

HLN TECHNOLOGIES LIMITED

(Incorporated in Singapore on 26 February 2004)

Company Registration Number 200402180C

RESPONSE TO QUERY IN RELATION TO THE COMPANY'S RESULTS ANNOUNCEMENT FOR FY2010 ON THE FAIR VALUE GAIN IN COMPLIANCE WITH FRS 103, BUSINESS COMBINATIONS.

The Board of Directors (the "**Board**") of HLN Technologies Ltd (the "**Company**") refers to the query dated 02 April 2012 in relation to the Company's results announcement for FY2010:

SGX Query:

In the Company's results announcement for FY2010, the Company stated that "upon completion and in compliance with FRS 103, Business Combination, the Group would recognize \$6.75 million as share of the associate's profit, this being the excess of the Group's 15.16% share of the net fair value of Tianjin Swan Lake's identifiable assets and liabilities over the fair value of the purchase consideration". We note that the said \$6.75 million was not recognized in the FY2011 financial statements although the transaction was completed in FY2011. Please explain why this is so.

The Company's responses to the queries of SGX-ST are set out below.

On 20 January 2011, the Group announced that it had entered into a Sale and Purchase Agreement ("SPA") to acquire 50.54% interest in Greatly Holdings Investment Limited, a BVI-incorporated Company ("BVI Co") which holds a 30% shareholding interest in Tianjin Swan Lake Real Estate Development Co., Ltd ("Tianjin Swan Lake"), a Chinese developer based in Tianjin, PRC. Tianjin Swan Lake is developing a twin tower Grade 5A office development known as the Jing Jin Business Centre a commercial property development in Wuqing Development Zone located between Beijing and Tianjin in Northern China. The Company's effective interest in Tianjin Swan Lake is 15.16%.

The purchase consideration was RMB64.03 million (\$12.7 million) for the BVI Co. The valuation report conducted by an international property consultancy dated 29 December 2010 was a significant discount in terms of the purchase consideration to the independent valuation of RMB645 million or approximately \$128.3 million. The report was based on the fully completion state and sale with vacant possession. As a result the 15.16% effective interest of the above would have been \$19.45 million.

Hence, the recognition of fair value gain in compliance with the FRS103, Business Combinations upon completion of the transaction would have been \$6.75 million as share of the associate's profit, this being the excess of the Group's 15.16% share of the net fair value of Tianjin Swan Lake's identifiable assets and liabilities over the fair value of the purchase consideration, ("Share of profits of associate"). This share of profits of associate would, however, be adjusted against the Group's attributable profits to be realized from the subsequent sale of the project and when the associated company reports its financial results.

In compliance with Chapter 10 of the Listing Manual, the Company has to show the pro forma financial effects of the transaction of the issuer for the most recently completed financial year. The financial effect assuming that the acquisition has been completed as at 31 December 2009 based on recognition of the share of the associate's profit was \$6.75 million, being the excess of the Group's 15.16% share of the net fair value of the PRC Co's identifiable assets and liabilities, determined provisionally, over the fair value of the Consideration.

Before the final decision to recognise the fair value gain in FY2011, the Company has instructed an independent financial advisory consultant to conduct the Purchase Price Allocation of the acquisition of

BVI Co. The purpose of the report is to identify all of the assets acquired and all of the liabilities assumed and to enable the Group to determine the fair value gain in accordance with FRS 103.

Based on the report and in view of the property market conditions in the PRC, the Company had held discussion with its auditors and the independent financial advisor and reached a conclusion that that it would be more prudent to recognise the profits from Tianjin Swan Lake after the full completion and sale of the project when there is more clarity on the gains that could be more accurately determined.

After due deliberation, the Company accepted the recommendation of not recognising the fair value gain until the completion of the project.