer Loyalty Programs (*)	1.7.2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1.10.2008

(\*) Not relevant to the entity.



# notes to the financial statements

## 38. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The reclassifications were not significant.

Group	After reclassification \$'000	Before reclassification \$'000	Difference \$'000
<u>2007 Balance sheet:</u>			
Trade and Other Receivables, Current	13,220	13,865	(645)
Other Assets, Current	645	–	645
<hr/>			
Company	After reclassification \$'000	Before reclassification \$'000	Difference \$'000
<u>2007 Balance sheet:</u>			
Trade and Other Receivables, Current	4,599	4,719	(120)
Other Assets, Current	120	–	120

## 39. CURRENT FINANCIAL CRISIS

The Group's business activities like others in many countries in the region and elsewhere, including Singapore, are experiencing severe economic difficulties as a consequence of the current turmoil in the world's financial markets. This has resulted in fluctuations in foreign currency exchange rates, volatile stock and commodity markets, uncertainty of the availability of bank finance to suppliers and customers and a slowdown in growth. The current financial crisis may significantly affect, and may continue to have an adverse impact on the group's business, financial condition, results of operations, cash flows and prospects for the foreseeable future. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements. In addition the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with some good arrangements with a number of customers and suppliers. As a consequence, the management believes that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the management has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.



# statistics of shareholdings

AS AT 12 MARCH 2009

Issued and fully paid capital	:	SGD 16,963,818
Number of total issued shares	:	131,037,920
Number of treasury shares	:	7,229,000 (5.52%)
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	4	0.27	2,460	0.00
1,000 – 10,000	721	48.95	4,802,040	3.88
10,001 – 1,000,000	732	49.69	44,731,120	36.13
1,000,001 AND ABOVE	16	1.09	74,273,300	59.99
<b>TOTAL</b>	<b>1,473</b>	<b>100.00</b>	<b>123,808,920</b>	<b>100.00</b>

## Shareholding held by the public

Based on the information available to the Company as at 12 March 2009, approximately 52.92% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## SUBSTANTIAL SHAREHOLDERS

Name of shareholders	Direct interest No. of shares	% of shares	Deemed interest No. of shares	% of shares
Wa Kok Liang, Leslie	34,637,720	27.98%	–	–
Lim Chye Huat, Bobby	8,000,000	6.46%	–	–
Ng Khoon Seng <sup>(1)</sup>	3,569,540	2.88%	4,000,000	3.23%

(1)The deemed interest of Mr Ng Khoon Seng includes 4,000,000 shares pledged to Lim & Tan Securities Pte Ltd.



# statistics of shareholdings

## TWENTY LARGEST SHAREHOLDERS

Name	No. of shares	%
1. WA KOK LIANG	34,637,720	27.98
2. LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	8,000,000	6.46
3. KIM ENG SECURITIES PTE. LTD.	4,628,000	3.74
4. LIM & TAN SECURITIES PTE LTD	4,124,000	3.33
5. WA SWEE BEE	4,009,940	3.24
6. NG KHOON SENG	3,569,540	2.88
7. OCBC SECURITIES PRIVATE LTD	2,578,000	2.08
8. DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,181,000	1.76
9. LEE YOCK	1,900,000	1.53
10. DBS NOMINEES PTE LTD	1,891,000	1.53
11. UOB KAY HIAN PTE LTD	1,296,000	1.05
12. LOO TIAN SZE MELVIN	1,200,480	0.97
13. WA SOCK YIN	1,125,120	0.91
14. PHILLIP SECURITIES PTE LTD	1,096,000	0.89
15. UNITED OVERSEAS BANK NOMINEES PTE LTD	1,036,000	0.84
16. NG KOON CHUAN FRANCIS	1,000,500	0.81
17. GOH CHAI PHO @ GOH SAI POH	1,000,000	0.81
18. TAN SEE TEE	1,000,000	0.81
19. TAY TIONG GUAN	1,000,000	0.81
20. TEO YONG PING (ZHANG RONGBIN)	1,000,000	0.81
<b>TOTAL</b>	<b>78,273,300</b>	<b>63.24</b>

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## APPENDIX

8 April 2009

This Appendix is circulated to Shareholders of HLN Technologies Limited (“the Company”) together with the Company’s annual report. Its purpose is to provide Shareholders with the relevant information relating to, and to seek Shareholders’ approval for, the renewal of the Share Buyback Mandate to be tabled at the Annual General Meeting to be held on 30 April 2009 at 3.00 p.m at 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Company’s annual report. The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed, in this Appendix.

## HLN TECHNOLOGIES LIMITED

(Incorporated in the Republic of Singapore on 26 February 2004)

(Registration No.: 200402180C)

## APPENDIX IN RELATION TO DETAILS OF THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

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## DEFINITIONS

In this appendix (“Appendix”), the following definitions apply throughout unless otherwise stated:-

“2008 EGM”	:	The extraordinary general meeting of the Company held on 15 May 2008
“2008 Circular”	:	The Company’s Circular to the Shareholders dated 22 April 2008
“AGM”	:	The annual general meeting of the Company to be held on 30 April 2009
“Associate”	:	In the case of a company,  (a) In relation to any Director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means:-  (i) his immediate family;  (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and  (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more  (b) In relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Board”	:	The board of Directors of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Company” or “HLN”	:	HLN Technologies Limited
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“Companies Amendment Act”	:	The Companies (Amendment) Act 2005 of Singapore
“Controlling Shareholder”	:	A person who (a) holds directly or indirectly 15% or more of the total votes attached to all the voting shares in the Company or (b) in fact exercises control over the Company
“Control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
“Directors”	:	The directors of the Company as at the date of this Appendix
“EPS”	:	Earnings per Share
“FY”	:	Financial year ended or ending, as the case may be, 31 December
“Group” or “HLN Group”	:	The Company and its subsidiaries
“Latest Practicable Date” or “LPD”	:	12 March 2009, being the latest practicable date prior to the printing of this Appendix

<b>“Market Price”</b>	: A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five consecutive Trading Days immediately preceding the day of the Market Purchase, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-market day period
<b>“NTA”</b>	: Net tangible assets
<b>“Required Price”</b>	: In relation to the offer required to be made under the provisions of Rule 14.1 of the Take-over Code, the offer shall be in cash or be accompanied by a cash alternative at a price in accordance with Rule 14.3 which is the highest of the highest price paid by the offerors and/or person(s) acting in concert with them for the Company’s Shares (i) during the offer period and within the preceding six months, (ii) acquired through the exercise of instruments convertible into securities which carry voting rights within six months of the offer and during the offer period, or (iii) acquired through the exercise of rights to subscribe for, and options in respect of, securities which carry voting rights within six months of the offer or during the offer period; or at such price as determined by the Council under Rule 14.3 of the Take-over Code
<b>“Securities Account”</b>	: Securities account maintained by a Depositor with CDP, but does not include a securities sub-account
<b>“SGX-ST Listing Rules”</b>	: The listing rules of the SGX-ST as set out in the SGX-ST Listing Rules, as amended or modified from time to time
<b>“Shares”</b>	: Ordinary shares in the capital of the Company
<b>“Share Buyback Mandate”</b>	: The share buyback mandate which is set out in the notice of AGM
<b>“Shareholders”</b>	: Persons who are for the time being registered as holders of the Shares in the Register of Members maintained by the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
<b>“Substantial Shareholder”</b>	: A substantial Shareholder as defined under Section 81 of the Companies Act
<b>“Take-over Code”</b>	: The Singapore Code on Take-overs and Mergers
<b>“Trading Day”</b>	: A day on which the Shares are traded on the SGX-ST
<b>“%”</b>	: Per centum or percentage
<b>“S\$”</b>	: Singapore dollar

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine gender and vice versa. References to persons shall include corporations.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated. Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act or the SGX-ST Listing Rules or any modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act or the SGX-ST Listing Rules or such modification thereof, as the case may be, unless otherwise provided.

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## PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

### 1. INTRODUCTION

- 1.1 The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM, for the proposed renewal of the Share Buyback Mandate to enable the Company to purchase or otherwise acquire Shares of the Company.
- 1.2 At the 2008 EGM, approval of the Shareholders was obtained for, *inter alia*, the Share Buyback Mandate to enable the Company to purchase or acquire Shares of the Company. The rationale for, the authority and limitations on, and the financial effects of, the Share Buyback Mandate were set out in the 2008 Circular.
- 1.3 The Share Buyback Mandate was expressed to take effect on the date of the passing of Ordinary Resolution at the 2008 EGM and will expire on the date of the forthcoming AGM. The Directors propose that the Share Buyback Mandate be renewed at the AGM to authorize the Company to purchase or acquire Shares of the Company.

### 2. SHAREHOLDERS' MANDATE

#### 2.1 Rationale

- 2.1.1 The Directors and management are constantly seeking to increase Shareholders' value and to improve, *inter alia*, the return on equity of the Company. A share buyback at the appropriate price level is one of the ways through which the return on equity of the Company may be enhanced. Share purchases or acquisitions provide the Company with an easy mechanism to facilitate the return of surplus cash over and above the ordinary capital requirements, in an expedient and cost efficient manner. Share purchases or acquisitions also allow the Directors to exercise control over the Company's share structure and may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS of the Company.
- 2.1.2 The proposed renewal of the Share Buyback Mandate will give the Directors the flexibility to purchase or acquire Shares when and if the circumstances permit. The Share Buyback Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are under-valued, to help mitigate short-term market volatility and to offset the effects of short term speculation.

#### 2.2 Authority and Limits on the Mandate

The authority and limitations under the proposed renewal of the Share Buyback Mandate, if approved at the forthcoming AGM, are summarized below:-

##### 2.2.1 Maximum number of Shares

Only Shares that are issued and fully paid may be purchased or acquired by the Company. Although Section 76B of the Companies Act permits the Company to purchase or otherwise acquire issued Shares not exceeding 10% of the issued ordinary share capital of the Company, the Directors, after taking into consideration liquidity of the Shares in the market, source of funds, working capital requirements of the Group and other factors, would be seeking the renewal of the Share Buyback Mandate to purchase or otherwise acquire Shares representing not more than 5% of the issued ordinary share capital of the Company as at the date of the forthcoming AGM at which the renewal of the Share Buyback Mandate is approved (the "Prescribed Limit").

## 2. SHAREHOLDERS' MANDATE (CONT'D)

For illustration purposes only, based on the existing issued share capital of the Company as at the Latest Practicable Date of 123,808,920 Shares (excluding 7,229,000 Shares held in treasury), and assuming that no further Shares are issued or purchased and held as Treasury Shares, on or prior to the AGM, not more than 6,190,000 Shares (representing 5% of the issued share capital of the Company as at that date) may be purchased or acquired pursuant to the Share Buyback Mandate.

### 2.2.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the AGM at which the renewal of the Share Buyback Mandate is approved up to:

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held; and
- (b) the date on which the authority conferred upon by the Share Buyback Mandate is revoked or varied,

whichever comes earlier.

### 2.2.3 Manner of Share Buybacks

Purchases of Shares may be made on the SGX-ST ("Market Purchases") and/or otherwise than on the SGX-ST, in accordance with an equal access scheme ("Off-Market Purchases"). Market Purchases refer to purchases of Shares by the Company transacted through the SGX-ST's Central Limit Order Book (CLOB) trading system through one or more duly licensed stockbrokers appointed by the Company for the purpose. Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are consistent with the proposed Share Buyback Mandate, the SGX-ST Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:-

- (a) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers are the same, except that there shall be disregarded:-
  - (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
  - (2) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
  - (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

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## 2. SHAREHOLDERS' MANDATE (CONT'D)

### 2.2.3 Manner of Share Buybacks (cont'd)

In addition, pursuant to the SGX-ST Listing Rules, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:-

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed share buyback;
- (d) the consequences, if any, of share buybacks by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the share buybacks, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (f) details of any share buybacks made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

### 2.2.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to Share Buybacks through both Market and Off-Market Purchases must not exceed 105% of the average of the closing market prices of the Shares over the last five Market Days, on which transactions in the Shares were recorded, preceding the date of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, excluding related expenses of the purchase or acquisition (the "Maximum Price").

For the above purposes:-

**"Average Closing Price"** means (a) the average of the closing market prices of a Share over the last five Market Days, on which transactions in the Shares were recorded, preceding the date of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase; and (b) deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

**"day of the making of the offer"** means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

## 2.3 Status of Purchased Shares

Any Share which is purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share.

**Treasury Shares:** Under the Companies Act, as amended by the Companies Amendment Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares.

## 2. SHAREHOLDERS' MANDATE (CONT'D)

### 2.3 Status of Purchased Shares (Cont'd)

Some of the key provisions on treasury shares under the Companies Act, as amended by the Companies Amendment Act, are as follows:-

- (i) **Maximum Holdings** - The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.
- (ii) **Voting and Other Rights** - The Company will not have the right to attend or vote at meetings and or to receive any dividends in respect of the treasury shares. However, the allotment of treasury shares as fully paid bonus shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.
- (iii) **Disposal and Cancellation** - The Company may dispose of treasury shares at any time in the following ways:-
  - (a) sell the treasury shares for cash;
  - (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
  - (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
  - (d) cancel the treasury shares; or
  - (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

### 2.4 Source of Funds and Financial Effects

#### 2.4.1 Source of Funds

Previously, any purchase of Shares could only be made out of the Company's distributable profits that are available for payment as dividends. However the Companies Act, as amended by the Companies Amendment Act, now permits the Company to also purchase its own Shares out of capital, as well as from its distributable profits as long as the Company is solvent.

Pursuant to Section 76F(4) of the Companies Act, the Company is solvent if:-

- (i) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the purchase; and
- (ii) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

In determining that the Company is solvent, the Directors must have regard to the most recently audited consolidated financial statements, other relevant circumstances, and may rely on valuations or estimates of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

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## 2. SHAREHOLDERS' MANDATE (CONT'D)

### 2.4.1 Source of Funds (Cont'd)

The Company will use internal resources and/or external borrowings to finance purchases of its Shares. It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buyback Mandate on the Company's consolidated NTA and EPS as the resultant effect would depend on factors such as the aggregate number of Shares purchased, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases.

Where the purchase of Shares is made out of distributable profits, such purchase (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the purchase of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Company, and thus the current assets and shareholders' funds of the Company. This will result in an increase in the gearing ratios of the Company and a decline in the current ratios of the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Company and a decline in the current ratios of the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired. However, the Directors do not propose to exercise the Share Buyback Mandate to such an extent as would have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

### 2.4.2 Financial Effects

For illustration purposes only, based on the audited financial statements of the Company for the financial year ended 31 December 2008, and assuming the Company has on the Latest Practicable Date purchased 6,190,000 Shares (representing 5% of its issued share capital, excluding Treasury Shares held by the Company, as at the Latest Practicable Date), the financial effects of the purchase of Shares by the Company pursuant to the Share Buyback Mandate by way of:-

- (a) purchases made entirely out of capital and held as treasury shares;
- (b) purchases made entirely out of capital and cancelled; and
- (c) purchases made entirely out of distributable profits and cancelled,

on the audited accounts of the Company for FY2008, are set out below.

## 2. SHAREHOLDERS' MANDATE (CONT'D)

(a) Purchases made entirely out of capital and held as treasury shares

	Group			Company		
	Before Share buyback	After Share buyback assuming Market Purchase <sup>(4)</sup>	After Share buyback assuming Off-Market Purchase <sup>(4)</sup>	Before Share buyback	After Share buyback assuming Market Purchase <sup>(4)</sup>	After Share buyback assuming Off-Market Purchase <sup>(4)</sup>
	(\$'000)					
Share capital	15,908	15,141	15,141	15,908	15,141	15,141
Shareholders' funds	23,994	23,227	23,227	9,650	8,883	8,883
NTA	23,845	23,078	23,078	9,650	8,883	8,883
Current Assets	23,479	22,712	22,712	5,367	4,600	4,600
Current Liabilities	7,063	7,063	7,063	479	479	479
Working Capital	16,416	15,649	15,649	4,888	4,121	4,121
Total Borrowings	3,169	3,169	3,169	-	-	-
Cash and cash equivalents	8,664	7,897	7,897	3,339	2,572	2,572
Profit after tax and minority interest	496	496	496	(4,786)	(4,786)	(4,786)
Number of Shares ('000)	125,883	119,693	119,693	125,883	119,693	119,693
Treasury shares ('000)	5,155	11,345	11,345	5,155	11,345	11,345
Weighted average number of Shares ('000)	115,346	109,156	109,156	nm	nm	nm
<b>Financial Ratios</b>						
NTA per Share (cents) <sup>(1)</sup>	18.94	19.28	19.28	7.67	7.42	7.42
Basic EPS (cents) <sup>(2)</sup>	0.43	0.45	0.45	nm	nm	nm
Net gearing (times) <sup>(3)</sup>	cash flow positive	cash flow positive	cash flow positive	cash flow positive	cash flow positive	cash flow positive

nm - not meaningful

### Notes:-

- (1) NTA per Share equals NTA divided by number of Shares (net of treasury shares).
- (2) Basic EPS equals profit after tax and minority interest divided by the weighted average number of Shares.
- (3) Net gearing equals total borrowings less cash and cash equivalents divided by shareholders' funds.
- (4) Assumes that the Company purchases the 6,190,000 Shares at the Maximum Price of S\$0.1239 for one Share, which is 5% above the Average Closing Prices of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 6,190,000 Shares is S\$766,941.

## 2. SHAREHOLDERS' MANDATE (CONT'D)

(b) Purchases made entirely out of capital and cancelled

	Group			Company		
	Before Share buyback	After Share buyback assuming Market Purchase <sup>(4)</sup>	After Share buyback assuming Off-Market Purchase <sup>(4)</sup>	Before Share buyback	After Share buyback assuming Market Purchase <sup>(4)</sup>	After Share buyback assuming Off-Market Purchase <sup>(4)</sup>
	(\$S'000)					
Share capital	15,908	15,141	15,141	15,908	15,141	15,141
Shareholders' funds	23,994	23,227	23,227	9,650	8,883	8,883
NTA	23,845	23,078	23,078	9,650	8,883	8,883
Current Assets	23,479	22,712	22,712	5,367	4,600	4,600
Current Liabilities	7,063	7,063	7,063	479	479	479
Working Capital	16,416	15,649	15,649	4,888	4,121	4,121
Total Borrowings	3,169	3,169	3,169	-	-	-
Cash and cash equivalents	8,664	7,897	7,897	3,339	2,572	2,572
Profit after tax and minority interest	496	496	496	(4,786)	(4,786)	(4,786)
Number of Shares ('000)	125,883	119,693	119,693	125,883	119,693	119,693
Treasury shares ('000)	5,155	5,155	5,155	5,155	5,155	5,155
Weighted average number of Shares ('000)	115,346	109,156	109,156	nm	nm	nm
<b>Financial Ratios</b>						
NTA per Share (cents) <sup>(1)</sup>	18.94	19.28	19.28	7.67	7.42	7.42
Basic EPS (cents) <sup>(2)</sup>	0.43	0.45	0.45	nm	nm	nm
Net gearing (times) <sup>(3)</sup>	cash flow positive	cash flow positive	cash flow positive	cash flow positive	cash flow positive	cash flow positive

nm - not meaningful

Notes:-

- (1) NTA per Share equals NTA divided by number of Shares (net of treasury shares).
- (2) Basic EPS equals profit after tax and minority interest divided by the weighted average number of Shares.
- (3) Net gearing equals total borrowings less cash and cash equivalents divided by shareholders' funds.
- (4) Assumes that the Company purchases the 6,190,000 Shares at the Maximum Price of S\$0.1239 for one Share, which is 5% above the Average Closing Prices of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 6,190,000 Shares is S\$766,941.

## 2. SHAREHOLDERS' MANDATE (CONT'D)

c) Purchases made entirely out of distributable profits and cancelled

	Group			Company		
	Before Share buyback	After Share buyback assuming Market Purchase <sup>(4)</sup>	After Share buyback assuming Off-Market Purchase <sup>(4)</sup>	Before Share buyback	After Share buyback assuming Market Purchase <sup>(4)</sup>	After Share buyback assuming Off-Market Purchase <sup>(4)</sup>
	(\$'000)					
Share capital	15,908	15,908	15,908	15,908	15,908	15,908
Shareholders' funds	23,994	23,227	23,227	9,650 <sup>(5)</sup>	8,883 <sup>(5)</sup>	8,883 <sup>(5)</sup>
NTA	23,845	23,078	23,078	9,650 <sup>(5)</sup>	8,883 <sup>(5)</sup>	8,883 <sup>(5)</sup>
Current Assets	23,479	22,712	22,712	5,367	4,600	4,600
Current Liabilities	7,063	7,063	7,063	479	479	479
Working Capital	16,416	15,649	15,649	4,888	4,121	4,121
Total Borrowings	3,169	3,169	3,169	-	-	-
Cash and cash equivalents	8,664	7,897	7,897	3,339	2,572	2,572
Profit after tax and minority interest	496	496	496	(4,786) <sup>(5)</sup>	(4,786) <sup>(5)</sup>	(4,786) <sup>(5)</sup>
Number of Shares ('000)	125,883	119,693	119,693	125,883	119,693	119,693
Treasury shares ('000)	5,155	5,155	5,155	5,155	5,155	5,155
Weighted average number of Shares ('000)	115,346	109,156	109,156	nm	nm	nm
<b>Financial Ratios</b>						
NTA per Share (cents) <sup>(1)</sup>	18.94	19.28	19.28	7.67	7.42	7.42
Basic EPS (cents) <sup>(2)</sup>	0.43	0.45	0.45	nm	nm	nm
Net gearing (times) <sup>(3)</sup>	cash flow positive	cash flow positive	cash flow positive	cash flow positive	cash flow positive	cash flow positive

nm - not meaningful

Notes:-

(1) NTA per Share equals NTA divided by number of Shares (net of treasury shares).

(2) Basic EPS equals profit after tax and minority interest divided by the weighted average no. of Shares.

(3) Net gearing equals total borrowings less cash and cash equivalents divided by shareholders' funds.

(4) Assumes that the Company purchases the 6,190,000 Shares at the Maximum Price of S\$0.1239 for one Share, which is 5% above the Average Closing Prices of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 6,190,000 Shares is S\$766,941.

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## 2. SHAREHOLDERS' MANDATE (CONT'D)

### c) Purchases made entirely out of distributable profits and cancelled (Cont'd)

- (5) Prior to the Latest Practicable Date, the Company has declared dividends in aggregate of S\$10,944,777 payable by its subsidiaries, HLN Rubber Products Pte Ltd and Process Innovation Technology Pte Ltd, to the Company, which would permit the Company to have distributable profits that are available for the purchase of Shares to be made entirely out of distributable profits and cancelled. The net loss of S\$4,786,000 of the Company for FY2008 arose from an accounting non-cash provision of impairment loss on the Company's investment in HLN Micron Pte Ltd as well as provision for doubtful debts on amount due from HLN Micron Pte Ltd to the Company.

As illustrated above, a summary of the financial effects of Share buybacks are:-

- (i) NTA per Share of the Group will increase;
- (ii) EPS of the Group will increase; and
- (iii) Working capital of the Group and the Company will decrease but there will not be any material effect on net gearing of the Group and the Company.

**Shareholders should note that the financial effects illustrated above are for illustration purposes only. In particular, it is important to note that the above analysis is based on the latest audited accounts of the Company as at 31 December 2008, and is not necessarily representative of the future financial performance of the Company. Although the proposed Mandate would authorise the Company to buy back up to 5% of the Company's issued Shares, the Company may not necessarily buy back or be able to buy back all 5% of the issued Shares in full. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.**

## 3. OTHER INFORMATION

### 3.1 Tax Implications

Pursuant to Section 10J of the Income Tax Act, Chapter 134 of Singapore, a company which buys back its own shares using its distributable profits is deemed as having paid a dividend to the shareholders from whom the shares are purchased or acquired.

In relation to a Market Purchase, as the Company is listed on the SGX-ST, the Company may apply to the SGX-ST for a special trading counter for the purposes of effecting the Market Purchase, subject to approval being obtained from Shareholders for the Share Buyback Mandate at the AGM. Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the special trading counter set up on the SGX-ST will, subject to the fulfillment of certain conditions by the Shareholders, be treated for income tax purposes as the receipt of a dividend.

Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases through the normal ready counters will be treated for income tax purposes like any other disposal of shares and not as a dividend. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipt of an income or capital nature.

### 3. OTHER INFORMATION (CONT'D)

#### 3.1 Tax Implications (Cont'd)

Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase, where the Share Buyback is made otherwise than on the SGX-ST, made pursuant to an equal access scheme will be treated for income tax purposes as the receipt of a dividend.

**Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.**

#### 3.2 Reporting requirements under the Companies Act

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority.

The Company shall notify the Accounting and Corporate Regulatory Authority within 30 days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases, including the date of the purchase, the number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the purchases, and whether the Shares are purchased out of the profits or the capital of the Company.

#### 3.3 SGX-ST Listing Rules

The SGX-ST Listing Rules specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, by 9.00 a.m. on the second Market Day after the close of acceptances of the offer. Such announcement shall include details of the total number of shares authorised for purchase, the date of purchase, the total number of shares purchased, prices paid for the total number of shares purchased, the purchase price per share, the highest and lowest prices per share for the shares purchased to date and the number of issued shares after purchase, in the form prescribed under the SGX-ST Listing Rules.

While the SGX-ST Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time(s), because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase of Shares pursuant to the Share Buyback Mandate at any time after any matter or development of a price sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares through Market Purchases during the period of one month immediately preceding the announcement of the Company's interim results and the annual (full-year) results respectively.

#### 3.4 Listing Status

The Company is required under Rule 723 of the SGX-ST Listing Rules to ensure that at least 10% of its Shares are in the hands of the public. The "public", as defined in the SGX-ST Listing Rules, are persons other than the Directors, chief executive officer, substantial Shareholders or controlling Shareholders of the Company and its subsidiaries, as well as the associates (as defined in the SGX-ST Listing Rules) of such persons.

### 3. OTHER INFORMATION (CONT'D)

#### 3.4 Listing Status (Cont'd)

As at the Latest Practicable Date, there are 65,515,240 Shares in the hands of the public (as defined above), representing 52.92% of the issued share capital of the Company. Accordingly, the Company is of the view that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 5% limit pursuant to the Share Buyback Mandate without adversely affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect orderly trading.

#### 3.5 Implications under the Take-over Code

Under the Take-over Code, a person will be required to make a general offer for a public company if:-

- (a) he acquires 30% or more of the voting rights of the company; or
- (b) he holds between 30% and 50% of the voting rights of the company and he increases his voting rights in the company by more than 1% in any six-month period.

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, inter alia, will be presumed to be acting in concert:-

- (a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other.

For this purpose, ownership or control of at least 20% but not more than 50% of the equity share capital of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

Under Appendix 2 of the Take-Over Code, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights in the Company of such Directors and their concert parties:-

- (a) increase to 30% or more; or
- (b) if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than 1% in any period of six months.

### 3. OTHER INFORMATION (CONT'D)

#### 3.5 Implications under the Take-over Code (Cont'd)

A Shareholder not acting in concert with the Directors will not incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company increase to 30% or more, or if the voting rights of such Shareholder fall between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

**Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the proposed Share Buyback Mandate are advised to consult their professional advisers and/or the Council before they acquire any Shares in the Company during the period when the proposed Share Buyback Mandate is in force.**

Further details of the interests of the Directors and substantial Shareholders of the Company in the Shares of the Company as at the Latest Practicable Date are set out in paragraph 4 of this Appendix. Based on the interests of the substantial Shareholders as set out in paragraph 4 of this Appendix, as at the Latest Practicable Date, none of the substantial shareholders of the Company would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 5 percent of its issued Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, one of the Substantial Shareholders, Mr Wa Kok Liang, Leslie, holds 34,637,720 Shares representing 27.98% of the issued share capital of the Company. In the event the Company undertakes the share buyback of up to the prescribed limit of 5% of the issued share capital of the Company or 6,190,446 Shares, Mr Wa's shareholding of 34,637,720 Shares will represent 29.45% of the issued share capital of the Company after the share buyback. Hence, Mr Wa would not become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the share buyback.

#### 3.6 Details of Share Buybacks in the previous 12 months

The Company has purchased 7,229,000 Shares since 15 May 2008 to the Latest Practicable Date by way of Market Purchases, pursuant to the Share Buyback Mandate approved by Shareholders at the 2008 EGM. The price paid ranges from \$0.110 to \$0.330 per share and the total consideration paid for all the purchases was \$981,227. These Shares were held as Treasury Shares as at the Latest Practicable Date.

### 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors as at the Latest Practicable Date are set out below:-

Name of Directors	Direct Interest		Deemed Interest		Total Shareholdings	
	Number of Shares	(%)	Number of Shares	(%)	Number of Shares	(%)
Ng Khoon Seng <sup>(1)</sup>	3,569,540	2.88	4,000,000	3.23	7,569,540	6.11
Wa Kok Liang, Leslie	34,637,720	27.98	–	–	34,637,720	27.98
Jovenal R. Santiago	150,000	0.12	–	–	150,000	0.12
Lim Chye Huat, Bobby	8,000,000	6.46	–	–	8,000,000	6.46

#### Notes:-

- (1) Mr Ng Khoon Seng owns 3,569,540 shares registered in his own name. He also owns 4,000,000 shares held by Lim & Tan Securities Pte Ltd.

#### 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS (CONT'D)

The interests of the substantial Shareholders as at the Latest Practicable Date are set out below:-

Name of substantial Shareholders	Direct Interest		Deemed Interest		Total Shareholdings	
	Number of Shares	(%)	Number of Shares	(%)	Number of Shares	(%)
Wa Kok Liang, Leslie	34,637,720	27.98	–	–	34,637,720	27.98
Lim Chye Huat, Bobby	8,000,000	6.46	–	–	8,000,000	6.46
Ng Khoon Seng <sup>(1)</sup>	3,569,540	2.88	4,000,000	3.23	7,569,540	6.11

##### Notes:-

- (1) Mr Ng Khoon Seng owns 3,569,540 shares registered in his own name. He also owns 4,000,000 shares held by Lim & Tan Securities Pte Ltd.

The interests of the Directors in Shares comprised in outstanding share options and performance shares awarded as at the Latest Practicable Date are set out below:-

Name of Directors	No. of Shares comprised in outstanding share options	No. of Shares comprised in performance shares awarded
Ng Khoon Seng	150,000	15,000
Wa Kok Liang, Leslie	–	15,000
Jovenal R. Santiago	–	30,000
Tang Chi Loong	–	30,000

#### 5. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of Ordinary Resolution 12 to be proposed at the AGM, being the resolution relating to the proposed renewal of the Share Buyback Mandate.

#### 6. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate in all material respects as at the date hereof and that there are no material facts the omission of which would render any statement in this Appendix misleading.



# notice of annual general meeting

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**NOTICE IS HEREBY GIVEN** that the 2009 Annual General Meeting of the members of the Company will be held at 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095 on 30 April 2009 at 3.00 p.m. to transact the following businesses:

## **AS ORDINARY BUSINESS**

1. To receive and adopt the audited financial statements of the Company and the Reports of the Directors and Auditors for the year ended 31 December 2008. Resolution 1
2. To declare a final exempt (one-tier) dividend of 0.1 cent per ordinary share for the year ended 31 December 2008. Resolution 2
3. To re-elect the following director retiring pursuant to Section 153 of the Companies Act, Cap. 50 : Resolution 3  
Mr Jovenal R Santiago  
  
[Note: Mr Jovenal R Santiago shall, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and Nominating Committee and as a member of the Remuneration Committee. Mr Jovenal R Santiago shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.]
4. To re-elect the following director retiring pursuant to the Company's Articles of Association Resolution 4  
Mr Ng Khoon Seng (Article 115)
5. To re-elect the following director retiring pursuant to the Company's Articles of Association Resolution 5  
Mr Lim Chye Huat @ Bobby Lim Chye Huat (Article 119)
6. To approve the Directors' fees of SGD 81,250 for the year ended 31 December 2008. Resolution 6
7. To re-appoint RSM Chio Lim LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 7

## **AS SPECIAL BUSINESS**

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

8. **Proposed Share Issue Mandate** Resolution 8

"That pursuant to Section 161 of the Companies Act, Cap. 50. and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) 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 provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares (the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities, new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST and any subsequent bonus issue, consolidation or sub-division of shares) and 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 or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)]



# notice of annual general meeting

## 9. Authority to offer and grant awards and to allot and issue shares pursuant to the HLN Technologies Limited Performance Share Plan Resolution 9

“That approval be and is hereby given to the Directors of the Company to offer and grant awards in accordance with the provisions of the HLN Technologies Limited Performance Share Plan (“the Plan”) and allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of awards under the Plan provided that the aggregate number of shares to be allotted and issued pursuant to the Plan shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time.”

[See Explanatory Note (ii)]

## 10. Proposed grant to Mr Wa Kok Liang, Leslie of Awards Resolution 10

“That, subject to and contingent upon the passing of Resolution 9 above, the grant to Mr Wa Kok Liang, Leslie, a Controlling Shareholder (as defined in the SGX-ST Listing Manual) of the Company of Awards in accordance with The HLN Technologies Performance Share Plan (“the Plan”) on the following terms:-

- |                                                       |   |                                                                                                            |
|-------------------------------------------------------|---|------------------------------------------------------------------------------------------------------------|
| (a) Proposed date of grant of Awards                  | : | No later than 30 April 2010                                                                                |
| (b) Number of Shares comprised in the proposed Awards | : | Not more than 150,000 shares representing 3.09% of the total number of shares to be awarded under the Plan |

be and is hereby approved.”

[See Explanatory Note (iii)]

## 11 Proposed grant to Ms Wa Sock Yin, Yvonne of Awards Resolution 11

“That, subject to and contingent upon the passing of Resolution 9 above, the grant to Ms Wa Sock Yin Yvonne, an Associate of the Controlling Shareholder (as defined in the SGX-ST Listing Manual) of the Company of Awards in accordance with The HLN Technologies Performance Share Plan (“the Plan”) on the following terms:-

- |                                                       |   |                                                                                                           |
|-------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------|
| (a) Proposed date of grant of Awards                  | : | No later than 30 April 2010                                                                               |
| (b) Number of Shares comprised in the proposed Awards | : | Not more than 50,000 shares representing 1.03% of the total number of shares to be awarded under the Plan |

be and is hereby approved.”

[See Explanatory Note (iv)]

## 12 Proposed Renewal of the Share Buyback Mandate Resolution 12

“That :

- (1) for the purposes of Sections 76C and 76E of the Companies Act of Singapore, Chapter 50 (the “**Companies Act**”), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:-

- (a) market purchase(s) (“**Market Purchases**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”); and/or



# notice of annual general meeting

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(b) off-market purchase(s) (“**Off-Market Purchases**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buyback Mandate**”);

- (2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:-
- (a) the date on which the next annual general meeting of the Company is held; and
  - (b) the date by which the next annual general meeting of the Company is required by law to be held; and
- (3) The Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

In this Resolution:

“Prescribed Limit” means 5% of the issued ordinary share capital of the Company as at the date of passing of this Resolution (excluding any treasury shares that may be held by the Company from time to time);

“Maximum Price”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:-

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and
- (b) in the case of an Off-Market Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and

where:-

“Average Closing Price” means (1) the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the date of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase; and (2) deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.”

[See Explanatory Note (v)]



# notice of annual general meeting

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## 13 And to transact any other business which may be properly transacted at an Annual General Meeting.

### Explanatory Notes:

- (i) The proposed Resolution 8, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed 50% of the total number of issued shares excluding treasury shares of the Company at the time of passing this Resolution. For allotment and issue of shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting.
- (ii) The proposed Resolution 9, if passed, will empower the Directors of the Company to grant awards and to issue and allot shares in the capital of the Company pursuant to the HLN Technologies Limited Performance Share Plan (“the Plan”). The grant of awards under the Plan will be made in accordance with the provisions of the Plan. The aggregate number of shares which may be issued pursuant to the Plan is limited to 15% of the total number of issued shares in the capital of the Company.
- (iii) Although the Awards are proposed to be granted to Mr Wa Kok Liang, Leslie within 12 months from the date of AGM, such Awards will only vest upon his achieving prescribed performance targets and/or service conditions which are to be determined by the other members of the Board.

Should the proposed grant of Awards to Mr Wa Kok Liang, Leslie be approved by Shareholders and assuming that the Awards are granted by the members of the Board who are not controlling Shareholders or their Associates and subsequent thereto, are fully vested, Mr Wa's direct interests in the Company will be increased from 34,637,720 Shares as at 12 March 2009 (the “Latest Practicable Date”) to 34,832,720 Shares (including 45,000 Shares granted and/or to be granted to him under the Plan in FY 2009). Based on the number of issued Shares of 123,808,920 Shares as at the Latest Practicable Date and assuming there is no change in the share capital of the Company save for the number of Shares granted and/or to be granted to him under the Plan in FY 2009 and the vesting in full of the Awards proposed to be granted to him under this Resolution, Mr Wa's direct shareholding interest in the Company will increase from approximately 27.98% to approximately 28.13%.

- (iv) Although the Awards are proposed to be granted to Ms Wa Sock Yin, Yvonne within 12 months from the date of AGM, such Awards will only vest upon her achieving prescribed performance targets and/or service conditions which are to be determined by the members of the Board excluding Mr Wa Kok Liang, Leslie the Controlling Shareholder and Group Chief Executive Officer.

Should the proposed grant of Awards to Ms Wa Sock Yin, Yvonne be approved by Shareholders and assuming that the Awards are granted by the Remuneration Committee and subsequent thereto, are fully vested, Ms Wa's direct interests in the Company will be increased from 1,125,120 Shares as at 12 March 2009 (the “Latest Practicable Date”) to 1,192,120 Shares (including 17,000 shares granted and/or to be granted to her under the Plan in FY 2009). Based on the number of issued Shares of 123,808,920 Shares as at the Latest Practicable Date and assuming there is no change in the share capital of the Company save for the number of Shares granted and/or to be granted to her under the Plan in FY 2009 and the vesting in full of the Awards proposed to be granted to her under this Resolution, Ms Wa's direct shareholding interest in the Company will increase from approximately 0.91% to approximately 0.96%.



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- (v) The proposed Resolution 12, if passed, will empower the Directors of the Company to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Buyback Mandate. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase of acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate are set out in greater details in the Appendix to the FY 2008 Annual Report dated 8 April 2009.

**NOTICE IS ALSO HEREBY GIVEN** that the Transfer Books and Register of Members of the Company will be closed on 8 May 2009 for the purpose of determining shareholders' entitlements to the proposed final exempt (one-tier) dividend of 0.1 cent per ordinary share in respect of the financial year ended 31 December 2008 (the "Proposed Final Dividend").

Duly completed transfers received by the Company's Registrars, Boardroom Corporate & Advisory Services Pte Ltd at 3 Church Street #08-01 Samsung Hub, Singapore 049483 up to 5.00 p.m. on 7 May 2009 will be registered before entitlements to the Proposed Final Dividend is determined. The Proposed Final Dividend, if approved by shareholders at the 2009 Annual General Meeting, will be paid on 19 May 2009.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares at 5.00 p.m. on 7 May 2009 will be entitled to the Proposed Final Dividend.

In respect of shares in Securities Accounts with CDP, the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

By Order Of the Board

Catherine Lim Siok Ching  
Secretary

Date : 8 April 2009

Notes :

- a) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- b) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 16 Kallang Place #01-18 Singapore 339156 not less than 48 hours before the meeting.
- c) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.
- d) In the case of joint shareholders, all holders must sign the form of proxy.



# proxy form

**IMPORTANT**

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. The Proxy form is, therefore, 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 \_\_\_\_\_  
of \_\_\_\_\_

being a member(s) of HLN TECHNOLOGIES LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll at the 2009 Annual General Meeting of the Company to be held at 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095 on Thursday, 30 April 2009 at 3.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2008		
2	Declaration of a final exempt (one-tier) dividend of 0.1 cent per ordinary share for the year ended 31 December 2008		
3	Re-election of Mr Jovenal R Santiago as Director		
4	Re-election of Mr Ng Khoon Seng as Director		
5	Re-election of Mr Lim Chye Huat @ Bobby Lim Chye Huat as Director		
6	Approval of Directors' fees for the year ended 31 December 2008		
7	Re-appointment of RSM Chio Lim LLP as Auditors and authorise the directors to fix their remuneration		
8	Authority to allot and issue shares and convertible securities		
9	Authority to grant awards and to allot and issue shares in accordance with the provisions of the HLN Technologies Limited Performance Share Plan		
10	Approval of the proposed grant to Mr Wa Kok Liang, Leslie of Awards		
11	Approval of the proposed grant to Ms Wa Sock Yin, Yvonne of Awards		
12	Approval of the proposed renewal of the Share Buyback mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2009

Total number of Shares held

\_\_\_\_\_  
Signature(s) of member(s) or common seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



# proxy form

## NOTES :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50.
6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 16 Kallang Place #01-18 Singapore 339156 not later than 48 hours before the time set for the Annual General Meeting.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.