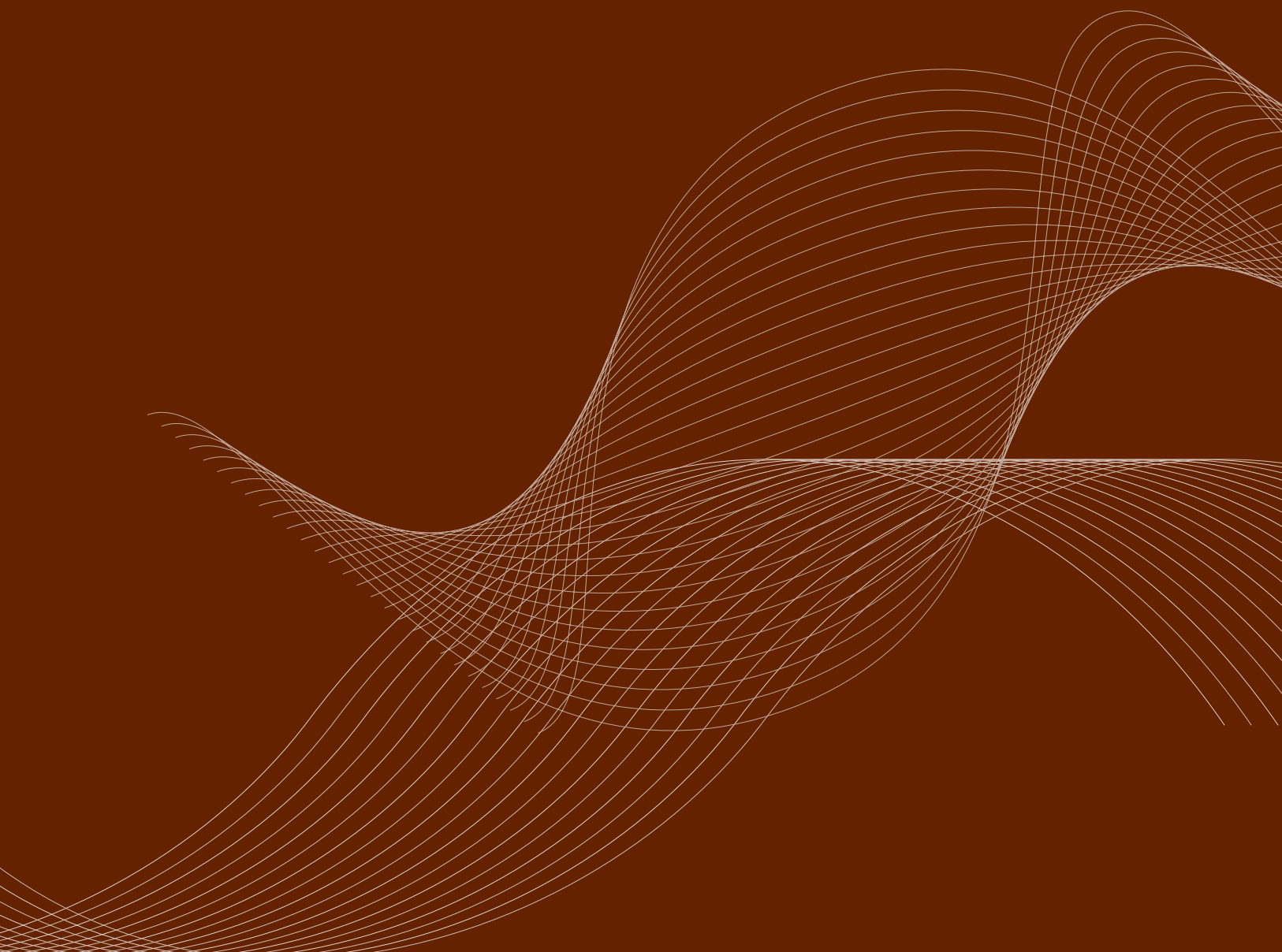


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The Board of Directors and Management are committed to ensuring high standards of corporate governance for the protection of shareholders' interests and value and to promote investors' confidence. We have taken steps, as far as practicable, towards 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 three executive directors (including the Chairman) and two non-executive and independent directors. Together, these directors bring a wide range of business, legal and financial experience relevant to the Group.

Ng Khoon Seng	Executive Chairman
Hein Ke Long, Henry	Vice Chairman and Executive Director
Wa Kok Liang, Leslie	Chief Executive Officer and Executive Director
Jovenal R. Santiago	Non-Executive and Lead Independent Director
Tang Chi Loong	Non-Executive and Independent Director

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:

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

The Company has adopted internal guidelines on matters such as annual budget 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 27.

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.

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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 Chief Executive Officer**

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

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

In their separate capacities, the Chairman is primarily responsible for the functioning of the Board and the 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 between executive and independent directors. He also facilitates the effective contribution of independent directors and ensures effective communication with shareholders. The Chairman also leads in promoting high standards of corporate governance in the Company.

The CEO has full executive responsibilities over the running of the Group's businesses, the business direction and operational decisions of the Group. The 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 CEO are part of the executive management team. The Company will look into ways to allow direct access by shareholders to the lead independent director when they have concerns which contact through the normal channels of the Chairman, CEO or Head of Finance has failed to resolve or for which such contact is inappropriate.

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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.

The NC has ascertained that for the period under review, all non-executive directors are independent and all the directors have devoted sufficient time and attention to the affairs of the Company.

The duties of the NC are as follows:

- 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 of the directors to discharge the functions of an effective and balanced Board;
- Annual assessment of the effectiveness of the Board as a whole and of individual directors;
- Evaluation of the Board's performance;
- Review and make recommendations on all nomination of appointments and re-nomination/re-election;
- 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 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.

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.

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## **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 explanations 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 entirely 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.

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:

- 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 CEO;
- To review and make recommendations to the Board the Company's compensation policies, structures and service contracts, based on proposal by the CEO;

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- c) To review and make recommendations to the Board the Company's compensation policies, structures and service contracts as proposed by the Company's 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 of 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 incentive and longer-term incentives.

Non-executive directors will be paid a fee for their board services and appointment to board committees and share options pursuant to the Company's Share Option Scheme. 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 3 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 as a whole and individual performance.

The Group is in the process of proposing a new reward scheme to replace the HLN Technologies Employee Share Option Scheme (the Scheme). The proposed new reward scheme will issue fully paid Shares to the employee when or after pre-determined performance or service conditions are accomplished. When the new scheme is in place, the Group intends to terminate the Scheme once the remaining unexercised Options are exercised or expired. The Group does not intend to issue new Options under the scheme.

## **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 2007, is as follows:-

	<b>Fee <sup>(1)</sup></b>	<b>Salary &amp; fixed allowance <sup>(2)</sup></b>	<b>Bonus &amp; incentives <sup>(2)</sup></b>	<b>Total</b>
<u>S\$250,000 to S\$500,000</u>				
Ng Khoo Seng	-	76%	24%	100%
Wa Kok Liang, Leslie	-	76%	24%	100%
Hein Ke Long, Henry	-	82%	18%	100%
<u>Below S\$250,000</u>				
Jovenal R. Santiago	100%	-	-	100%
Tang Chi Loong	100%	-	-	100%

(1) Director fees are payable in 2008 after approval by shareholders in the AGM

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

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## 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 2007, is as follows:-

	Salary & fixed allowance <sup>(1)</sup>	Bonus & incentives <sup>(1)</sup>	Total
<u>Below S\$250,000</u>			
Ee Teck Siew	79%	21%	100%
Wa Sock Yin, Yvonne <sup>(2)</sup>	85%	15%	100%
Ng Koon Chuan, Francis <sup>(3)</sup>	74%	26%	100%
Tan Chye Thiam, Kelvin	83%	17%	100%
Tan Choong Sim, Gina	74%	26%	100%

- (1) Salary & fixed allowance and bonus & incentives shown are inclusive of employer CPF  
(2) Ms Wa Sock Yin, Yvonne, is the sister of our CEO and Executive Director, Mr Wa Kok Liang, Leslie  
(3) Mr Ng Koon Chuan, Francis, is the brother of our Executive Chairman, Mr Ng Khoon Seng

For the financial year ended 31 December 2007, 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 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 directors, the majority of whom, including the Chairman, are independent directors.

Chairman	Jovenal R. Santiago
Member	Tang Chi Loong
Member	Hein Ke Long, Henry

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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 to discharge 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;
- 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 the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST);
- g) The review of the interim and full year financial results and recommendation to the Board for release to the SGX-ST via SGXNET;
- 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 once with the external auditors and internal auditors without the presence of Management during the year.

The AC has reviewed the proposed Whistle Blowing Policy which is in the process of being formalized. Once formalized, the Company will implement it in 2Q 2008.

## **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 engaged a professional internal audit firm to develop the key risk management policies and processes for the Group, as well as carrying out internal audit review every year. The internal audit firm reports directly to the Chairman of the AC.

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## **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.hlnotech.com>. In addition, the Company has engaged a public 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 2007)

Name	Board	Audit Committee	Remuneration Committee	Nominating Committee
<b>No. of meeting</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Ng Khoo Seng (Chairman / Executive Director)	4	NA	2	1
Hein Ke Long, Henry (Vice Chairman / Executive Director)	3	3	NA	NA
Wa Kok Liang, Leslie (CEO / Executive Director)	4	NA	NA	NA
Jovenal R. Santiago (Lead independent director)	3	3	2	1
Tang Chi Loong (Independent director)	4	3	2	1

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## 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 was modeled on the Best Practices Guide 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 of Best Practices annually.

The Company has complied with the principles of the Best Practices Guide in the Listing Manual 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:-

<b>Name of interested person</b>	<b>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</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>
Nil	NA	NA

## MATERIAL CONTRACTS

There is no material contract entered into between the Company and any of its subsidiaries with the CEO or any director or Controlling Shareholder at the end of the financial year ended 31 December 2007.

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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 2007.

## 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 Hein Ke Long, Henry  
Mr Jovenal R. Santiago  
Mr Tang Chi Loong

## 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 as disclosed in paragraph 5 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	At end of year	At beginning of year	At end of year
<b>Company</b>	<b>Number of shares of no par value</b>			
Ng Khoon Seng	4,579,540	5,039,540	4,017,500	3,000,000
Wa Kok Liang, Leslie	37,986,720	33,720,720	9,360,680	–
Hein Ke Long, Henry	2,314,000	2,866,000	1,792,000	1,792,000
Jovenal R. Santiago	–	150,000	–	–

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 2008 were the same as those at the end of the year except as follows:

Name of directors and companies in which interest are held	Direct Interest		Deemed Interest	
	At end of year	At 21 January 2008	At end of year	At 21 January 2008
<b>Company</b>	<b>Number of shares of no par value</b>			
Ng Khoon Seng	5,039,540	4,039,540	3,000,000	4,000,000

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## 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 corporations in which certain directors have an interest.

## 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.

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## 5. OPTIONS TO TAKE UP UNISSUED SHARES (CONT'D)

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 01.01.2006	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2006	Exercise price per Share	Exercisable periods
01.03.2006	–	1,880,000	–	(320,000)	1,560,000	\$0.28	01.03.2007 to 28.02.2017 (i)
01.03.2006	–	450,000	–	–	450,000	\$0.28	01.03.2007 to 28.02.2012 (ii)

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 (i)
01.03.2006	450,000	–	(450,000)	–	–	\$0.28	01.03.2007 to 28.02.2012 (ii)

(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 year of 2007.

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 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.

Balance of stock options as at 31 December 2006 includes 400,000 options granted to two former directors and one former employee of the company who have been granted an extension of time from the date of cessation of employment as director or employee, by the Remuneration Committee to exercise the outstanding options. These options granted have been exercised on 9 April 2007.

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## 5. OPTIONS TO TAKE UP UNISSUED SHARES (CONT'D)

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 2006	Aggregate options granted since commencement of the Scheme to the end of financial year 2006	Aggregate options exercised since commencement of the Scheme to the end of financial year 2006	Aggregate options lapsed since commencement of the Scheme to the end of financial year 2006	Aggregate options outstanding as at the end of financial year 2006
Ng Khoon Seng	150,000	150,000	–	–	150,000
Hein Ke Long, Henry	150,000	150,000	–	–	150,000
Jovenal R. Santiago	150,000	150,000	–	–	150,000
Chow Kok Kee <sup>(a)</sup>	150,000	150,000	–	–	150,000
Kong Yim Pui, Susan <sup>(b)</sup>	150,000	150,000	–	–	150,000

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 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	–	150,000	–	–	150,000
Jovenal R. Santiago	–	150,000	(150,000)	–	–
Chow Kok Kee <sup>(a)</sup>	–	150,000	(150,000)	–	–
Kong Yim Pui, Susan <sup>(b)</sup>	–	150,000	(150,000)	–	–

<sup>(a)</sup> resigned on 25 November 2006

<sup>(b)</sup> 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 2006	Aggregate options granted since commencement of the Scheme to the end of financial year 2006	Aggregate options exercised since commencement of the Scheme to the end of financial year 2006	Aggregate options lapsed since commencement of the Scheme to the end of financial year 2006	Aggregate options outstanding as at the end of financial year 2006
Ng Koon Chuan	120,000	120,000	–	–	120,000
Seow Teck Lim, Benjamin	120,000	120,000	–	–	120,000
Ee Teck Siew	120,000	120,000	–	–	120,000

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## 5. OPTIONS TO TAKE UP UNISSUED SHARES (CONT'D)

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	–	120,000	(120,000)	–	–
Ee Teck Siew	–	120,000	(120,000)	–	–

## 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. 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)  
Hein Ke Long, Henry (Executive Director)

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).

Other functions performed by the audit committee are described in the Corporate Governance Report included in the annual report. It also includes an explanation of how independent auditor 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, be nominated for re-appointment at the next annual general meeting of the company.

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## 9. INDEPENDENT AUDITORS

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

## 10. SUBSEQUENT DEVELOPMENTS

There are no other developments subsequent to the release of the Group's and company's preliminary financial statements, as announced on 29 February 2007, which could materially affect the group operating and financial performance as of the date of this report.

ON BEHALF OF THE DIRECTORS



Wa Kok Liang, Leslie  
Director



Ng Khoon Seng  
Director

5 March 2008

# STATEMENT BY DIRECTORS

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In the opinion of the directors, the accompanying financial statements set out on pages 37 to 86 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 2007 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.

The board of directors authorised the issue of these financial statements.

ON BEHALF OF THE DIRECTORS



Wa Kok Liang, Leslie  
Director



Ng Khoon Seng  
Director

5 March 2008

# INDEPENDENT AUDITORS' REPORT

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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 2007, 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.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are 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: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## INDEPENDENT AUDITOR'S 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 directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion,

- (a) the consolidated financial statements of the group and the balance sheet 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 2007 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.



RSM Chio Lim  
Certified Public Accountants

Singapore  
5 March 2008

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

# CONSOLIDATED INCOME STATEMENT

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Year ended 31 December 2007

	Notes	Group	
		2007 \$'000	2006 \$'000
<b>Revenue</b>	5	50,350	24,546
Cost of Sales		(36,353)	(15,592)
<b>Gross Profit</b>		13,997	8,954
<b>Other Items of Income</b>			
Interest Income	6	48	96
Other Credits	7	8	–
<b>Other Items of Expense</b>			
Marketing and Distribution Costs		(2,875)	(1,031)
Administrative Expenses		(5,964)	(3,525)
Finance Costs	8	(483)	(67)
Other Charges	7	(751)	(447)
<b>Profit Before Tax From Continuing Operations</b>		3,980	3,980
Income Tax Expense	9	(793)	(1,151)
<b>Profit Net of Tax</b>		3,187	2,829
Profit Attributable to Equity Holders of Parent, Net of Tax		3,543	2,841
Loss Attributable to Minority Interest, Net of Tax		(356)	(12)
		3,187	2,829
<b>Earnings Per Share</b>			
Earnings per Share Currency Unit		<b>Cents</b>	<b>Cents</b>
<b>Basic</b>			
Continuing Operations	10	3.36	2.90
<b>Diluted</b>			
Continuing Operations	10	3.34	2.89
<b>Dividends Paid Per Equity Share</b>	11	–	1.6

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

# BALANCE SHEETS

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As at 31 December 2007

	Notes	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>ASSETS</b>					
<b>Non-Current Assets:</b>					
Plant and Equipment, Total	12	10,226	8,001	484	12
Intangible Assets, Total	13	128	562	–	–
Investments in Subsidiaries	14	–	–	7,750	4,750
<b>Total Non-Current Assets</b>		<b>10,354</b>	<b>8,563</b>	<b>8,234</b>	<b>4,762</b>
<b>Current Assets:</b>					
Inventories	15	13,236	3,013	–	–
Trade and Other Receivables	16	13,865	8,760	4,719	2,316
Cash and Cash Equivalents	17	6,748	4,414	2,389	1,908
<b>Total Current Assets</b>		<b>33,849</b>	<b>16,187</b>	<b>7,108</b>	<b>4,224</b>
<b>Total Assets</b>		<b>44,203</b>	<b>24,750</b>	<b>15,342</b>	<b>8,986</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share Capital	18	13,708	7,570	13,708	7,570
Retained Earnings		10,277	6,734	1,055	1,041
Other Reserves, Total	20	(212)	(71)	16	105
<b>Equity, Attributable to Equity Holders of the Parent, Total</b>		<b>23,773</b>	<b>14,233</b>	<b>14,779</b>	<b>8,716</b>
Minority Interest		759	1,050	–	–
<b>Total Equity</b>		<b>24,532</b>	<b>15,283</b>	<b>14,779</b>	<b>8,716</b>
<b>Non-Current Liabilities:</b>					
Deferred Tax Liabilities	9	341	304	–	–
Finance Leases, Non-Current	21	126	24	–	–
Other Financial Liabilities, Non-Current	21	530	792	–	–
<b>Total Non-Current Liabilities</b>		<b>997</b>	<b>1,120</b>	<b>–</b>	<b>–</b>
<b>Current Liabilities:</b>					
Income Tax Payable, Current		745	1,010	2	38
Trade and Other Payables, Current	22	6,472	5,733	561	232
Finance Leases, Current	21	49	6	–	–
Other Financial Liabilities, Current	21	11,408	1,598	–	–
<b>Total Current Liabilities</b>		<b>18,674</b>	<b>8,347</b>	<b>563</b>	<b>270</b>
<b>Total Liabilities</b>		<b>19,671</b>	<b>9,467</b>	<b>563</b>	<b>270</b>
<b>Total Equity and Liabilities</b>		<b>44,203</b>	<b>24,750</b>	<b>15,342</b>	<b>8,986</b>

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

# STATEMENTS OF CHANGES IN EQUITY

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Year ended 31 December 2007

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 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 (Note 20)	–	(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 18)	5,782	–	–	5,782	–	5,782
Share Issue Expenses (Note 18)	(198)	–	–	(198)	–	(198)
Acquisition of Subsidiary (Note 25)	–	–	–	–	(498)	(498)
Disposal of Subsidiary (Note 27)	–	–	–	–	(589)	(589)
Capital Contribution by Minority Shareholders	–	–	–	–	1,152	1,152
Equity Share Options Issued (Note 18)	470	–	–	470	–	470
Share Based Payment (Note 18 and 19B)	84	(84)	–	–	–	–
Lapse of Share Options (Note 19B)	–	(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

Group	Capital \$'000	Share premium \$'000	Other reserves \$'000	Retained earnings \$'000	Parent sub-total \$'000	Minority interest \$'000	Total equity \$'000
<b>Previous Year:</b>							
<b>Opening Balance at 1 January 2006</b>	4,900	2,682	(136)	5,462	12,908	–	12,908
<u>Items of Income and Expense</u>							
<u>Recognised Directly in Equity:</u>							
Exchange Differences on							
Translating Foreign Operations (Note 20)	–	–	(40)	–	(40)	–	(40)
Net Expenses Recognised Directly in Equity	–	–	(40)	–	(40)	–	(40)
Profit / (Loss) for the Year	–	–	–	2,841	2,841	(12)	2,829
Total Recognised Income and Expenses for the Year	–	–	(40)	2,841	2,801	(12)	2,789
<u>Other Movements in Equity:</u>							
IPO Expenses (Note 18)	–	(12)	–	–	(12)	–	(12)
Acquisition of Subsidiary (Note 25)	–	–	–	–	–	299	299
Capital Contribution by Minority Shareholders	–	–	–	–	–	763	763
Grant of Share Options (Note 19B)	–	–	105	–	105	–	105
Transfer from Share Premium to Share Capital (Note 18)	2,670	(2,670)	–	–	–	–	–
Dividends (Note 11)	–	–	–	(1,569)	(1,569)	–	(1,569)
Total Other Movements in Equity	2,670	(2,682)	105	(1,569)	(1,476)	1,062	(414)
<b>Closing Balance at 31 December 2006</b>	7,570	–	(71)	6,734	14,233	1,050	15,283

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

# STATEMENTS OF CHANGES IN EQUITY

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Company	Capital \$'000	Share premium \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Current 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 18)	5,782	–	–	–	5,782
Share Issue Expenses (Note 18)	(198)	–	–	–	(198)
Equity Share Options Issued (Note 18)	470	–	–	–	470
Share Based Payment (Note 18 and 19B)	84	–	(84)	–	–
Lapse of Share Options (Note 18)	–	–	(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
<b>Previous Year:</b>					
<b>Opening Balance at 1 January 2006</b>	4,900	2,682	–	1,112	8,694
<u>Items of Income and Expense Recognised Directly in Equity:</u>					
Profit for the Year	–	–	–	1,498	1,498
Total Recognised Income and Expenses for the Year	–	–	–	1,498	1,498
<u>Other Movements in Equity:</u>					
Grant of Share Options (Note 19)	–	–	105	–	105
IPO Expenses (Note 18)	–	(12)	–	–	(12)
Transfer from Share Premium to Share Capital (Note 18)	2,670	(2,670)	–	–	–
Dividends (Note 11)	–	–	–	(1,569)	(1,569)
Total Other Movements in Equity	2,670	(2,682)	105	(1,569)	(1,476)
<b>Closing Balance at 31 December 2006</b>	7,570	–	105	1,041	8,716

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

# CONSOLIDATED CASH FLOW STATEMENT

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Year ended 31 December 2007

	Group	
	2007	2006
	\$'000	\$'000
<b>Cash Flows From Operating Activities</b>		
Profit before Tax	3,980	3,980
Depreciation of Plant and Equipment	1,209	1,069
Amortisation of Intangible Assets	91	56
Interest Income	(48)	(96)
Interest Expense	483	67
Loss on Disposal of Plant and Equipment	93	39
Negative Goodwill Written Off	(8)	–
Loss on Disposal of Subsidiary (Note 7 and 27)	77	–
Share-Based Payment (Note 19B)	(5)	105
Operating Cash Flows before Changes in Working Capital	5,872	5,220
Inventories	(10,287)	(1,419)
Trade and Other Receivables, Current	(6,624)	(4,177)
Trade and Other Payables, Current	2,493	3,591
Net Cash Flows (Used in) From Operations Before Interest and Tax	(8,546)	3,215
Income Taxes Paid	(946)	(1,033)
Net Cash Flows (Used in) From Operating Activities	(9,492)	2,182
<b>Cash Flows From Investing Activities</b>		
Purchase of Plant and Equipment (Note 18)	(5,117)	(6,070)
Cash Restricted in Use Over 3 Months	200	(1,200)
Interest Received	48	96
Proceeds From Disposal of Plant and Equipment	1,073	193
Acquisition of Subsidiaries (Net of Cash Acquired) (Note 25)	(98)	(109)
Acquisition of Business (Net of Cash Acquired) (Note 26)	–	(356)
Disposal of Subsidiary (Net of Cash Disposed) (Note 27)	106	–
Net Cash Flows Used in Investing Activities	(3,788)	(7,446)
<b>Cash Flows From Financing Activities</b>		
Issue of Shares (Note 7)	5,860	–
IPO Expenses	(198)	(12)
Interest Paid	(483)	(67)
Finance Lease Repayments	(32)	(131)
Minority Shareholder Contributions	1,152	763
Net Borrowings	9,544	2,358
Loans from Minority Shareholder	(74)	74
Dividend Paid	–	(1,569)
Net Cash Flows From Financing Activities	15,769	1,416
<b>Net Effect of Exchange Rate Changes in Consolidating Subsidiaries</b>	41	(76)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,530	(3,924)
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	3,182	7,106
<b>Cash and Cash Equivalents, Cash Flow Statement, Ending Balance (Note 17A)</b>	5,712	3,182

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

# NOTES TO 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 was listed on Catalist which is a market on Singapore Exchange Securities Trading Limited and was upgraded to the Singapore Exchange Securities Trading Limited on 22 January 2008.

The principal activities of the subsidiaries are described in Note 14 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 issued by the Singapore Accounting Standards Council as well as all related Interpretations to FRS ("INT FRS") and Companies Act, Cap. 50. 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. 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 balance sheet date 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. On disposal the attributable amount of goodwill if any is included in the determination of the gain or loss on disposal.

### 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.

### 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 sales related 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.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Employee Benefits

Certain subsidiaries operate a defined contribution provident fund scheme, 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. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. Contributions are charged to the income statement in the period to which they relate. 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. 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

For the equity-settled share-based compensation transactions, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is determined by reference to the fair value of the options granted excluding the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Fair value is measured using the Black-Scholes pricing model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each balance sheet date, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. 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.

### 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. Tax and deferred tax 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 balance sheet date 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. A deferred tax amount is not recognised if it arises from goodwill for which amortisation is not deductible for tax purposes.

### 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 balance sheet date, 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Translation of Financial Statements of Foreign Entities

The foreign subsidiaries determine the appropriate functional currency as it reflects the primary economic environment in which the entities operate. In translating the financial statements of a foreign entity for incorporation in the combined financial statements the assets and liabilities denominated in currencies other than the functional currency of the group 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 resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity. 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.

### 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 33⅓%
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 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. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as 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; if not, 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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

### 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 allowance 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Business Combinations (Cont'd)

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.

### Impairment of Non-Financial Assets

The carrying amount of such assets (other than (i) intangible assets not yet available for use, (ii) goodwill and other indefinite life intangible assets) is reviewed at each reporting date for indications of impairment and where impairment is found, the asset is written down through the income statement to its estimated recoverable amount. 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 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 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 intangible asset not yet available for use and other indefinite life intangible assets) 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:*

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 are expensed immediately. The transactions are recorded at the trade date.

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.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Financial Assets (Cont'd)

#### *Initial recognition and measurement (Cont'd):*

#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. 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. 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: As at year end date there were no financial assets classified in this category.

#### *Derecognition of financial assets:*

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.

#### *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.

#### *Hedging*

The entity is exposed to currency and interest rate risks. There is no arrangement to reduce currency and interest rate exposures through derivatives and other hedging instruments.

### Financial Liabilities

#### *Initial recognition and measurement:*

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 balance sheet date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Financial Liabilities (Cont'd)

#### *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 including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of non-current financial instruments may not be disclosed unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes. Disclosures of fair value are not made when the carrying amount is a reasonable approximation of fair value. The maximum exposure to credit risk is the fair value of the financial instruments at the balance sheet date. 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.

### Assets Classified as Held for Sale

Identifiable assets, liabilities and contingent liabilities are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are presented separately on the face of the balance sheet. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. The depreciation on depreciable assets is ceased.

### 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. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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. The shares have no par value. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when paid.

### 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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

#### 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 was 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 13. Actual outcomes could vary from these estimates as disclosed in Note 13.

#### 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 specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

#### 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 at the balance sheet date was \$341,000 (2006: \$304,000).

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## 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 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 the consolidated financial statements are not disclosed as related party transactions and balances below.

### 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 based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance.

A director of a subsidiary has 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 transaction was 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	
	2007 \$'000	2006 \$'000
Sale of goods <sup>(a)</sup>	173	1
Purchase of goods <sup>(b)</sup>	(35)	(26)
Rental expense <sup>(c)</sup>	(94)	(74)
Technical and advisory fees <sup>(d)</sup>	(75)	(89)
Legal and professional expenses <sup>(e)</sup>	(7)	–

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## 3. RELATED PARTY TRANSACTIONS (CONT'D)

### 3.2. Other related parties (Cont'd):

- (a) Sale of goods relate to transactions with a related party, Jin-Wa Advanced Rubber Extrusion, whose shareholder is the brother-in-law of a director, Mr Wa Kok Liang, Leslie.
- (b) In 2007, purchase of goods relate to transactions with related parties, Jin-Wa Advanced Rubber Extrusion and Advance Process Technologies Pte Ltd (whose shareholder is the sister of a director, Mr Ng Khoon Seng). In 2006, purchases of goods relate to transactions with a related party, Jin-Wa Advanced Rubber Extrusion.
- (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.

### 3.3. Key management compensation:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Salaries and other short-term employee benefits	2,151	1,218	1,138	709
Director's fees	85	163	75	163
Share-based payments	–	30	–	21

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

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Remuneration of directors of the company	882	584	882	584
Fees to directors of the company	75	163	75	163
Share-based payments	–	15	–	15

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.

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## 3. RELATED PARTY TRANSACTIONS (CONT'D)

### 3.4. Other receivables from and other payables to related parties.

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

Group	Shareholder	
	2007 \$'000	2006 \$'000
<u>Other payables:</u>		
Balance at beginning of year	74	–
Amounts received during the year	–	74
Amounts paid out during the year	(74)	–
Balance at beginning of year	–	74

## 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's operating businesses are organised into four operating divisions : office automation segment, consumer electronics segment, automotive segment and others. These divisions are the basis on which the group reports its primary segment information.

The segments are as follows:

The office automation segment – The products in office automation segment include mainly boot lamps for scanners, isolators, bumpers, pad separators, rollers for printers and switch buttons for facsimile machines.

The consumer electronics segment – The products in consumer electronics segment include mainly wiper strips for vacuum cleaners, seals for pressure cookers and valve systems, gaskets for solar casings, microphone holder and seal receivers for speaker phones, mobile phone holders, volume control switch buttons, and rubber holders for mobile phones.

The automotive segment – The product in automotive segment include mainly hose for exhaust, multi-cushion for suspension and socket for bulb holder.

Others – The products in other segment include mainly vacuum cups for robotic arms, rubber timber for water tap, rubber washers for water meters and main frame display seal for bio-tech apparatus.

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## 4. FINANCIAL INFORMATION BY SEGMENTS (CONT'D)

### 4A. Primary analysis by business segment (Cont'd)

Segment information about these businesses is presented below:

	Office automation	Consumer electronics	Automotive	Others	Group
<b>2007 (In \$'000)</b>					
<b>Segment revenue to external parties</b>	13,597	21,257	1,953	13,543	<b>50,350</b>
Cost of Sales	(8,440)	(15,106)	(1,336)	(11,471)	<b>(36,353)</b>
Gross Profit	5,157	6,151	617	2,072	<b>13,997</b>
Interest Income					<b>48</b>
Other Credits					<b>8</b>
Marketing and Distribution Costs					<b>(2,875)</b>
Administrative Expenses					<b>(5,964)</b>
Finance Costs					<b>(483)</b>
Other Charges					<b>(751)</b>
Profit Before Tax					<b>3,980</b>
Income Tax Expense					<b>(793)</b>
Profit Net of Tax					<b>3,187</b>
Loss Attributable to Minority Interest, Net of Tax					<b>356</b>
Profit Attributable to Equity Holders of Parent, Net of Tax					<b>3,543</b>
<b>2006 (In \$'000)</b>					
<b>Segment revenue to external parties</b>	11,349	9,314	785	3,098	<b>24,546</b>
Cost of Sales	(7,157)	(6,036)	(495)	(1,904)	<b>(15,592)</b>
Gross Profit	4,192	3,278	290	1,194	<b>8,954</b>
Interest Income					<b>96</b>
Marketing and Distribution Costs					<b>(1,031)</b>
Administrative Expenses					<b>(3,525)</b>
Finance Costs					<b>(67)</b>
Other Charges					<b>(447)</b>
Profit Before Tax					<b>3,980</b>
Income Tax Expense					<b>(1,151)</b>
Profit Net of Tax					<b>2,829</b>
Loss Attributable to Minority Interest, Net of Tax					<b>12</b>
Profit Attributable to Equity Holders of Parent, Net of Tax					<b>2,841</b>

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## 4. FINANCIAL INFORMATION BY SEGMENTS (CONT'D)

### 4B. Secondary Analysis by Geographical Area

Revenue by geographical segments are based on location of the group's customers:

<b>(In \$'000)</b>	<b>2007</b>	<b>2006</b>
South East Asia	28,492	18,895
North and East Asia	14,967	3,291
Europe	823	1,103
United States of America	5,885	1,082
Others	183	175
Total	<u>50,350</u>	<u>24,546</u>

Segment information on the group's capital expenditure, depreciation, other operating expenses, assets and liabilities are not included above as these items are not allocated by business and geographical segments.

## 5. REVENUE

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods	50,222	24,467
Sundry income	128	79
	<u>50,350</u>	<u>24,546</u>

## 6. INTEREST INCOME

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	48	96

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## 7. OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2007	2006
	\$'000	\$'000
Allowance for impairment on trade receivables	(154)	–
Amortisation of intangible assets (Note 13B)	(91)	(56)
Bad debts written off trade receivables	(1)	–
Compensation expenses	–	(48)
Foreign exchange transaction losses	(272)	(288)
Inventories written off	–	(16)
Loss on disposal of plant and equipment	(93)	(39)
Loss on disposal of subsidiary (Note 27)	(77)	–
Negative goodwill written off (Note 13A)	8	–
Pre-operating expenses	(63)	–
	(743)	(447)
Presented in the income statement as:		
Other Credits	8	–
Other Charges	(751)	(447)
Net	(743)	(447)

## 8. FINANCE COSTS

	Group	
	2007	2006
	\$'000	\$'000
Interest expense	(483)	(67)

## 9. INCOME TAX

	Group	
	2007	2006
	\$'000	\$'000
Current tax expense	695	1,034
Deferred tax expense	98	117
Total tax expense	793	1,151

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 18% (2006 : 20%) to profit before income tax as a result of the following differences:

	Group	
	2007	2006
	\$'000	\$'000
Profit before tax	3,980	3,980

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## 9. INCOME TAX (CONT'D)

	Group	
	2007 \$'000	2006 \$'000
Income tax expense at the statutory rate	717	796
Non-allowable items	123	160
Effect of different tax rates in other countries	62	(93)
Tax exemptions and relief	(177)	(100)
Deferred tax assets valuation allowance	176	340
Under/(over) provision of income tax	(130)	48
Reduction of tax rate	14	–
Other items less than 3% each	8	–
Total income tax expense	<u>793</u>	<u>1,151</u>
Effective tax rate	19.92%	28.90%

In 2007, the government enacted a change in the national income tax rate from 20.0% to 18.0%.

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

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.

The deferred tax amounts are as follows:

Group	Consolidated Balance sheet		Net change in income statement	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<u>Deferred tax liabilities:</u>				
Excess of net book value of plant and equipment	(308)	(210)	98	117
Arising from recognition of intangible assets	(33)	(94)	–	–
Total deferred tax liabilities	<u>(341)</u>	<u>(304)</u>	<u>98</u>	<u>117</u>
<u>Deferred tax assets:</u>				
Tax loss carryforwards	516	340	176	340
Deferred tax valuation allowance	(516)	(340)	(176)	(340)
Total deferred tax assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net total of deferred tax assets	<u>(341)</u>	<u>(304)</u>	<u>98</u>	<u>117</u>
Presented in the balance sheet as follows:				
Deferred tax liabilities	<u>(341)</u>	<u>(304)</u>		

It is impracticable to estimate the amount expected to be settled or used within one year.

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## 9. INCOME TAX (CONT'D)

Movements in deferred tax balances in the balance sheet are as follows:

Group	Plant and equipment \$'000	Others \$'000	Total \$'000
Balance at the beginning of year 1 January 2006	93	–	93
Charged to income statement	117	–	117
Arising from acquisition of subsidiaries (Note 25)	–	33	33
Arising from acquisition of business (Note 26)	–	61	61
Balance at the end of year 31 December 2006	210	94	304
Balance at the beginning of year 1 January 2007	210	94	304
Charged to income statement	98	–	98
Arising from disposal of subsidiaries (Note 27)	–	(61)	(61)
Balance at the end of year 31 December 2007	308	33	341
<b>Unrecorded deferred tax asset:</b>		<b>Group</b>	
		<b>2007</b>	<b>2006</b>
		<b>\$'000</b>	<b>\$'000</b>
Unused tax losses available		516	340
A deferred tax asset has not been recognised		516	340

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

For the losses in Malaysia and Indonesia, the realisation of the future income tax benefits from tax loss carry forward 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.

## 10. EARNINGS PER SHARE

The earnings per share is calculated by dividing the group's profit attributable to shareholders by the weighted 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 \$3,543,000 (2006: \$2,841,000) and the weighted average number of ordinary shares of 105,555,147 (2006: 98,005,920) in issue during the financial year.

The fully diluted earnings per share has been calculated based on profit attributable to shareholders of \$3,543,000 (2006: \$2,841,000) and the weighted average number of ordinary shares of 106,204,671 (2006: 98,310,465) in issue during the financial year.

## 11. DIVIDENDS ON EQUITY SHARES

	2007 \$'000	2006 \$'000
2006 Interim dividend paid of 0.5 cent net of income tax per share	–	491
2005 Final dividend paid of 1.1 cents net of income tax per share	–	1,078
	–	1,569

In respect of the current year, the directors propose that a dividend of 0.2 cent per share totalling \$220,076 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.

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## 12. PLANT AND EQUIPMENT

Group	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost</b>			
At beginning of year 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 27)	(48)	(1,208)	(1,256)
Disposals	–	(1,408)	(1,408)
At end of year 31 December 2007	1,298	11,771	13,069
<b>Accumulated depreciation:</b>			
At beginning of year 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 27)	(8)	(125)	(133)
Disposals	–	(242)	(242)
At end of year 31 December 2007	473	2,370	2,843
Net book value: At end of year 31 December 2007	825	9,401	10,226
<b>Group</b>			
	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost</b>			
At beginning of year 1 January 2006	755	3,972	4,727
Arising from acquisition of subsidiaries (Note 25)	–	207	207
Exchange Adjustments	(5)	29	24
Additions	182	5,923	6,105
Disposals	–	(958)	(958)
At end of year 31 December 2006	932	9,173	10,105
<b>Accumulated depreciation:</b>			
At beginning of year 1 January 2006	206	1,509	1,715
Arising from acquisition of subsidiaries (Note 25)	–	59	59
Exchange Adjustments	(3)	(10)	(13)
Depreciation for the year	193	876	1,069
Disposals	–	(726)	(726)
At end of year 31 December 2006	396	1,708	2,104
Net book value: At end of year 31 December 2006	536	7,465	8,001
Net book value: At beginning of year 1 January 2006	549	2,463	3,012

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## 12. PLANT AND EQUIPMENT (CONT'D)

Company	Plant and equipment \$'000
<b>Cost</b>	
At beginning of year 1 January 2007	15
Additions	484
At end of year 31 December 2007	499
<b>Accumulated depreciation:</b>	
At beginning of year 1 January 2007	3
Depreciation for the year	12
At end of year 31 December 2007	15
Net book value: At end of year 31 December 2007	484
<b>Cost</b>	
Balance at beginning of 1 January and end of year 31 December 2006	15
<b>Accumulated depreciation:</b>	
At beginning of year 1 January 2006	–
Depreciation for the year	3
At end of year 31 December 2006	3
Net book value: At end of year 31 December 2006	12
Net book value: At beginning of year 1 January 2006	15

Certain motor vehicles are under finance lease agreements (see Note 21).

The depreciation expense is charged as follows:

	Cost of sales \$'000	Distribution costs \$'000	Administrative expenses \$'000	Total \$'000
2007	940	15	254	1,209
2006	842	13	214	1,069

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## 13. INTANGIBLES ASSETS

	Group	
	2007 \$'000	2006 \$'000
Goodwill (Note 13A)	33	94
Other Intangibles Assets (Note 13B)	95	468
	128	562

### 13A. Goodwill

	Group	
	2007 \$'000	2006 \$'000
Cost:		
At beginning of year 1 January	94	–
Acquisition of subsidiaries (Note 25)	(8)	33
Acquisition of business (Note 26)	–	61
Disposal of subsidiary (Note 27)	(61)	–
Negative goodwill written off (Note 7)	8	–
At end of year 31 December	33	94

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

	Group	
	2007 \$'000	2006 \$'000
HLN Promax Pte Ltd	–	61
Pri-V International Pte Ltd	33	33
	33	94

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 (CGU) exceeds its recoverable amount. The recoverable amounts of cash-generating units have been determined based on the value in use method.

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

The value in use was determined by management. The key assumptions for the value in use calculations are as follows:

	2007	2006
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs.	12.46%	19%
2. Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets.	4% – 13%	10%
3. Cash flow forecasts derived from the most recent financial budgets approved by management.	5 years	5 to 7 years

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## 13. INTANGIBLES ASSETS (CONT'D)

### 13B. Other Intangibles Assets

Group	Customer list	
	2007 \$'000	2006 \$'000
<b>Cost:</b>		
At beginning of year 1 January	524	–
Arising from acquisition of subsidiary (Note 25)	–	168
Arising from acquisition of business (Note 26)	–	356
Disposal of subsidiary (Note 27)	(359)	–
At end of year 31 December	165	524
<b>Accumulated amortisation:</b>		
At beginning of year 1 January	56	–
Amortisation for the year	91	56
Disposal of subsidiary (Note 27)	(77)	–
At end of year 31 December	70	56
Net book value:		
At end of year 31 December	95	468

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

## 14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 \$'000	2006 \$'000
Unquoted equity shares at cost	7,750	4,750
Net book value of subsidiaries	16,760	16,138

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## 14. 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		Percentage of equity held by the group	
	2007 \$'000	2006 \$'000	2007 %	2006 %
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) (h)</sup> Singapore Investment holding company	4,000	1,000	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>(e)</sup> People's Republic of China Precision elastomeric moulding of rubber components (Shanghai RSM Chio Lim, People's Republic of China)	839	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> Pri-V International Pte Ltd <sup>(a) (f)</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	100	100
<u>Held through HLN Micron Pte. Ltd.</u> HLN Promax Pte. Ltd. <sup>(g)</sup> Singapore Precision machining of metallic components	–	336	–	51

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## 14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

**Name of subsidiary, country of incorporation, place of operations and principal activities (and independent auditors)**

**Cost of the Investments**

2007 \$'000	2006 \$'000	Percentage of equity held by the group 2007 %	2006 %
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HLN Technologies Sdn Bhd <sup>(a) (i)</sup> Malaysia Precision turning of metallic components (SQ Morison, Malaysia)	1,611	661	100	60
HLN Metal Centre Pte. Ltd. <sup>(a) (i)</sup> Singapore Precision machining and slitting of aluminium products	1,492	(c)	75	55
<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	(c)	100	100
HLN Metal (Suzhou) Co., Ltd. <sup>(b) (k)</sup> (incorporated on 17 July 2007) People's Republic of China Precision machining and slitting of aluminium products (Welsen Certified Public Accountants Co., Ltd.)	229	–	100	–

(a) Audited by RSM Chio Lim, Singapore.

(b) Not audited as it is immaterial.

(c) Cost of investment is less than \$1,000.

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

(e) Audited by Shanghai RSM Chio Lim, a firm affiliated with RSM Chio Lim in Singapore.

(f) Although this acquisition was completed in 18 November 2006, the effective date of acquisition was 1 October 2006. See Note 25.

(g) The subsidiary has been disposed off and the effective date of disposal is 30 June 2007. Nevertheless, 255,000 ordinary shares in HLN Promax Pte. Ltd. (representing 25.5% shareholding) are to be transferred to Magarich upon the completion of the consideration payment. See Note 27.

(h) During May 2007, the company subscribed for additional 3,000,000 ordinary shares in the capital of HLN Micron Pte Ltd for a consideration of \$3,000,000. The consideration was satisfied by cash consideration of \$2,350,000 and capitalisation of \$650,000 owing by HLN Micron Pte Ltd to the company.

(i) 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 \$98,000. See Note 25.

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## 14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (j) During April 2007, HLN Micron Pte Ltd subscribed for additional 1,099,998 ordinary shares in the capital of HLN Metal Centre Pte Ltd for a cash consideration of S\$1,099,998.  
During November 2007, HLN Micron Pte Ltd acquired a further 20% interest from minority shareholders of HLN Metal Centre Pte Ltd for consideration of S\$391,920. The consideration was satisfied by the issue of 552,000 ordinary shares of the company. See Notes 18 and 25.
- (k) HLN Metal (Suzhou) Co., Ltd was incorporated on 17 July 2007 with total committed capital contribution of US\$1,000,000 (approximately S\$1,445,000). As at 31 December 2007, HLN Metal Centre Pte Ltd has contributed US\$150,000 (approximately S\$229,000). The balance of capital commitment is disclosed in Note 29.

## 15. INVENTORIES

	Group	
	2007 \$'000	2006 \$'000
Finished goods	8,365	1,358
Work in process	383	368
Raw materials and consumables	4,488	1,287
	13,236	3,013
The write-down of inventories charged to income statement included in other charges	–	(16)
Changes in inventories of finished goods (increase)	(7,007)	(409)
Raw materials and consumables used included in cost of sales	(23,616)	(4,309)

## 16. TRADE AND OTHER RECEIVABLES, CURRENT

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Trade receivables:</b>				
Outside parties	12,294	7,876	–	–
Less: allowance for impairment	(154)	–	–	–
<b>Other receivables and prepayments:</b>				
Deposits to secure services	377	502	79	79
Other receivables	1,080	47	8	4
Subsidiaries (Note 3)	–	–	4,591	2,206
Prepayments	268	335	41	27
Total trade and other receivables	13,865	8,760	4,719	2,316
<b>Movements in above allowance:</b>				
Charge for trade receivables to income statement included in other charges (Note 7)	(154)	–	–	–
Balance at end of year	(154)	–	–	–

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## 16. TRADE AND OTHER RECEIVABLES, CURRENT (CONT'D)

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

Current receivables with a short duration are not discounted and the carrying amounts are assumed to be a reasonable approximation of fair values.

Included in the amount of other receivables is an amount of \$722,000 due from an ex-related party of which \$512,000 was arose from the disposal of a subsidiary (Note 27) and the balance \$210,000 for FY2006 and FY2007 management fees due to company's subsidiary.

## 17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Not restricted in use	5,748	3,214	1,389	908
Restricted in use #a	1,000	1,200	1,000	1,000
	6,748	4,414	2,389	1,908
Interest earning balances	2,541	1,708	1,541	1,507

#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 1.6% and 3.23% (2006: 1.6% and 3.23%) receivable monthly.

The carrying amounts are assumed to be a reasonable approximation of fair values.

17A. Cash and cash equivalents in the cash flow statement:

	Group	
	2007 \$'000	2006 \$'000
As shown above	6,748	4,414
Bank overdrafts (Note 21A)	(36)	(32)
Fixed deposits pledged as security	(1,000)	(1,200)
Cash and cash equivalents for cash flow statement purposes at end of year	5,712	3,182

Non-cash transactions:

During the year there were acquisitions of plant and equipment with a total cost of \$699,000 (2006: \$35,000) acquired by means of finance leases.

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 is \$391,920. See Note 18 and 25.

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## 18. SHARE CAPITAL

	Number of shares	Issued share capital \$'000
<b>Ordinary shares of no par value:</b>		
Balance at beginning of year 1 January 2006	98,005,920	4,900
Transfer of share premium balance #	–	2,670
Balance at end of year 31 December 2006	98,005,920	7,570
Issue of shares (a)	1,680,000	470
Share based payments (a)	–	84
Issue of shares (b)	9,800,000	5,390
Share issue expenses	–	(198)
Issue of shares (c)	552,000	392
Balance at end of year 31 December 2007	110,037,920	13,708

# With the changes to the Companies Act, Cap 50, effective from 30 January 2006, there is the removal of the concept of par value and authorised capital and there is no share premium account. The company had a share premium account balance of \$2,670,000 after offsetting the IPO expenses of approximately \$12,000 at the end of the year. This amount has now been included in share capital as required by the changes to the Companies Act.

The ordinary shares of no par value carry no right to fixed income and are fully paid. The company is not subject to any externally imposed capital requirements.

The objectives when managing capital are: to safeguard the company'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 company sets the amount of capital in proportion to risk. The management manages the capital structure and makes adjustments to it 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 management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, retained earnings and other reserves).

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net debt:				
All current and non-current borrowings including finance leases	12,113	2,420	–	–
Less cash and cash equivalents	(6,748)	(4,414)	–	–
Net debt	5,365	(1,994)	–	–
Net capital:				
Equity	23,773	14,233	14,779	8,716
Debt-to-adjusted capital ratio	22.6%	#	#	#

# Not meaningful

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## 18. SHARE CAPITAL (CONT'D)

The increase in the debt-to-adjusted capital ratio during 2007 resulted primarily from the increase in the new debt. There was a favourable change with improved retained earnings.

The only externally imposed capital requirement is that for the group to maintain its listing on the Singapore Stock Exchange it has to have share capital with at least a free float of 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 receive a report from the registrars regularly on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

During the year, the company has issued the following number of shares:

- (a) 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 payment amounted to \$84,000. See Note 19B.
- (b) 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.
- (c) 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 25.

## 19. SHARE-BASED PAYMENTS

### 19A. 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.

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## 19. SHARE-BASED PAYMENTS (CONT'D)

### 19A. Activities Under The Share Options Scheme (Cont'd)

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 01.01.2006	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2006	Exercise price per Share	Exercisable periods
01.03.2006	–	1,880,000	–	(320,000)	1,560,000	\$0.28	01.03.2007 to 28.02.2017 (i)
01.03.2006	–	450,000	–	–	450,000	\$0.28	01.03.2007 to 28.02.2012 (ii)

Date of grant	Balance at 01.01.2007	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2007	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 (i)
01.03.2006	450,000	–	(450,000)	–	–	\$0.28	01.03.2007 to 28.02.2012 (ii)

(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 year of 2007.

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 paragraph, no employee or employee of related corporations has received 5% or more of the total options available under this scheme.

During the 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.

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## 19. SHARE-BASED PAYMENTS (CONT'D)

### 19A. Activities Under The Share Options Scheme (Cont'd)

Balance of stock options as at 31 December 2006 includes 400,000 options granted to two former directors and one former employee of the company who have been granted an extension of time from the date of cessation of employment as director or employee, by the Remuneration Committee to exercise the outstanding options. These options granted have been exercised on 9 April 2007.

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 financial year 2006	Aggregate options granted since commencement of the Scheme to the end of financial year 2006	Aggregate options exercised since commencement of the Scheme to the end of financial year 2006	Aggregate options lapsed since commencement of the Scheme to the end of financial year 2006	Aggregate options outstanding as at the end of financial year 2006
Ng Khoon Seng	150,000	150,000	–	–	150,000
Hein Ke Long, Henry	150,000	150,000	–	–	150,000
Jovenal R. Santiago	150,000	150,000	–	–	150,000
Chow Kok Kee (a)	150,000	150,000	–	–	150,000
Kong Yim Pui, Susan (b)	150,000	150,000	–	–	150,000

Name of director	Options granted during the financial 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 Khoon Seng	–	150,000	–	–	150,000
Hein Ke Long, Henry	–	150,000	–	–	150,000
Jovenal R. Santiago	–	150,000	(150,000)	–	–
Chow Kok Kee (a)	–	150,000	(150,000)	–	–
Kong Yim Pui, Susan (b)	–	150,000	(150,000)	–	–

(a) resigned on 25 November 2006

(b) resigned on 31 October 2006

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## 19. SHARE-BASED PAYMENTS (CONT'D)

### 19A. Activities Under The Share Options Scheme (Cont'd)

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

Name of employee	Options granted during the financial year 2006	Aggregate options granted since commencement of the Scheme to the end of financial year 2006	Aggregate options exercised since commencement of the Scheme to the end of financial year 2006	Aggregate options lapsed since commencement of the Scheme to the end of financial year 2006	Aggregate options outstanding as at the end of financial year 2006
Ng Koon Chuan, Francis	120,000	120,000	–	–	120,000
Seow Teck Lim, Benjamin	120,000	120,000	–	–	120,000
Ee Teck Siew	120,000	120,000	–	–	120,000

Name of employee	Options granted during the financial 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	–	120,000	(120,000)	–	–
Ee Teck Siew	–	120,000	(120,000)	–	–

### 19B. 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 19A above.

Activities under the Scheme are summarised as follows:

	Total share options - number		Weighted average exercise price	
	2007	2006	2007 \$	2006 \$
Balance at 1 January	2,010,000	–	0.28	–
Granted	–	2,330,000	–	0.28
Exercised	(1,680,000)	–	0.28	–
Cancelled/lapsed	(20,000)	(320,000)	0.28	0.28
Balance at 31 December	310,000	2,010,000	0.28	0.28

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## 19. SHARE-BASED PAYMENTS (CONT'D)

### 19B. Accounting For The Share Options (Cont'd)

The following table summarises information about employee and director stock options outstanding at 31 December 2007 and 31 December 2006:

Exercise price	Number outstanding at 31 December 2007	Number exercisable	Weighted average remaining life (years)
\$0.28	310,000	310,000	4.3

Exercise price	Number outstanding at 31 December 2006	Number exercisable	Weighted average remaining life (years)
\$0.28	2,010,000	–	6.1

	Group and company	
	2007	2006
	\$'000	\$'000
<b>Share option reserve:</b>		
Balance at 1 January	105	–
Grant of share options #	–	105
Exercised	(84)	–
Cancelled/lapsed	(5)	–
At end of year	16	105

# The above share option expense is also included in employee benefits expense.

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:

	2007	2006
Weighted average share price	0.27	0.27
Weighted average exercise price	0.28	0.28
Dividend yield expected	0%	0%
Risk-free annual interest rates	3.226%	3.226%
Volatility expected - determined by calculating the historical volatility of the company's share price over the previous 4 months	49.11%	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	5 years

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## 20. OTHER RESERVES

Group	Currency translation	Share based payments	Total
	2007	2007	2007
	\$'000	\$'000	\$'000
Balance at 1 January	(176)	105	(71)
Exchange adjustments	(52)	–	(52)
Share based payments (Note 19B)	–	(84)	(84)
Lapse of share options (Note 19B)	–	(5)	(5)
	(228)	16	(212)

Group	Currency translation	Share based payments	Total
	2006	2006	2006
	\$'000	\$'000	\$'000
Balance at 1 January	(136)	–	(136)
Exchange adjustments	(40)	–	(40)
Grant of share options (Note 19B)	–	105	105
	(176)	105	(71)

The currency translation reserve accumulates all foreign exchange differences.

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

## 21. OTHER FINANCIAL LIABILITIES

	Group	
	2007	2006
	\$'000	\$'000
<b>Non-current:</b>		
Bank loans (secured) (Note 21C)	530	792
Finance leases (Note 21D)	126	24
Non-current, total	656	816
<b>Current:</b>		
Bank overdrafts (secured) (Note 21A)	36	32
Trust receipts (Note 21B)	7,061	–
Bank loans (secured) (Note 21C)	4,311	1,566
Finance leases (Note 21D)	49	6
Current, total	11,457	1,604
Total	12,113	2,420

All the amounts are at floating interest rates.		
The range of floating rate interest rates paid were as follows:		
Bank overdrafts	7%	7%
Bank loans (secured)	4.01% to 7.75%	4.98% to 7.75%
Trust receipts	4% to 7%	–

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

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## 21. OTHER FINANCIAL LIABILITIES (CONT'D)

### 21A Bank overdrafts (secured)

The bank overdrafts are secured by 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 0.25% (2006: 0.25%) above the bank's base lending rate per annum calculated on monthly rests.

### 21B Trust Receipts (secured)

The trust receipts of \$7,061,000 (2006: Nil) are covered by the company's corporate guarantee and a personal guarantee from a director of HLN Metal Centre Pte. Ltd.

### 21C Bank loans (secured)

The long-term borrowing of \$454,000 (2006: Nil) is repayable by 36 equal quarterly principal instalments from February 2008. This long-term borrowing is covered by a corporate guarantee from a subsidiary, HLN Rubber Products Pte. Ltd. It bears interest at 1% (2006: Nil) above the bank's base lending rate per annum calculated on monthly rests. Out of the total \$454,000, the current portion and non-current portion of the long-term borrowing are \$144,000 and \$310,000 (2006: Nil) respectively.

The long-term borrowing of \$814,000 (2006: \$1,162,000) is repayable by 36 equal quarterly principal instalments from October 2006. This long-term borrowing is covered by a corporate guarantee from a subsidiary, HLN Rubber Products Pte. Ltd. Out of the total \$814,000 (2006: \$1,162,000), the current portion and non-current portion of the long-term borrowing are \$594,000 and \$220,000 (2006: \$370,000 and \$792,000) respectively.

The short-term borrowings of \$2,177,000 (2006: \$1,000,000) relate to a revolving money market loan with each maturity of not less than 3 months and not exceeding 6 months with rollovers. These long-term borrowings are covered by the company's corporate guarantee. The entire portion of the loan is payable within a year.

The short-term borrowings of \$1,396,000 (2006: \$196,000) 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 bank incorporated in China. The credit facility is 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.

### 21D Finance leases

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'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	182	(7)	175
Net book value of plant and equipment under finance leases			191

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## 21. OTHER FINANCIAL LIABILITIES (CONT'D)

### 21D Finance leases (Cont'd)

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<b>2006</b>			
Minimum lease payments payable:			
Due within one year	8	(2)	6
Due within 2 to 5 years	27	(3)	24
Total	35	(5)	30
Net book value of plant and equipment under finance leases			39

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 – 5 years (2006: 5 years). The range of interest rate for certain of the finance leases are fixed at 3.50% to 4.25% (2006: 3.5%) 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 lease are secured by a personal guarantee from a director of a subsidiary.

The fair value of the lease obligations approximates to their carrying amount.

## 22. TRADE AND OTHER PAYABLES, CURRENT

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Trade payables:</b>				
Outside parties and accrued liabilities	4,276	5,411	561	43
Related parties (Note 3)	–	21	–	–
	4,276	5,432	561	43
<b>Other payables:</b>				
Other payables	2,196	227	–	189
Advance from shareholder of a subsidiary - unsecured (Note 3)	–	74	–	–
	2,196	301	–	189
Total trade and other payables	6,472	5,733	561	232

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## 23. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

### 23A. Financial risk management

The company has certain strategies for the management of financial risks. These 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 only in the case of temporary excess of liquidity and such transactions have to be authorised by the board of directors.

The company is exposed to currency and interest rate risks. There is no arrangement to reduce such risk exposures through derivatives and other hedging instruments.

The main market risks subject to exposure are interest rates and foreign exchange. There is also exposure to credit risk and liquidity risk. Credit risk on cash balances and derivative financial instruments is limited because the counter-parties are banks with high credit ratings. The management committee who monitors the procedures reports to the board and ensures that the policies and procedures are followed in practice.

### 23B. Carrying amount of financial assets and liabilities

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

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assets:				
Cash and cash equivalents	6,748	4,414	2,389	1,908
Trade and other receivables	13,220	7,923	4,599	2,210
At end of year	19,968	12,337	6,988	4,118
Financial liabilities:				
Measured at amortised cost:				
- Trade and other payables	6,472	5,733	561	232
- Finance leases	175	30	-	-
- Other financial liabilities	11,938	2,390	-	-
At end of year	18,585	8,153	561	232

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## 23. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 23C. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. Credit risk on cash balances and derivative financial instruments is limited because the counter-parties are banks with high credit ratings. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. As part of the process of setting customer credit limits, different external credit reference agencies are used, according to the country of the customer.

Cash and cash equivalents balances represent short-term deposits with less than 90 days maturity except for cash restricted in use (Note 17A).

The table below illustrates the trade receivables ageing analysis:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables:		
Less than 30 days	3,927	2,638
31-60 days	3,719	2,682
61-90 days	2,807	1,741
91- 120 days	1,148	618
121- 150 days	395	77
151- 180 days	94	21
Over 180 days	50	99
At end of year	12,140	7,876

The average credit period generally granted to non-related trade receivable customers is about 30 – 90 days (2006: 30 – 90 days). Some customers take a longer period to settle the amounts.

Concentration of trade receivable customers:

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Top 1 customer	5,110	643	–	–
Top 2 customers	6,881	1,161	–	–
Top 3 customers	7,943	1,534	–	–

Other receivables are normally with no fixed terms and therefore there is no maturity.

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## 23. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 23D. 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	
	2007 \$'000	2006 \$'000
Borrowings :		
Less than 1 year	11,408	1,598
1 – 3 years	530	792
At end of year	11,938	2,390

The average credit period taken to settle non-related trade payables is about 60 – 100 days (2006: 90 – 120 days). The other payables are with short-term durations. The carrying amounts are assumed to be a reasonable approximation of fair values.

See Note 21D for details of the maturity of finance leases.

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.

Bank facilities:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Undrawn borrowing facilities	12,084	14,132	–	–
Bank guarantees	390	35	–	–

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

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## 23. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 23E. Interest rate risk

The interest rate risk exposure mainly concerns financial liabilities and financial assets. These financial instruments are both at fixed rate and floating rates. The interest rate risk on financial assets is not significant. The following table analyses the breakdown of the financial liabilities by type of interest rate:

	Group	
	2007 \$'000	2006 \$'000
Financial liabilities:		
Fixed rate	175	30
Floating rate	11,938	2,390
At end of year	12,113	2,420

Sensitivity analysis:

	Group	
	2007 \$'000	2006 \$'000
A hypothetical increase in interest rates by 2% would have a adverse effect on profit before tax of	11	2
A hypothetical increase in interest rates by 3% would have a adverse effect on profit before tax of	17	3
A hypothetical increase in interest rates by 4% would have a adverse effect on profit before tax of	23	4
A hypothetical increase in interest rates by 5% would have a adverse effect on profit before tax of	28	4

The analysis has been performed separately for floating interest rate financial liabilities. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. Also see Note 21 for interest rates.

### 23F. Foreign currency risks

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

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 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

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## 23. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 23F. Foreign currency risks (Cont'd)

Financial assets	Group		
	Cash and cash equivalents \$'000	Receivables \$'000	Total \$'000
<b>At 31 December 2006</b>			
US dollars	610	2,986	3,596
China RMB	145	399	544
Malaysian Ringgit	53	–	53
Euro	7	87	94
Indonesia Rupiah	142	–	142
At 31 December 2006	957	3,472	4,429
Financial liabilities	Borrowings \$'000	Group 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
Euro	–	–	–
Indonesia Rupiah	–	183	183
At 31 December 2007	7,369	4,000	11,369
Financial liabilities	Borrowings \$'000	Group Payables \$'000	Total \$'000
<b>At 31 December 2006:</b>			
US dollars	–	1,049	1,049
China RMB	197	423	620
Malaysian Ringgit	1,162	167	1,329
Euro	–	–	–
Indonesia Rupiah	–	240	240
At 31 December 2006	1,359	1,879	3,238

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## 23. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

### 23F. Foreign currency risks (Cont'd)

Sensitivity analysis:

	Group	
	2007 \$'000	2006 \$'000
A hypothetical 5% increase in the exchange rate of the functional currency against the US\$ would have a favourable / (adverse) effect on profit before tax of	90	195
A hypothetical 5% increase in the exchange rate of the functional currency against the China RMB would have a favourable / (adverse) effect on profit before tax of	14	(1)
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	(46)	(28)
A hypothetical 5% increase in the exchange rate of the functional currency against the Euro would have a favourable / (adverse) effect on profit before tax of	24	9
A hypothetical 5% increase in the exchange rate of the functional currency against the Indonesia Rupiah would have a favourable / (adverse) effect on profit before tax of	(1)	(1)

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

## 24. EMPLOYEE BENEFITS EXPENSE

	Group	
	2007 \$'000	2006 \$'000
Employee benefits expense including directors	9,670	5,605
Contributions to defined contribution plan	569	352
Share-based payments	(5)	105
Total employee benefits expense	10,234	6,062

## 25. 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 chief operating officer of the company) and Tay Mun Hwa ("TMH") (the director of HMC) respectively for consideration of \$391,920. The transaction was accounted for by the purchase method of accounting. The consideration for the acquisition is to be settled through the issue of new ordinary shares in the capital of the company ("consideration shares"). The consideration shares are 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, at an issue price of \$0.71 per consideration share. See Note 18.
- (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 FY2008, subject to FY2008 NPBT of the HMC group being greater than the FY2007 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.

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## 25. ACQUISITION OF SUBSIDIARIES (CONT'D)

The above transaction is 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.

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.

On 18 November 2006, a subsidiary of the company, Process Innovation Technology Pte Ltd, acquired 60% of Pri-V International Pte Ltd, a company incorporated in Singapore and 100% of Pri-V Technology Sdn Bhd, a company incorporated in Malaysia. The transaction was accounted for by the purchase method of accounting. Although this acquisition was completed in 18 November 2006, the effective date of acquisition was 1 October 2006.

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

	<b>Group</b>			
	<b>Before combination 2007 \$'000</b>	<b>Acquiree's carrying amount At fair values 2007 \$'000</b>	<b>Before combination 2006 \$'000</b>	<b>At fair values 2006 \$'000</b>
Cash and cash equivalents	72	72	82	82
Trade and other receivables	925	925	419	419
Inventories	1,092	1,092	47	47
Plant and equipment	808	808	148	148
Intangible assets	-	-	-	168
Goodwill	-	(8)	-	33
Trade and other payables	(1,212)	(1,212)	(363)	(363)
Income tax payable	(1)	(1)	(11)	(11)
Deferred tax liability	-	-	-	(33)
Finance leases	(211)	(211)	-	-
Term loan	(984)	(984)	-	-
Translation reserve	9	9	-	-
Minority interest	-	-	(299)	(299)
<b>Total consideration</b>	<b>498</b>	<b>490</b>	<b>23</b>	<b>191</b>
Satisfied by:				
Cash		98		191
Issue of share capital (Note 18)		392		-
		<u>490</u>		<u>191</u>
Cash consideration		98		191
Less: cash taken over		-		(82)
		<u>98</u>		<u>109</u>
Net cash outflow on acquisition		98		109

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## 25. ACQUISITION OF SUBSIDIARIES (CONT'D)

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

	Acquisition in	
	2007 \$'000	2006 \$'000
Revenue	201	352
Loss before tax	(178)	(78)

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

	Acquisition in	
	2007 \$'000	2006 \$'000
Revenue	1,539	1,459
Loss before tax	(879)	(160)

## 26. ACQUISITION OF BUSINESS

On 26 May 2006, a subsidiary of the company, HLN Micron Pte Ltd, acquired through its subsidiary, HLN Promax Pte Ltd, 51% of the business of Promax Precision Engineering Pte Ltd, a company incorporated in Singapore. 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 \$'000	At fair values \$'000
Intangible assets	–	356
Goodwill	–	61
Deferred tax liability	–	(61)
	–	356
Consideration		356
Net cash taken over		–
Net cash outflow on acquisition		356

## 27. 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 has ceased to have management control in Promax, save that the group appointed director, Mr. Hein Ke Long, shall continue to remain as the director of Promax until the completion of the consideration payment. Nevertheless, 255,000 ordinary shares in Promax (representing 25.5% shareholding) are to be transferred to Magarich upon the completion of the consideration payment.

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## 27. DISPOSAL OF SUBSIDIARY (CONT'D)

The purchase consideration is to be settled by Magarich in the following manner:

- (i) a sum of \$200,000 on the date of the Share Sale Agreement;
- (ii) a sum of \$102,000 on 31 October 2007;
- (iii) a sum of \$102,000 on 30 November 2007;
- (iv) a sum of \$102,000 on 31 December 2007;
- (v) a sum of \$102,000 on 31 January 2008;
- (vi) a sum of \$102,000 on 29 February 2008; and
- (vii) a sum of \$104,000 on 31 March 2008.

The net assets of the company at the date of disposal and at 31 December 2006 were as follows:

	Group	
	Date of disposal in 2007 \$'000	End of year 2006 \$'000
Cash and cash equivalents	196	539
Trade and other receivables	2,031	2,065
Inventories	64	270
Plant and equipment	1,123	962
Goodwill	61	61
Intangible assets	282	314
Trade and other payables	(1,680)	(2,449)
Income tax payable	(14)	(83)
Deferred tax liability	(61)	(116)
Finance leases	(522)	–
Minority interest	(589)	(613)
	891	950
Loss on disposal	(77)	
Total consideration	814	
Satisfied by:		
Cash	302	
Loan receivables	512	
	814	
Net cash inflow on disposal:		
Cash consideration	302	
Cash balance disposed of	(196)	
Net cash inflow	106	

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## 27. DISPOSAL OF SUBSIDIARY (CONT'D)

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:

	Group	
	Period ended 30/6/2007 \$'000	Period ended 31/12/2006 \$'000
Revenue	1,000	1,895
Cost of sales	(905)	(1,165)
Gross profit	95	730
Marketing and distribution costs	(65)	(62)
Administrative expenses	(100)	(151)
Finance costs	(3)	–
Other charges	7	(22)
(Loss) / Profit before tax	(66)	495
Income tax expense	8	(94)
Profit for the year	(58)	401

## 28. CONTINGENT LIABILITIES

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Letter of credits	1,898	–	–	–
Performance guarantees – unsecured	390	35	–	–
Corporate guarantees in favour of subsidiaries – unsecured	–	–	19,100	8,475

## 29. CAPITAL COMMITMENTS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Commitment to take up shares in HLN Metal (Suzhou) Co., Ltd (Note 14)	1,228	–	–	–
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	405	241	–	–

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## 30. 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	
	2007	2006
	\$'000	\$'000
Not later than one year	1,112	639
Later than one year and not later than five years	1,325	787
Later than five years	–	65
Rental expense for the year	1,085	631

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.

## 31. ITEMS IN THE INCOME STATEMENT

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

Group	2007	2006
	\$'000	\$'000
Other fees to independent auditors included under administrative expenses		
- company's independent auditors	13	5
- other independent auditors	6	6

## 32. EVENTS AFTER THE BALANCE SHEET DATE

During January 2008, a subsidiary of the company, HLN Micron Pte Ltd, and Tay Mun Hwa, a director of HLN Metal Centre Pte Ltd ("HMC"), have further subscribed for 750,000 and 250,000 new ordinary shares respectively in the capital of HMC. Following this, HMC has increased its issued and paid up capital from \$2 million to \$3 million. There is no change in the percentage of equity held in HLN Metal Centre by HLN Micron Pte Ltd.

## 33. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

The XBRL format has been used for the first time. Adoption of the new XBRL format has resulted in some reclassifications in the components of the financial statements and related notes but these did not require modifications to financial statements measurements.

For the year ended 31 December 2007 the following new or revised Singapore Financial Reporting Standards were adopted for the first time. The new or revised standards did not require any material modification of the measurement method or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
FRS 1	Presentation of Financial Statements - Amendments relating to capital disclosures
FRS 40	Investment Property (*)
FRS 107	Financial Instruments: Disclosures
FRS 107	Financial Instruments: Disclosures - Implementation Guidance
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (*)
INT FRS 108	Scope of FRS 102

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## 33. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS (CONT'D)

INT FRS 109	Reassessment of Embedded Derivatives (*)
INT FRS 110	Interim Financial Reporting and Impairment

(\*) Not relevant to the entity.

## 34. 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 is not expected to have a material impact on the financial statements.

FRS No.	Title	Effective date for periods beginning on or after
FRS 23	Borrowing Costs	1.1.2009
FRS 108	Operating Segments	1.1.2009
INT FRS 111	FRS102 - Group and Treasury Share Transactions	1.3.2007
INT FRS 112	Service Concessions Arrangements	1.1.2008

## 35. CHANGES IN ACCOUNTING POLICIES, RECLASSIFICATIONS AND COMPARATIVE FIGURES

Effective from 1 January 2007 certain new or revised Singapore Financial Reporting Standards and the XBRL format were adopted as mentioned in Note 33. Adoption of these has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and these changes are summarised below:

	After reclassification \$'000	Before reclassification \$'000	Difference \$'000
<u>2006 Balance sheet:</u>			
Intangible assets, Total	562	-	562
Goodwill	-	94	(94)
Intangible assets	-	468	(468)
Finance leases, Current	(6)	-	(6)
Other financial liabilities, Current	(1,598)	-	(1,598)
Finance leases, Non-Current	(24)	-	(24)
Other financial liabilities, Non-Current	(792)	-	(792)
Short-term borrowings	-	(32)	32
Current portion of long-term borrowings	-	(1,566)	1,566
Current portion of finance leases	-	(6)	6
Long-term borrowings	-	(792)	792
Finance leases	-	(24)	24
<u>2006 Income statement:</u>			
Interest income	96	-	96
Financial income	-	96	(96)
Finance costs	(67)	-	(67)
Other charges	(447)	-	(447)
Financial expenses	-	(355)	355
Other credits / (charges)	-	(159)	159
<u>2006 Statement of changes in equity:</u>			
Other reserve	(71)	-	(71)
Share option reserve	-	105	(105)
Foreign currency translation reserve	-	(176)	176

# INFORMATION ON SHAREHOLDINGS

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As at 14 March 2008

Number of shares : 110,037,920  
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	2	0.14	1,380	0.00
1,000 - 10,000	745	51.70	5,026,000	4.57
10,001 - 1,000,000	680	47.19	36,536,740	33.20
1,000,001 AND ABOVE	14	0.97	68,473,800	62.23
<b>TOTAL</b>	<b>1,441</b>	<b>100.00</b>	<b>110,037,920</b>	<b>100.00</b>

## Shareholding held by the public

Based on the information available to the Company as at 14 March 2008, approximately 52.49% 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	33,720,720	30.64	-	-
Ng Khoon Seng (1)	4,039,540	3.67	4,000,000	3.64
OCBC Securities Private Ltd	6,718,000	6.11	-	-

Notes :-

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

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## TWENTY LARGEST SHAREHOLDERS

NAME	NO. OF SHARES	%
1. WA KOK LIANG	33,720,720	30.64
2. OCBC SECURITIES PRIVATE LTD	6,718,000	6.11
3. LIM & TAN SECURITIES PTE LTD	4,270,000	3.88
4. NG KHOON SENG	4,039,540	3.67
5. WA SWEE BEE	3,472,940	3.16
6. HONG LEONG FINANCE NOMINEES PTE LTD	2,736,000	2.49
7. DBS VICKERS SECURITIES (S) PTE LTD	2,721,000	2.47
8. KIM ENG SECURITIES PTE. LTD.	2,588,000	2.35
9. DBS NOMINEES PTE LTD	1,696,000	1.54
10. PHILLIP SECURITIES PTE LTD	1,471,000	1.34
11. UOB KAY HIAN PTE LTD	1,396,000	1.27
12. UNITED OVERSEAS BANK NOMINEES PTE LTD	1,319,000	1.20
13. LOO TIAN SZE MELVIN	1,200,480	1.09
14. WA SOCK YIN	1,125,120	1.02
15. NG KOON CHUAN FRANCIS	962,500	0.87
16. WONG KOON CHUE @ WONG KOON CHUA	890,000	0.81
17. NG LIAN HONG	842,500	0.77
18. TAN CHEE KONG	754,000	0.69
19. TAY TIONG GUAN	726,000	0.66
20. JAMES WANG JOON	721,000	0.66
<b>TOTAL</b>	<b>73,369,800</b>	<b>66.69</b>

# NOTICE OF ANNUAL GENERAL MEETING

Statement by Directors 35 / Independent Auditors' Report 36 / Consolidated Income Statement 37 / Balance Sheets 38 / Statements of Changes in Equity 39 / Consolidated Cash Flow Statement 41 / Notes to Financial Statements 42 / Information on Shareholdings 87 / **Notice of Annual General Meeting 89** / Proxy Form 93

**NOTICE IS HEREBY GIVEN** that the 2008 Annual General Meeting of the members of the Company will be held at 18 Cross Street 8th Floor Marsh & McLennan Centre Singapore 048423 on 28 April 2008 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 2007. Resolution 1
2. To declare a final dividend of 0.2 cent per ordinary share for the year ended 31 December 2007. 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 Wa Kok Liang, Leslie (Article 115)
5. To approve the Directors' fees of SGD 75,000 for the year ended 31 December 2007. Resolution 5
6. To re-appoint Messrs RSM Chio Lim as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 6

## AS SPECIAL BUSINESS

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

7. "That pursuant to Section 161 of the Companies Act, Cap. 50. and subject to 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 always that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed 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 20% of the total number of issued shares excluding treasury shares (the percentage of the total number of issued shares excluding treasury shares shall be based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed and any subsequent bonus issue, consolidation or sub-division of shares) and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." Resolution 7

[See Explanatory Note (i)]

# NOTICE OF ANNUAL GENERAL MEETING

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8. That pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors of the Company to allot and issue from time to time such number of ordinary shares in the Company as may be required to be issued in accordance with the provisions relating to the exercise of the options under the HLN Technologies Employee Share Option Scheme ("the Scheme"), provided always that the aggregate number of ordinary shares to be issued pursuant to the Scheme shall not exceed 15 per cent of the total issued shares excluding treasury shares of the Company at any time and from time to time." Resolution 8

[See Explanatory Note (ii)]

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

## Explanatory Notes:

- (i) The Ordinary Resolution proposed in item 7, 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 Company's total number of issued shares excluding treasury shares 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 Company's total number of issued shares excluding treasury shares. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting.
- (ii) The Ordinary Resolution proposed in item 8 above, if passed, will empower the Directors of the Company to allot and issue shares relating to the exercise of options under the Scheme, subject to the terms of the resolution.

**NOTICE IS ALSO HEREBY GIVEN** that the Transfer Books and Register of Members of the Company will be closed on 6 May 2008 for the purpose of determining shareholders' entitlements to the proposed final dividend of 0.2 cent per ordinary share in respect of the financial year ended 31 December 2007 (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 5 May 2008 will be registered before entitlements to the Proposed Final Dividend is determined. The Proposed Final Dividend, if approved by shareholders at the 2008 Annual General Meeting, will be paid on 15 May 2008.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares at 5.00 p.m. on 5 May 2008 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: 7 April 2008

## 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.

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# 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 2008 Annual General Meeting of the Company to be held at 18 Cross Street 8th Floor Marsh & McLennan Centre Singapore 048423 on Monday, 28 April 2008 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 2007		
2	Declaration of a final dividend of 0.2 cent per ordinary share for the year ended 31 December 2007		
3	To re-elect Mr Jovenal R. Santiago as Director		
4	To re-elect Mr Wa Kok Liang, Leslie as Director		
5	To approve Directors' fees for the year ended 31 December 2007		
6	To re-appoint Messrs RSM Chio Lim as Auditors and authorise the directors to fix their remuneration		
7	To authorise the directors to allot and issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50		
8	To authorise the Directors to issue shares relating to the exercise of option in accordance with the HLN Technologies Employee Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

\_\_\_\_\_  
Signature(s) of member(s) or common seal  
IMPORTANT: PLEASE READ NOTES OVERLEAF

Total number of Shares held

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.

# CORPORATE ADDRESSES

## **HLN Technologies Limited**

Block 16, Kallang Place, #01-16/18,  
Kallang Basin Industrial Estate,  
Singapore 339156  
Telephone : (65) 6746 1366  
Facsimile : (65) 6295 6080

## **Metallic Division**

### **HLN Micron Pte Ltd**

Block 16, Kallang Place, #01-16/18,  
Kallang Basin Industrial Estate,  
Singapore 339156  
Telephone : (65) 6746 1366  
Facsimile : (65) 6295 6080

### **HLN Technologies Sdn Bhd**

No. 1, Jalan Taruka, Tampoi Industrial Estate,  
80350 Johor, Malaysia  
Telephone : (607) 237 0780  
Facsimile : (607) 236 6779

### **HLN Metal Centre Pte Ltd**

No 14, Fan Yoong Road,  
Singapore 629791  
Telephone : (65) 6265 1211  
Facsimile : (65) 6265 1511

### **HLN Metal (Shenzhen) Co., Ltd**

Blk 9, Level 1 North Wing, He Yi Yong Fa  
Northern Technology Park, Jin Xiu Road,  
Sha Jing Town Bao An District,  
Shenzhen 518104, China  
Telephone : (86) 755 6151 5899  
Facsimile : (86) 755 2975 9979

### **HLN Metal (Suzhou) Co., Ltd**

No. 666, Tongyuan Road,  
Suzhou Industrial Park,  
Suzhou 215021, China  
Telephone : (86) 512 6292 7075  
Facsimile : (86) 512 6292 7050

## **Elastomeric Division**

### **HLN Rubber Products Pte Ltd**

Block 16, Kallang Place, #01-16/18,  
Kallang Basin Industrial Estate,  
Singapore 339156  
Telephone : (65) 6746 1366  
Facsimile : (65) 6295 6080

### **PT HLN Batam**

Lot 307 / 308, Jalan Angsana,  
Batamindo Industrial Park, Muka Kuning,  
Batam Island 29433, Indonesia  
Telephone : (62) 770 612 008  
Facsimile : (62) 770 612 886

### **HLN (Suzhou) Rubber Products Co., Ltd**

No. 28, Zhensheng Road,  
Suzhou Industrial Park,  
Suzhou 215126, China  
Telephone : (86) 512 6762 1526 / 1528.  
Facsimile : (86) 512 6762 1527

### **HLN Rubber Industries Sdn Bhd – Plant 1**

No. 7A, Jalan Padu, Tampoi Industrial Estate,  
80350 Johor, Malaysia  
Telephone : (607) 238 6743  
Facsimile : (607) 238 6784

### **HLN Rubber Industries Sdn Bhd – Plant 2**

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

## **Polymeric Division**

### **Process Innovation Technology Pte Ltd**

37, Kallang Pudding Road, Block B,  
Tong Lee Building #01-03/05/06,  
Singapore 349315  
Telephone : (65) 6226 1051  
Facsimile : (65) 6841 9279

### **Pri-V International Pte Ltd**

37, Kallang Pudding Road, Block B,  
Tong Lee Building #01-03/05/06,  
Singapore 349315  
Telephone : (65) 6746 1366  
Facsimile : (65) 6295 6080

### **Pri-V Technology Sdn Bhd**

No. 48, Jalan Gajus, Taman Tampoi,  
81200 Johor, Malaysia  
Telephone : (607) 237 7748  
Facsimile : (607) 232 7782



[www.hlnotech.com](http://www.hlnotech.com)

**HLN Technologies Limited**

(Company Registration No. 200402180C)

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