Directors' Report

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the reporting year ended 31 December 2011.

1. Directors at Date of Report

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

Li Anhua
Cheong Weixiong, Jeff
Ng Khoon Seng
Tang Chi Loong
Lee Jim Teck, Edward (appointed on 22 July 2011)

2. Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the reporting year nor at any time during the reporting 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.

3. Directors' Interests in Shares and Debentures

The directors of the company holding office at the end of the reporting year had no interests in the share capital 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, Chapter 50 except as follows:

	Direct Interest		Deemed Interest	
Name of directors and companies in which interest are held	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
The company	Number of shares of no par value			
Cheong Weixiong, Jeff	–	–	–	1,500,000
Ng Khoon Seng	234,540	1,234,540	4,000,000	4,000,000
Tang Chi Loong	30,000	30,000	–	–

The directors' interests as at 21 January 2012 were the same as those at the end of the reporting year.

4. Contractual Benefits of Directors

Since the beginning of the reporting 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, Chapter 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 except as disclosed in the financial statements.

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

Directors' Report

5. Shares Options

During the reporting year, no option to take up unissued shares of the company or any subsidiary was granted.

During the reporting year, there were no shares of the company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or any subsidiary under option.

6. HLN Technologies Limited Performance Share Plan ("HLN PSP")

The HLN PSP was approved by the shareholders of the company at an Extraordinary General Meeting held on 13 May 2008 to replace the HLN Technologies Employee Share Option Scheme ("HLN ESOS").

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

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

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

Li Anhua
Tang Chi Loong
Ng Khoon Seng

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

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

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

Directors' Report

6. HLN Technologies Limited Performance Share Plan ("HLN PSP") (Cont'd)

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

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

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

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

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

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

(a) all awards granted thereunder;
(b) all options granted under the Scheme; and
(c) all shares or awards granted under any other share option or share incentive schemes of the company then in force,

shall not exceed 15% of the number of issued shares of the company on the day preceeding the relevant date of award.

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

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

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

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

No performance share was granted and issued for the years ending 31 December 2010 and 2011.

Directors' Report

7. Audit Committee

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

Li Anhua	(Chairman of Audit Committee and Independent Director)
Tang Chi Loong	(Non-Executive Director and Independent Director)
Lee Jim Teck, Edward	(Non-Executive Director and Independent Director)

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

- Reviewed with the independent external auditors their audit plan, their evaluation of the company's internal accounting control, 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 report on corporate governance included in the annual report. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditors provide non-audit services.

8. Subsequent Developments

The auditors has highlighted that management has experienced difficulties with the FY2011 audit of its associate, Tianjin Swan Lake Real Estate Development Co., Ltd. ("Tianjin Swan Lake"). Although management has significant influence with its 15.16% interest, it has no control over the day to day management of its associate and fulfillment of audit requirements. The difficulties highlighted have resulted in the associate's financial statements being subjected to a disclaimer by the auditors, Messrs BDO China Shu Lun Pan CPAs Limited for the reporting year ended 31 December 2011.

Accordingly, the Board would like to draw attention to Note 17 to the financial statements, which discusses the following:

1) The profit compensation amount of $1.9 million in relation to the investment in an associate as a credit item in profit or loss;
2) Impairment on the investment in associate.

On the above issues highlighted and as part of the FY2011 audit, the Board has sought legal advice in February 2012 on the matters raised above upon discussion with its auditors.

1) Profit Guarantee

The pertinent clause: Under clause 7.3 of the SPA (refer to SGXNET announcement dated 20 January 2011, under the heading the Profit Guarantee), the vendor covenants with and undertakes to HLN that:

(a) if the audited net operating profit after tax of TJSL (the "NPAT") for financial year 2011 (the "2011 NPAT") is less than 30% of the total audited operating revenues of TJSL (the "Revenues") for financial year 2011 (the "2011 Revenues"), the vendor shall pay to HLN an amount equivalent to 15.16% of the actual amount by which the 2011 NPAT has fallen below 30% of the 2011 Revenues in SGD equivalent;

Directors' Report

(b) if the NPAT for financial year 2012 (the "2012 NPAT") is less than 30% of the Revenues for financial year 2012 (the "2012 Revenues"), the vendor shall pay to HLN an amount equivalent to 15.16% of the actual amount by which the 2012 NPAT has fallen below 30% of the 2012 Revenues in SGD equivalent; and

(c) if (i) the 2011 NPAT is less than 23% of the 2011 Revenues or (ii) the 2012 NPAT is less than 23% of the 2012 Revenues, HLN may elect to exercise a put option to require the vendor to buy back all the shares in Greatly Holdings Investment Limited held by HLN.

Based on the legal advice, the Board is of the view that clause 7.3 of the SPA is legally binding and enforceable. The profit guarantee compensation of $1.9 million is in line with the conditions in the guarantee and term sheet that formed the basis for clause 7.3 of the SPA. In addition, the Company has already received cash of $1.2 million from the vendor in relation to the profit guarantee as at the date of this report. The Company's auditors had suggested that in addition to the legal opinion it further sought confirmation from its legal advisor that there is no claw-back on the 2011 profit guarantee in the event the put option is exercised after the payment of profit guarantee. Based on the confirmation, the Board is of the view that the accounting treatment of the profit guarantee in the accounts is appropriate.

2) Impairment

The legal opinion obtained, has confirmed that the agreements that were entered into and mechanisms were intended to protect the Company's interests. The profit guarantee, the put option and the guarantee for the purchase consideration for the acquisition were for the benefit and safeguard of the Company. The Board has taken the legal advice and mechanisms into consideration when considering the issue of possible impairment. The opinion sought has indicated that these clauses and mechanisms are legally binding and enforceable.

In view of the above and on the grounds that the vendor has so far been honouring the terms and conditions of the SPA and has met its obligations under the profit guarantee, the Board is of the view that an impairment of the investment in TJSL is not required at this time.

On Behalf of the Directors

....
Cheong Weixiong, Jeff
Director

....
Ng Khoon Seng
Director

5 April 2012

Statement by Directors

In the opinion of the directors,

(a) the accompanying consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2011 and of the results and cash flows of the group and changes in equity of the company and of the group for the reporting year then ended; and

(b) 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 approved and authorised these financial statements for issue.

On Behalf of the Directors

Cheong Weixiong, Jeff
Director

Ng Khoon Seng
Director

5 April 2012

Independent Auditors' Report

to the Members of HLN Technologies Limited (Registration No: 200402180C)

Report on the Financial Statements

We have audited the accompanying financial statements of HLN Technologies Limited (the "company") and its subsidiaries (the group), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2011, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statements of financial position and to maintain accountability of assets.

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 about 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2011 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Emphasis of Matter

We draw attention to Note 17 to the financial statements which describes the following matters:

a) During the current reporting year, the group recognised a profit compensation amount of $1.9 million in relation to the investment in an associate as a credit item in profit or loss, for the reasons more fully disclosed in Note 17. There is also no equity accounting of the associate's results in the group's financial statements for the current reporting year.

b) Notwithstanding the presence of certain indicators of impairment, tests for impairment were not performed by management nor was provision for impairment in the group's investment in associate made in respect of the current reporting year for the reasons more fully disclosed in Note 17. The recoverability of the investment in associate assumes that in the event the company were to exercise the put option in accordance to the conditions stated in the said sales and purchase agreement, the vendor has the ability to repay the amount and if not, General Nice Resources (HK) Limited has the ability to meet its obligations under the deed of guarantee. The outcome of the above assumption is uncertain and there is no assurance that it will be successful. If this assumption is inappropriate, material adjustments may have to be made to write down the carrying value of the investment in associate.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

In our opinion, 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 auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

5 April 2012

Partner-in-charge of audit: Lee Mong Sheong
Effective from year ended 31 December 2010

Consolidated Statement of Comprehensive Income
Year Ended 31 December 2011

	Notes	Group 2011 $'000	Group 2010 $'000
Revenue	5	24,847	23,579
Cost of Sales		(16,335)	(14,472)
Gross Profit		8,512	9,107
Other Items of Income			
Interest Income	6	9	15
Dividend Income from Quoted Corporations		5	5
Other Credits	7	2,008	205
Other Items of Expense			
Marketing and Distribution Costs		(2,056)	(2,018)
Administrative Expenses	8	(5,629)	(5,485)
Other Charges	7	(352)	(457)
Finance Costs	9	(24)	(22)
Profit Before Tax from Continuing Operations		2,473	1,350
Income Tax Expense	11	(625)	(712)
Profit from Continuing Operations, Net of Tax		1,848	638
(Loss) Profit from Discontinued Operations, Net of Tax	32	(833)	388
Profit Net of Tax		1,015	1,026
Other Comprehensive Income (Loss)			
Exchange Differences on Translating Foreign Operations, Net of Tax		301	(348)
Fair Value Gains on Available-for-Sale Financial Assets, Net of Tax		–	3
Other Comprehensive Income (Loss) for the Year, Net of Tax		301	(345)
Total Comprehensive Income for the Year		1,316	681
Profit Attributable to Owners of the Parent, Net of Tax		1,015	1,029
Loss Attributable to Non-Controlling Interests, Net of Tax		–	(3)
Profit Net of Tax		1,015	1,026
Total Comprehensive Income Attributable to Owners of the Parent, Net of Tax		1,315	693
Total Comprehensive Income (Loss) Attributable to Non-Controlling Interests, Net of Tax		1	(12)
Total Comprehensive Income for the Year		1,316	681
Earnings Per Share			
Earnings Per Share Currency Unit	13	Cents	Cents
Basic and Diluted			
Continuing Operations		1.24	0.50
Discontinued Operations		(0.56)	0.30
Total		0.68	0.80

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

Statements of Financial Position
As at 31 December 2011

	Notes	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
ASSETS					
Non-Current Assets					
Plant and Equipment	15	4,881	5,425	85	62
Investments in Subsidiaries	16	–	–	23,516	11,395
Investment in Associate	17	12,121	–	–	–
Other Financial Assets, Non-Current	18	–	105	–	105
Other Assets, Non-Current	22	–	5,928	–	5,928
Total Non-Current Assets		17,002	11,458	23,601	17,490
Current Assets					
Inventories	19	2,445	4,950	–	–
Trade and Other Receivables	20	9,014	7,719	1,620	2,524
Other Assets, Current	22	819	889	53	97
Cash and Cash Equivalents	23	8,350	12,115	2,760	5,116
Total Current Assets		20,628	25,673	4,433	7,737
Total Assets		37,630	37,131	28,034	25,227
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Parent					
Share Capital	24	22,403	21,782	22,403	21,782
Retained Earnings		10,061	9,298	4,935	2,345
Other Reserves	26	(2)	(606)	–	5
Equity Attributable to Owners of the Parent		32,462	30,474	27,338	24,132
Non–Controlling Interests		–	29	–	–
Total Equity		32,462	30,503	27,338	24,132
Non-Current Liabilities					
Deferred Tax Liabilities	11	399	453	–	15
Provisions	27	43	32	–	–
Finance Lease Liabilities, Non-Current	28	24	–	–	–
Total Non-Current Liabilities		466	485	–	15
Current Liabilities					
Income Tax Payable		152	252	–	–
Trade and Other Payables	29	4,134	3,557	696	1,080
Finance Lease Liabilities, Current	28	7	2	–	–
Other Financial Liabilities	28	409	2,332	–	–
Total Current Liabilities		4,702	6,143	696	1,080
Total Liabilities		5,168	6,628	696	1,095
Total Equity and Liabilities		37,630	37,131	28,034	25,227

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

Statements of Changes in Equity
Year Ended 31 December 2011

Group	Total Equity $'000	Sub-Total $'000	Share Capital $'000	Retained Earnings $'000	Other Reserves $'000	Non-Controlling Interests $'000
		Attributable to Parent				
Current Year:						
Opening Balance at 1 January 2011	30,503	30,474	21,782	9,298	(606)	29
Movements in Equity:						
Total Comprehensive Income for the Year	1,316	1,315	–	1,015	300	1
Reclassification Adjustment for Gain Included in Profit or Loss - Realised on Disposal	(5)	(5)	–	–	(5)	–
Issue of Treasury Shares for the Acquisition of a Subsidiary (Note 31)	621	621	621	–	–	–
Transfer to Statutory Reserve (Note 26)	–	–	–	(252)	252	–
Disposal of Subsidiaries (Note 32)	27	57	–	–	57	(30)
Closing Balance at 31 December 2011	32,462	32,462	22,403	10,061	(2)	–
Previous Year:						
Opening Balance at 1 January 2010	24,347	23,860	15,706	8,424	(270)	487
Movements in Equity:						
Total Comprehensive Income (Loss) for the Year	681	693	–	1,029	(336)	(12)
Issue of Share Capital (Note 24)	6,076	6,076	6,076	–	–	–
Acquisition of a Non-Controlling Interest Without a Change in Control (Note 16c)	(380)	66	–	66	–	(446)
Dividends Paid (Note 14)	(221)	(221)	–	(221)	–	–
Closing Balance at 31 December 2010	30,503	30,474	21,782	9,298	(606)	29

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

Statements of Changes in Equity
Year Ended 31 December 2011

Company	Total Equity $'000	Share Capital $'000	Retained Earnings $'000	Other Reserves $'000
Current Year:				
Opening Balance at 1 January 2011	24,132	21,782	2,345	5
Movements in Equity:				
Total Comprehensive Income for the Year	2,590	–	2,590	–
Reclassification Adjustment for Gain Included in Profit or Loss - Realised on Disposal	(5)	–	–	(5)
Issue of Treasury Shares for the Acquisition of a Subsidiary (Note 31)	621	621	–	–
Closing Balance at 31 December 2011	27,338	22,403	4,935	–
Previous Year:				
Opening Balance at 1 January 2010	18,646	15,706	2,938	2
Movements in Equity:				
Total Comprehensive (Loss) Income for the Year	(369)	–	(372)	3
Issue of Share Capital (Note 24)	6,076	6,076	–	–
Dividends Paid (Note 14)	(221)	–	(221)	–
Closing Balance at 31 December 2010	24,132	21,782	2,345	5

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

Consolidated Statement of Cash Flows
Year Ended 31 December 2011

	Group	
	2011	2010
	$'000	$'000
Cash Flows From Operating Activities		
Profit (Loss) Before Tax		
- From Continuing Operations	2,473	1,350
- From Discontinued Operations	(781)	482
	1,692	1,832
Adjustments for:		
Dividend Income	(5)	(5)
Interest Income	(11)	(17)
Interest Expense	65	55
Depreciation of Plant and Equipment	1,180	1,332
(Gain) Loss on Disposal of Plant and Equipment	(9)	3
Fair Value Loss on Financial Assets Held for Trading	–	50
Loss on Disposal of Subsidiaries	787	–
Gain on Disposal of Other Financial Assets	–	(147)
Gain on Financial Assets Reclassified from Equity to Profit or Loss - Realised on Disposal	(5)	–
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	242	(268)
Operating Cash Flows Before Changes in Working Capital	3,936	2,835
Inventories	(273)	(1,442)
Trade and Other Receivables	(2,267)	(24)
Other Financial Assets	–	565
Other Assets	31	(97)
Trade and Other Payables and Provisions	1,121	(396)
Net Cash Flows From Operations	2,548	1,441
Income Taxes Paid	(826)	(869)
Net Cash Flows From Operating Activities	1,722	572
Cash Flows From Investing Activities		
Purchase of Plant and Equipment (Note 23B)	(925)	(790)
Disposal of Plant and Equipment	108	154
Disposal of Other Financial Assets	105	–
Disposal of Subsidiaries (Net of Cash Inflow) (Note 32)	1,748	–
Investment in Associate (Note 17)	(5,572)	–
Deposit Paid for Acquisition of a Subsidiary (Note 31)	–	(5,928)
Interest Received	11	17
Dividends Received	5	5
Net Cash Flows Used in Investing Activities	(4,520)	(6,542)
Cash Flows From Financing Activities		
Issue of Shares	–	6,076
Cash Restricted in Use	–	(642)
Finance Lease Repayments	(7)	(8)
Increase from New Borrowings	1,888	1,915
Borrowings Repayments	(2,788)	(200)
Acquisition of Additional Shares from Non-Controlling Interests (Note 16c)	–	(380)
Dividends Paid to Equity Owners	–	(221)
Interest Paid	(65)	(55)
Net Cash Flows (Used in) From Financing Activities	(972)	6,485
Net (Decrease) Increase in Cash and Cash Equivalents	(3,770)	515
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	11,473	10,958
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance (Note 23A)	7,703	11,473

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

Notes to the Financial Statements
31 December 2011

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to as "parent") and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement of directors.

The company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 16 to the financial statements.

The registered office is: 74A Tras Street, Singapore 079013. The company is situated 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") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Basis of Presentation

The consolidated financial statements include the financial statements made up to the end of the reporting 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 profit or loss items and other comprehensive income items and dividends are eliminated on consolidation. The results of any subsidiary acquired or disposed of during the reporting year are accounted for from the respective dates of acquisition or up to the dates of disposal which is the date on which effective control is obtained of the acquired business until that control ceases.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, no statement of comprehensive income is presented for the company.

On disposal the attributable amount of goodwill if any is included in the determination of the gain or loss on disposal. The equity accounting method is used for associates in the group financial statements.

Notes to the Financial Statements
31 December 2011

2. Summary of Significant Accounting Policies (Cont'd)

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

Employee Benefits

Certain subsidiaries operate a defined 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 profit or loss 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.

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

Notes to the Financial Statements
31 December 2011

2. Summary of Significant Accounting Policies (Cont'd)

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised.

A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associate except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign Currency Transactions

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

Translation of Financial Statements of Other Entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant entity.

Notes to the Financial Statements
31 December 2011

2. Summary of Significant Accounting Policies (Cont'd)

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 of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Plant and equipment	–	10% to $33^1/_3$%
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 profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs 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 profit or loss when they are incurred.

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year 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 reporting years 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 profit or loss 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 profit or loss as an integral part of the total lease expense.

Notes to the Financial Statements
31 December 2011

2. **Summary of Significant Accounting Policies (Cont'd)**

Segment Reporting

The group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

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 investment in a subsidiary is accounted for 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 value of the investment in a subsidiary is not necessarily indicative of the amounts that would be realised in a current market exchange.

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a substantial financial interest (usually not less than 20% of the voting power), significant influence and that is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The accounting for investments in an associate is on the equity method. Under equity accounting, the investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the share of net assets of the associate, less any impairment in value. The profit or loss reflects the reporting entity's share of the results of operations of the associate. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The net book value of the investment in the associate is not necessarily indicative of the amounts that would be realised in a current market exchange.

The reporting entity discontinues the use of the equity method from the date that it ceases to have significant influence over the associate and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at its fair value at the date that it ceases to be an associate.

In the company's own separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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 value of an investment in the associate is not necessarily indicative of the amounts that would be realised in a current market exchange.

Notes to the Financial Statements
31 December 2011

2. Summary of Significant Accounting Policies (Cont'd)

Business Combinations

A business combination is transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition 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. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss. If there is gain on bargain purchase, for the gain on bargain purchase 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 or loss.

There was no gain on bargain purchase during the reporting year.

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.

Where the fair values are estimated on a provisional basis they are finalised within one year from the acquisition date with consequent retrospective changes to the amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Non-Controlling Interests

The non-controlling interests in the net assets and net results of a consolidated subsidiary are shown separately in the appropriate components of the consolidated financial statements. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Impairment of Non-Financial Assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. 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. When the fair value less costs to sell method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 end of the reporting year 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.

Notes to the Financial Statements
31 December 2011

2. Summary of Significant Accounting Policies (Cont'd)

Inventories

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

Financial Assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position 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 profit or loss 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 or loss are expensed immediately. The transactions are recorded at the trade date.

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

Subsequent measurement:

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

1. Financial assets at fair value through profit or loss: As at end of the reporting year, there were no financial assets classified in this category.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.

Notes to the Financial Statements
31 December 2011

2. Summary of Significant Accounting Policies (Cont'd)

Financial Assets (Cont'd)

4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value by reference to the transaction price or current bid prices in an active market. If such market prices are not reliably determinable, management establishes fair value by using valuation techniques. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. Impairments below cost are recognised in profit or loss. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. These financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting year. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

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 consolidated statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Financial Liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. 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 profit or loss 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 or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings, if any, are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Notes to the Financial Statements
31 December 2011

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 or loss: As at end of the reporting year, there were no financial liabilities classified in this category.

2. Other financial liabilities: All liabilities, which have not been classified 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 usually 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 instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is: the total of the fair value of the financial assets and other financial instruments: the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any commitments on borrowings at the end of the reporting year. The fair value of a financial instrument is derived from an active market or by using an acceptable valuation technique.

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 an acceptable valuation technique. The fair value measurements are classified using a fair value hierarchy of 3 levels that reflects the significance of the inputs used in making the measurements, that is, Level 1 for the use of quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 for the use of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and Level 3 for the use of inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Where observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by directors.

Notes to the Financial Statements
31 December 2011

2. Summary of Significant Accounting Policies (Cont'd)

Treasury Shares

Where the company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the company's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's owners and no gain or loss is recognised in profit or loss.

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 profit or loss in the reporting year they occur.

Government Grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. A grant in recognition of specific expenses is recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis.

Critical Judgements, Assumptions and Estimation Uncertainties

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

Amount receivable from profit guarantee:
Judgement was applied for including the amount receivable from profit guarantee in profit or loss (see Note 17).

Determination of functional currency:
The group measures foreign currency transactions in the respective functional currencies of the company and its subsidiaries. In determining the functional currencies of the entities in the group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the entities in the group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Useful lives of plant and equipment:
The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of plant and equipment of the group and the company at the end of the reporting year affected by the assumption were $4,881,000 and $85,000 respectively.

Notes to the Financial Statements
31 December 2011

2. Summary of Significant Accounting Policies (Cont'd)

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

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

Net realisable value of inventories:
A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories of the group at the end of the reporting year was $2,445,000.

Estimated impairment on subsidiary of the company and associate of the group:
Where a subsidiary or associate is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset affected. The carrying amount of the specific asset at the end of the reporting year affected by the assumption is $12,121,000.

3. Related Party Relationships and Transactions

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to the Financial Statements
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3. Related Party Relationships and Transactions (Cont'd)

3.1. Related companies:

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

There are transactions and arrangements between the reporting entity 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 if significant an interest is imputed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these 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 reporting entity 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 financial guarantees an amount is imputed and is recognised accordingly if significant where no charge is payable.

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:

	Related parties	
Group	2011	2010
	$'000	$'000
Sale of goods[a]	27	28
Rental expenses[b]	(99)	(86)
Technical and advisory fees expense [c]	(5)	(55)
Legal and professional expenses[d]	–	(3)

(a) The group sold goods to W&W Plastic and Polymer, whose shareholder is the brother of Wa Kok Liang, Leslie (Leslie had resigned as a director of the company during the current reporting year but has remained as director of a subsidiary).

(b) Rental expenses were paid to (i) Pro-Stamping Industrial Pte Ltd, a company where a director, Ng Khoon Seng has a direct interest in shares, and (ii) Wa Kok Liang, Leslie.

(c) The technical and advisory fees were paid to the sister of Wa Kok Liang, Leslie.

(d) The legal and professional expenses were paid to a firm in which a director, Tang Chi Loong is a member.

Notes to the Financial Statements
31 December 2011

3. Related Party Relationships and Transactions (Cont'd)

3.3. Key management compensation:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Salaries and other short-term employee benefits	2,941	3,281	1,469	1,906
Directors' fees	136	110	136	110

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Directors' remuneration:				
Salaries and other short-term employee benefits	1,311	1,587	1,122	1,587
Fees to directors of the company	136	110	136	110

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

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

4. Financial Information by Operating Segments

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the group.

For management purposes, the group is organised into controlling business units ("CBU") based on their products and services. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

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

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

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

Notes to the Financial Statements
31 December 2011

4. Financial Information by Operating Segments (Cont'd)

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities (Cont'd)

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The discontinued operations relate to the disposal of the Industrial Application ("IA") segment the manufacturers and distributes metallic products and aluminium plates, rods and sheets for various customers in the semiconductor, military, medical instruments, precision engineering, aviation and transport, and food and beverage industries (see Note 32).

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, amortisation, interests and income taxes and other items (called "Recurring EBITDA") and (2) operating result before interests and income taxes and other items (called "ORBIT").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

4B. Profit or Loss from Continuing Operations and Reconciliations

	OA	LP	IH	Group
2011	$'000	$'000	$'000	$'000
Revenue by segment:				
Total revenue	8,753	16,125	–	24,878
Inter-segment sales	(30)	(1)	–	(31)
Total revenue	8,723	16,124	–	24,847
Recurring EBITDA	1,536	2,096	(1,663)	1,969
Depreciation	(298)	(808)	(22)	(1,128)
ORBIT	1,238	1,288	(1,685)	841
Finance costs	(3)	(22)	1	(24)
Other items	(53)	(142)	1,851	1,656
Profit before tax from continuing operations				2,473
Income tax expense				(625)
Profit from continuing operations				1,848
2010				
Revenue by segment:				
Total revenue	9,028	14,570	–	23,598
Inter-segment sales	(18)	(1)	–	(19)
Total revenue	9,010	14,569	–	23,579
Recurring EBITDA	2,055	2,638	(1,800)	2,893
Depreciation	(294)	(891)	(84)	(1,269)
ORBIT	1,761	1,747	(1,884)	1,624
Finance costs	(3)	(19)	–	(22)
Other items	(147)	(137)	32	(252)
Profit before tax from continuing operations				1,350
Income tax expense				(712)
Profit from continuing operations				638

Notes to the Financial Statements
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4. Financial Information by Operating Segments (Cont'd)

4C. Assets and Reconciliations

	OA	LP	IH	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000
2011					
Total assets for reportable segments	5,114	9,475	14,691	–	29,280
Unallocated:					
Cash and cash equivalents	–	–	–	8,350	8,350
Total group assets	5,114	9,475	14,691	8,350	37,630

	OA	LP	IA	IH	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Total assets for reportable segments	5,230	9,117	3,927	6,742	–	25,016
Unallocated:						
Cash and cash equivalents	–	–	–	–	12,115	12,115
Total group assets	5,230	9,117	3,927	6,742	12,115	37,131

4D. Liabilities and Reconciliations

	OA	LP	IH	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000
2011					
Total liabilities for reportable segments	835	2,642	700	–	4,177
Unallocated:					
Deferred and current tax liabilities	–	–	–	551	551
Other financial liabilities	–	–	–	409	409
Finance lease liabilities	–	–	–	31	31
Total group liabilities	835	2,642	700	991	5,168

	OA	LP	IA	IH	Unallocated	Group
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Total liabilities for reportable segments	618	1,755	161	1,055	–	3,589
Unallocated:						
Deferred and current tax liabilities	–	–	–	–	705	705
Other financial liabilities	–	–	–	–	2,332	2,332
Finance lease liabilities	–	–	–	–	2	2
Total group liabilities	618	1,755	161	1,055	3,039	6,628

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4. Financial Information by Operating Segments (Cont'd)

4E. Geographical Information

	Revenue		Non-Current Assets	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Singapore	10,033	10,607	12,861	6,751
China	4,218	5,225	1,774	1,992
Malaysia	7,904	5,987	1,924	2,330
Indonesia	2,692	1,760	443	385
Total continuing operations	24,847	23,579	17,002	11,458

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

4F. Information About Major Customers

	Sales	
	2011	2010
Group	$'000	$'000
Top 1 customer	2,171	2,861
Top 2 customers	4,203	5,495
Top 3 customers	6,064	7,825

5. Revenue

	Group	
	2011	2010
	$'000	$'000
Sale of goods	24,827	23,569
Sundry income	20	10
	24,847	23,579

6. Interest Income

	Group	
	2011	2010
	$'000	$'000
Interest income from banks	9	15

Notes to the Financial Statements
31 December 2011

7. Other Credits and (Other Charges)

	Group 2011 $'000	Group 2010 $'000
Allowance for impairment on trade and other receivables – reversal (loss)	45	(12)
Bad debts (written-off) recovered – trade receivables	(17)	6
Consultancy income	39	30
Fair value loss on financial assets held for trading	–	(50)
Foreign exchange adjustment losses	(152)	(389)
Gain on disposal of plant and equipment	9	1
Gain on disposal of other financial assets	–	147
Gain on financial assets reclassified from equity to profit or loss - realised on disposal	5	–
Government grant income from Job Credit Scheme	–	21
Government grant income	13	–
Inventories written down	(19)	(6)
Others	(164)	–
Profit guarantee compensation (Note 17)	1,897	–
Net	1,656	(252)
Presented in profit or loss as:		
Other credits	2,008	205
Other charges	(352)	(457)
Net	1,656	(252)

8. Administrative Expenses

	Group 2011 $'000	Group 2010 $'000
The major components include the following:		
Employee benefits expense (Note 10)	3,337	3,550
Depreciation expense of plant and equipment	288	406

9. Finance Costs

	Group 2011 $'000	Group 2010 $'000
Interest expense	24	22

Notes to the Financial Statements
31 December 2011

10. Employee Benefits Expense

	Group 2011 $'000	Group 2010 $'000
Employee benefits expense including directors:		
Salaries and other short-term employees benefits	7,809	8,208
Contributions to defined benefit plan (Note 27)	14	(43)
Contributions to defined contribution plan	537	443
Fees to directors of the company	136	110
Total employee benefits expense	8,496	8,718
Employee benefits expenses included in:		
Cost of sales	3,642	3,581
Marketing & distribution costs	1,272	1,208
Administrative expenses	3,337	3,550
Discontinued operations	245	379
	8,496	8,718

11. Income Tax

11A. Components of tax expense (income) recognised in profit or loss include:

	Group 2011 $'000	Group 2010 $'000
Current tax expense		
Current tax expense	637	690
Under (over) adjustments to current tax in respect of prior periods	42	(42)
Subtotal	679	648
Deferred tax (income) expense:		
Deferred tax (income) expense	(30)	57
(Over) under adjustments to deferred tax in respect of prior periods	(24)	7
Subtotal	(54)	64
Total income tax expense	625	712

The following table illustrates the details of the tax charged to profit or loss on discontinued operations:

	Group 2011 $'000	Group 2010 $'000
Tax charge on discontinued operations:		
Current	52	94
Total income taxes on discontinued operations (Note 32)	52	94

Notes to the Financial Statements
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11. Income Tax (Cont'd)

11A. Components of tax expense (income) recognised in profit or loss include (Cont'd):

The reconciliation of income taxes below is determined by applying the corporate tax rate where the parent is situated. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2010: 17%) to profit before tax as a result of the following differences:

	Group	
	2011	2010
	$'000	$'000
Profit before tax	2,473	1,350
Income tax expense at the above rate	420	229
(Not liable to tax) not deductible items	(116)	263
Effect of different tax rates in different countries	216	259
Tax exemptions and relief	(42)	(75)
Deferred tax assets unrecognised	103	79
Under (over) adjustment to tax in respect of prior periods	18	(35)
Other minor items less than 3% each	26	(8)
Total income tax expense	625	712

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

11B. Deferred tax expense (income) recognised in profit or loss includes:

	Group	
	2011	2010
	$'000	$'000
Excess of tax values over net book value of plant and equipment	(16)	–
Excess of net book value of plant and equipment over tax values	(102)	112
Tax loss carryforwards	(29)	(114)
Deferred tax assets unrecognised	103	79
Provisions	(4)	(19)
Others	(6)	6
Total deferred income tax (income) expense recognised in profit or loss	(54)	64

Notes to the Financial Statements
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11. Income Tax (Cont'd)

11C. Deferred tax balance in the statements of financial position:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Deferred tax assets (liabilities) recognised in profit or loss:				
Excess of net book value of plant and equipment over tax values	(399)	(501)	–	(15)
Excess of tax values over net book value of plant and equipment	16	–	16	–
Tax loss carryforwards	1,143	1,114	324	–
Provisions	23	19	13	–
Others	–	(6)	–	–
Deferred tax assets unrecognised	(1,182)	(1,079)	(353)	–
Total	(399)	(453)	–	(15)
Presented in the statements of financial position as follows:				
Deferred tax liabilities	(399)	(453)	–	(15)

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

Temporary differences arising in connection with interests in subsidiaries are insignificant.

No deferred tax asset has been recognised in respect of the tax loss carryforwards as the future profit streams are not probable.

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

12. Items in Profit or Loss

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

	Group	
	2011 $'000	2010 $'000
Audit fees to the independent auditors of the company	92	85
Audit fees to the other independent auditors	29	41
Other fees to the independent auditors of the company	36	36
Other fees to the other independent auditors	27	27

Notes to the Financial Statements
31 December 2011

13. Earnings Per Share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2011	2010
	$'000	$'000
Numerators: earnings attributable to equity		
Continuing operations: Profit for the year attributable to equity holders	1,848	638
Discontinuing operations: (Loss) profit for the year attributable to equity holders	(833)	388
Total profit for the year attributable to equity holders	1,015	1,026
	'000	'000
Denominators: weighted average number of equity shares		
Basic	149,473	127,977

The weighted average number of equity shares refers to shares in circulation during the reporting period. It is after the neutralisation of the treasury shares.

There is no dilution of earnings per share as there are presently no dilutive shares outstanding as at the end of the reporting year. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

14. Dividends on Equity Shares

	Rate per share-cents		Group and Company	
	2011	2010	2011	2010
			$'000	$'000
Final tax exempt (1-tier) dividends paid	–	0.18	–	221

Notes to the Financial Statements
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15. Plant and Equipment

Group	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2010	1,407	11,176	12,583
Foreign exchange adjustments	(42)	(100)	(142)
Additions	500	290	790
Disposals	–	(206)	(206)
At 31 December 2010	1,865	11,160	13,025
Foreign exchange adjustments	40	53	93
Additions	240	721	961
Disposals	(28)	(299)	(327)
Disposal of subsidiaries (Note 32)	(414)	(110)	(524)
At 31 December 2011	1,703	11,525	13,228
Accumulated depreciation and impairment:			
At 1 January 2010	569	5,810	6,379
Foreign exchange adjustments	(18)	(44)	(62)
Depreciation for the year	176	1,156	1,332
Disposals	–	(49)	(49)
At 31 December 2010	727	6,873	7,600
Foreign exchange adjustments	36	(5)	31
Depreciation for the year	463	717	1,180
Disposals	(16)	(212)	(228)
Disposal of subsidiaries (Note 32)	(134)	(102)	(236)
At 31 December 2011	1,076	7,271	8,347
Net book value:			
At 1 January 2010	838	5,366	6,204
At 31 December 2010	1,138	4,287	5,425
At 31 December 2011	627	4,254	4,881

Notes to the Financial Statements
31 December 2011

15. Plant and Equipment (Cont'd)

Company	Plant and equipment $'000
Cost:	
At 1 January 2010	516
Additions	48
Disposals	(10)
At 31 December 2010	554
Additions	54
Disposals	(36)
At 31 December 2011	572
Accumulated depreciation and impairment:	
At 1 January 2010	415
Depreciation for the year	84
Disposals	(7)
At 31 December 2010	492
Depreciation for the year	22
Disposals	(27)
At 31 December 2011	487
Net book value:	
At 1 January 2010	101
At 31 December 2010	62
At 31 December 2011	85

The depreciation expense for the group is charged as follows:

	Group	
	2011 $'000	2010 $'000
Cost of sales	826	854
Marketing and distribution costs	14	9
Administrative expenses	288	406
Discontinued operations	52	63
Total	1,180	1,332

Certain items are under finance lease agreements (see Note 28C).

Notes to the Financial Statements
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16. Investments in Subsidiaries

	Company 2011 $'000	Company 2010 $'000
Unquoted shares at cost:		
Cost at beginning of the year	11,395	15,395
Additions	12,121	–
Less: allowance for impairment	–	(4,000)
Cost at end of the year	23,516	11,395
Net book value of subsidiaries	13,250	14,639
Total cost comprising:		
Unquoted equity shares at cost	27,516	15,395
Less: allowance for impairment	(4,000)	(4,000)
Total at cost	23,516	11,395
Movements in allowance for impairment:		
Balance at beginning and end of the year	(4,000)	(4,000)

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

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities (and Independent Auditors)	Cost 2011 $'000	Cost 2010 $'000	Effective Equity Held by Group 2011 %	Effective Equity Held by Group 2010 %
HLN Rubber Products Pte Ltd (a) Singapore Precision elastomeric moulding of rubber components	6,500	6,500	100	100
Process Innovation Technology Pte Ltd (a) Singapore Precision polymeric die-cutting of foams and other materials	4,895	4,895	100	100
HLN Micron Pte Ltd (a) Singapore Investment holding company	4,000	4,000	100	100
Greatly Holdings Investments Limited (b) (Acquired on 13 May 2011) British Virgin Islands Investment holding company	12,121	–	50.54	–
Held through HLN Rubber Products Pte Ltd				
PT HLN Batam (e) Indonesia Precision elastomeric moulding of rubber components (Jamaludin, Aria, Sukimto & Rekan, Indonesia)	910	910	100	100

Notes to the Financial Statements
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16. Investments in Subsidiaries (Cont'd)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities (and Independent Auditors)	Cost		Effective Equity Held by Group	
	2011	2010	2011	2010
	$'000	$'000	%	%
Held through HLN Rubber Products Pte Ltd				
HLN (Suzhou) Rubber Products Co., Ltd (e) People's Republic of China Precision elastomeric moulding of rubber components (BDO China Shu Lun Pan CPAs Limited, People's Republic of China)	1,587	1,587	100	100
HLN Rubber Industries Sdn Bhd (e) Malaysia Precision elastomeric moulding of rubber components (SQ Morison, Malaysia)	1,064	1,064	100	100
Held through Process Innovation Technology Pte Ltd				
Process Innovation Technology (Suzhou) Co., Ltd (e) People's Republic of China Die-cutting, fabricating and converting of polymeric products (BDO China Shu Lun Pan CPAs Limited, People's Republic of China)	1,016	1,016	100	100
Held through HLN Micron Pte Ltd				
HLN Technologies Sdn Bhd (e) Malaysia Precision turning of metallic components (SQ Morison, Malaysia)	2,450	2,450	100	100
HLN Metal Centre Pte Ltd (a) (c) (d) (Disposed on 17 November 2011) Singapore Precision machining and slitting of aluminium products	–	3,088	–	99
Held through HLN Metal Centre Pte Ltd				
HLN Metal (Shenzhen) Co., Ltd (d) (e) (Disposed on 17 November 2011) People's Republic of China Precision machining and slitting of aluminium products (Shu Lun Pan Yangcheng CPA Co., Ltd, People's Republic of China)	–	769	–	99
HLN Metal (Suzhou) Co., Ltd (d) (e) (Disposed on 17 November 2011) People's Republic of China Precision machining and slitting of aluminium products (BDO China Shu Lun Pan CPAs Limited, People's Republic of China)	–	746	–	99

Notes to the Financial Statements
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16. Investments in Subsidiaries (Cont'd)

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

(b) Greatly Holdings Investment Limited ("Greatly Holdings") became a subsidiary on 13 May 2011 (see Note 31). Greatly Holdings is an investment holding company and its only investment is a 30% equity stake in Tianjin Swan Lake Real Estate Development Co Ltd. whose financial statements for the reporting year ended 31 December 2011 was audited by BDO China Shu Lun Pan CPAs Limited for the purpose of the audit of the group.

(c) On 8 April 2010, HLN Micron Pte Ltd ("HLN Micron") executed a share sale agreement to acquire 17.65% interest from Mr Tay Pooi Hwa (a non-controlling interest) in the share capital of HLN Metal Centre Pte Ltd ("HLN Metal") for a purchase consideration of $380,000. HLN Micron increased its interest in HLN Metal from 81.35% to 99.0%. This transaction was completed on 16 April 2010. The difference between the purchase consideration and the non-controlling interest acquired had been accounted as a movement in equity.

(d) The subsidiaries were disposed during the reporting year (Note 32).

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

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

17. Investment in Associate

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Unquoted equity shares at cost				
At beginning of the reporting year	–	–	–	–
Arising from acquisition of subsidiary (Note 31)	12,121	–	–	–
At end of the reporting year	12,121	–	–	–
Share of net book value of associate	10,730	–	–	–

Analysis of above amount denominated in non-functional currency:

Chinese Renminbi	11,500	–	–	–

The associate held by the group is listed below:

Name of associate, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held by the Group	
	2011	2010
	%	%
Held through Greatly Holdings Investment Limited		
Tianjin Swan Lake Real Estate Development Co Ltd. People's Republic of China Property Developer (BDO China Shu Lun Pan CPAs Limited, People's Republic of China)	15.16	–

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17. Investment in Associate (Cont'd)

The summarised financial information of the associate (unaudited) not adjusted for the percentage ownership held by the group, is as follows:

	Group	
	2011	2010
	$'000	$'000
Assets	78,755	–
Liabilities	(7,976)	–
Revenues	3,523	–
Loss for the year	(274)	–

Pursuant to a sale and purchase agreement ("SPA") for the acquisition of Greatly Holdings, which in turn holds a 30% equity stake in the associate, Tianjin Swan Lake Real Estate Development Co Ltd ("Tianjin Swan Lake"), the vendor has provided a guarantee that Tianjin Swan Lake's audited net operating profit after tax ("NPAT") will be at least 30% of revenue for the financial years ending 31 December 2011 (FY2011) and 31 December 2012 (FY2012) respectively. In the event Tianjin Swan Lake NPAT margin is below 30% in any of these two years, the vendor shall pay the company an amount equivalent to 15.16% of the shortfall in Singapore dollar equivalent. For the reporting year ended 31 December 2011, the vendor has agreed in writing to compensate the group for an amount of RMB9,096,000 (S$1,897,000 equivalent). The compensation has been included in profit or loss and reported as other credit for the reporting year 2011, notwithstanding RMB3,096,000 (S$646,000) of the compensation remains outstanding as at the date of this report.

Pursuant to the SPA, the vendor has also provided an undertaking that in the event the NPAT margin of Tianjin Swan Lake is less than 23% in any of FY2011 or FY2012, the company may elect to exercise a put option that requires the vendor to buyback the company's stake in Tianjin Swan Lake at a price equal to the aggregate of all payments made by the company in relation to the above acquisition. Management has obtained legal advice to confirm that in the event that the company were to exercise the put option, it is able to retain the compensation received under the profit guarantee for FY2011, in addition to the aggregate of the considerations paid in relation to the acquisition.

Based on the financial statements of Tianjin Swan Lake, the associate incurred a loss of $274,000 (RMB1,398,000 equivalent) for the reporting year ended 31 December 2011. The financial statements of Tianjin Swan Lake for the reporting year ended 31 December 2011 were subjected a disclaimer audit opinion by the auditors, Messrs BDO China Shu Lun Pan CPAs Limited for the following reasons:

- The auditors were unable to obtain confirmations from major suppliers and supporting evidence for the estimated costs incurred for the development project, and hence unable to assess the reasonableness of the costs incurred in relation to the sales from units for the reporting year 2011;

- Tianjin Swan Lake extended significant amount of loans to its related parties in the reporting year 2011. The loans are partly funded by proceeds from capital contributions made by the shareholders of Tianjin Swan Lake during the year. As its auditors were unable to obtain its audited financial statements or management accounts of the related parties for the reporting year 2011, its auditors were unable to obtain sufficient appropriate evidence to determine the collectability of the amounts due from the related parties.

In view of the above, management has opted not to equity account the associate's results for the current reporting year. It has also not performed test for impairment as it is impractical to do so given the lack of sufficient information with respect to the financial performance of the associate.

Notes to the Financial Statements
31 December 2011

17. Investment in Associate (Cont'd)

Notwithstanding the above, management is of the view that no provision for impairment is necessary for the following reasons:

- The company has the option to recover in full the gross considerations paid, subject to fluctuation in exchange rate.

- In addition, the company has also obtained a deed of guarantee whereby General Nice Resources (HK) Limited ("General Nice", a related party to the other shareholders of Tianjin Swan Lake) guarantees to and covenants with the company the due and punctual performance by vendor of the obligations under the SPA.

- Based on a recent credit search performed on the guarantor, the guarantor credit rating has been graded as:

  - o Moderate credit status, comparable to high yield rated securities.
  - o Adequate financial capabilities to meet normal commitments. However, adverse changes in economic condition could lead to doubtfulness in the ability to pay.
  - o Default credit frequency 1.0% to less than 3.0%

However it may be noted that the settlement of a guarantee, if being called upon, would not normally be considered as "normal commitment".

The recoverability of the investment in Tianjin Swan Lake assumes that in the event the company were to exercise the put option in accordance to the conditions stated in the SPA, the vendor has the ability to repay the amount and if not, General Nice has the ability to meet its obligations under the deed of guarantee. The outcome of the above assumption is uncertain and there is no assurance that it will be successful. If this assumption is inappropriate, material adjustments may have to be made to write down the carrying value of the investment in associate.

18. Other Financial Assets, Non-Current

	Group and Company	
	2011	2010
	$'000	$'000
Quoted equity shares in corporations as available-for-sale at fair value through other comprehensive income	–	105
Movements during the year:		
Fair value at beginning of the year	105	102
Disposals of investments	(105)	–
Increase in fair value through other comprehensive income	–	3
Fair value at end of the year	–	105

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

A cumulated gain of $5,000 on remeasuring available-for-sale assets to fair value was recognized in other comprehensive income in prior years. It was recycled from equity to profit or loss upon the disposal of the investment in the current reporting year.

Notes to the Financial Statements
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19. Inventories

	Group 2011 $'000	Group 2010 $'000
Finished goods and goods for resale	839	881
Work-in-progress	131	442
Raw materials and consumables	1,475	3,627
	2,445	4,950
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of the year	244	296
Allowance to profit or loss included in other charges	19	6
Allowance (reversal) to profit or loss under discontinued operations	13	(58)
Disposal of subsidiaries (Note 32)	(195)	–
Balance at end of the year	81	244

The reversal of the allowance is for goods with an estimated increase in net realisable value.

	Group 2011 $'000	Group 2010 $'000
Continuing operations:		
Changes in inventories of finished goods and work-in-progress included in cost of sales – decrease (increase)	353	(250)
Raw materials and consumables used included in cost of sales	2,759	5,159
The amount of inventories included in cost of sales	16,335	14,472

There are no inventories pledged as security for liabilities.

Notes to the Financial Statements
31 December 2011

20. Trade and Other Receivables

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Trade receivables:				
Outside parties	6,373	7,218	–	–
Less: allowance for impairment	(48)	(141)	–	–
Subtotal	6,325	7,077	–	–
Other receivables:				
Staff loans and advances	584	17	–	–
Subsidiaries (Note 3)	–	–	2,992	5,075
Less: allowance for impairment	–	–	(1,372)	(3,100)
Other receivables	208	625	–	549
Profit guarantee receivable (Note 17)	1,897	–	–	–
Subtotal	2,689	642	1,620	2,524
Total trade and other receivables	9,014	7,719	1,620	2,524
Movements in above allowance:				
Balance at beginning of the year	141	154	3,100	3,100
Foreign exchange adjustments	(2)	(5)	–	–
(Reversed) allowance for trade receivables to profit or loss included in (other credits) and other charges	(45)	12	(1,728)	–
Bad debts written-off	(30)	(6)	–	–
Reversal for trade receivables to profit or loss included in discontinued operations	(7)	(14)	–	–
Disposal of subsidiaries (Note 32)	(9)	–	–	–
Balance at end of the year	48	141	1,372	3,100

21. Other Financial Assets, Current

	Group and Company 2011 $'000	Group and Company 2010 $'000
Quoted equity shares in corporations at fair value through profit or loss classified as held for trading	–	–
Movements during the year:		
Fair value at beginning of the year	–	468
Disposals	–	(418)
Decrease in fair value through profit or loss	–	(50)
Fair value at end of the year	–	–

The fair value of these securities approximates to current bid prices in an active market.

Notes to the Financial Statements
31 December 2011

22. Other Assets

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current:				
Deposit paid for acquisition of a subsidiary (Note 31)	–	5,928	–	5,928
Current:				
Deposits to secure services	657	385	21	41
Prepayments	162	504	32	56
Subtotal	819	889	53	97
Total	819	6,817	53	6,025

23. Cash and Cash Equivalents

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Not restricted in use	7,703	11,473	2,113	4,474
Cash pledged for bank facilities #a	647	642	647	642
Cash at end of the year	8,350	12,115	2,760	5,116
Interest earning balances	8,339	6,649	2,760	4,642

#a These were fixed deposits that have been pledged to a bank for credit facilities granted to certain subsidiaries (see Note 28B).

The rate of interest for the cash on interest earning balances was between 0.05% and 0.21% (2010: 0.1875% and 0.3000%) per annum.

23A. Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

	Group 2011 $'000	Group 2010 $'000
Amount as shown above	8,350	12,115
Cash pledged for bank facilities	(647)	(642)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	7,703	11,473

23B. Non-Cash Transactions

(a) 2,212,000 of the company's treasury shares amounting to $621,000 were transferred to an individual during the current reporting year as part of the consideration to acquire a subsidiary (Note 31).

(b) There were acquisitions of plant and equipment with a total cost of $36,000 (2010: Nil) acquired by means of finance leases.

Notes to the Financial Statements
31 December 2011

24. Share Capital

Group and company	Number of shares issued	Share capital	Treasury shares	Total
		$'000	$'000	$'000
Ordinary shares of no par value:				
Balance at 1 January 2010	123,460,920	16,648	(942)	15,706
Issue of share capital (a)	24,600,000	6,076	–	6,076
Balance at 31 December 2010	148,060,920	22,724	(942)	21,782
Issue of treasury shares for the acquisition of a subsidiary (b)	2,212,000	290	331	621
Balance at 31 December 2011	150,272,920	23,014	(611)	22,403

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

(a) On 25 October 2010, the company issued 24,600,000 ordinary shares at $0.261 per share pursuant to a share placement exercise. The share issue expenses incurred amounted to $344,000 and it was capitalised at the end of the reporting year.

(b) On 13 May 2011, the company issued 2,212,000 treasury shares as partial consideration for the acquisition of a 50.54% shareholding interest in a subsidiary, Greatly Holdings Investment Limited (Note 31).

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in 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 owners, return capital to owners, issue new shares, or sell assets to reduce debt.

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

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

The management monitors the capital on the basis of the debt-to-adjusted capital ratio.

The group and company have insignificant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

Notes to the Financial Statements
31 December 2011

25. Share-Based Payments

HLN PSP

The HLN PSP was approved by the shareholders of the company at an Extraordinary General Meeting held on 13 May 2008 to replace the HLN Employee Share Option Scheme ("HLN ESOS").

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

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

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

Li Anhua
Tang Chi Loong
Ng Khoon Seng

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

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

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

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

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

Notes to the Financial Statements
31 December 2011

25. Share-Based Payments (Cont'd)

HLN PSP (Cont'd)

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

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

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

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

(a) all awards granted thereunder;
(b) all options granted under the Scheme; and
(c) all shares or awards granted under any other share option or share incentive schemes of the company then in force,

shall not exceed 15% of the number of issued shares of the company on the day preceeding the relevant date of award.

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

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

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

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

No performance share was granted in 2010 and 2011.

There are no outstanding employee and director performance shares as at 31 December 2011 and 2010.

Notes to the Financial Statements
31 December 2011

26. Other Reserves

Group	Foreign currency translation reserve	Statutory reserve [a]	Revaluation reserve	Total
	$'000	$'000	$'000	$'000
Current year:				
At beginning of the year 1 January 2011	(611)	–	5	(606)
Foreign exchange adjustments	300	–	–	300
Reclassification adjustment for gain included in profit or loss – realised on disposal	–	–	(5)	(5)
Statutory reserve	–	252	–	252
Disposal of subsidiaries (Note 32)	57	–	–	57
At end of the year 31 December 2011	(254)	252	–	(2)
Previous year:				
At beginning of the year 1 January 2010	(272)	–	2	(270)
Foreign exchange adjustments	(339)	–	–	(339)
Available-for-sale investments:				
Valuation gain taken to other comprehensive income (Note 18)	–	–	3	3
At end of the year 31 December 2010	(611)	–	5	(606)

Company	Revaluation reserve	Total
	$'000	$'000
Current year:		
At beginning of the year 1 January 2011	5	5
Reclassification adjustment for gain included in profit or loss – realised on disposal	(5)	(5)
At end of the year 31 December 2011	–	–
Previous year:		
At beginning of the year 1 January 2010	2	2
Available-for-sale investments:		
Valuation gain taken to other comprehensive income (Note 18)	3	3
At end of the year 31 December 2010	5	5

The currency translation reserve accumulates all foreign exchange differences.

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

(a) The subsidiaries incorporated in the People's Republic of China ("PRC") are required by the relevant PRC regulations and the articles of association to appropriate, where applicable, a certain percentage of profit after tax (after offsetting all recognised tax losses carried forward from previous financial years) arrived at in accordance with the PRC GAAP each year to statutory reserves. The appropriation to statutory reserves must be made before distribution of dividends to shareholders. Subject to certain restrictions, part of the reserve may be converted to increase share capital. These statutory reserves are not distributable in the form of cash dividends.

Notes to the Financial Statements
31 December 2011

27. Provisions

	Group 2011 $'000	Group 2010 $'000
Retirement benefit obligations	43	32

Defined benefit plan:

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

The principal actuarial assumptions used for the purpose of the actuarial valuation of the defined benefit retirement plans at each end of the reporting year were as follows:

	2011	2010
Discount rate	9%	8.5%
Salary growth rate	10%	10%
Mortality rate	TMI 1999	TMI 1999
Disability rate	10% of TMI 1999	10% of TMI 1999
Withdrawal rate	1.2 up to 6%	1.2 up to 6%

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

The amount recognised in profit or loss is as follows:

	Group 2011 $'000	Group 2010 $'000
Current service cost	12	35
Net recognised actuarial gain (loss)	2	(20)
Past services cost – vested	–	–[1]
Provision charged to profit or loss included in cost of sales	14	15
Overprovision of retirement benefit in prior year	–	(58)
	14	(43)

The following table analyses the amounts recognised in the statements of financial position:

	Group 2011 $'000	Group 2010 $'000
Present value of the defined benefit obligation	67	58
Unrecognised actuarial loss	(23)	(25)
Unrecognised past service cost – non vested	(1)	(1)
Balance at end of the year	43	32

Notes to the Financial Statements
31 December 2011

27. Provisions (Cont'd)

The following table analyses the movements in retirement benefit obligations:

	Group 2011 $'000	Group 2010 $'000
Present value of defined benefit obligations (wholly or partly funded):		
Current service cost	12	35
Net recognised actuarial gain (loss)	2	(20)
Past services cost – vested	–	–[1]
Benefit paid	(3)	(8)
Overprovision of retirement benefit in prior year	–	(58)
Exchange adjustments	–	(1)
Increase (decrease) during the year	11	(52)
At beginning of the year	32	84
Balance at end of the year	43	32

[1] Less than $1,000.

28. Other Financial Liabilities

	Group 2011 $'000	Group 2010 $'000
Non-current:		
Finance lease liabilities (Note 28C)	24	–
Current:		
Bank loan (Note 28A)	409	417
Trust receipts (Note 28B)	–	1,915
Subtotal	409	2,332
Finance lease liabilities (Note 28C)	7	2
Current, total	416	2,334
Total	440	2,334

All the amounts except for finance lease liabilities are at floating interest rates.

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

	Group 2011	Group 2010
Bank loan	6.30%	7.30% to 8.05%
Trust receipts	–	5.56% to 8.69%

28A. Bank Loans

Bank loan relates to revolving money market loans each with maturity of not less than 3 months and not exceeding 6 months with rollovers. These short-term borrowings are covered by a corporate guarantee from a subsidiary. It is payable within a year.

Notes to the Financial Statements
31 December 2011

28. Other Financial Liabilities (Cont'd)

28B. Trust Receipts

The trust receipts were covered by a corporate guarantee and fixed deposit (Note 23) from the company.

28C. Finance Lease Liabilities

Group 2011	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	8	(1)	7
Due within 2 to 5 years	26	(2)	24
Total	34	(3)	31
Net book value of plant and equipment under finance lease liabilities			62

2010	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	2	–[1]	2
Net book value of plant and equipment under finance lease liabilities			3

(1) Less than $1,000

There are leases for certain of its plant and equipment under finance leases. The average lease term is 5 years (2010: 5 years). The interest rate for finance leases are fixed at 2.70% (2010: 3.50%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets.

The finance leases are guaranteed by a director of a subsidiary.

29. Trade and Other Payables

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Trade payables:				
Outside parties and accrued liabilities	4,030	3,451	640	970
Subsidiaries (Note 3)	–	–	–	25
Subtotal	4,030	3,451	640	995
Other payables:				
Other payables	104	106	56	85
Total trade and other payables	4,134	3,557	696	1,080

Notes to the Financial Statements
31 December 2011

30. Financial Instruments: Information on Financial Risks

30A. Classification of Financial Assets and Liabilities

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets:				
Available-for-sale financial assets	–	105	–	105
Cash and bank balances	8,350	12,115	2,760	5,116
Loans and receivables	9,014	7,719	1,620	2,524
At end of the year	17,364	19,939	4,380	7,745
Financial liabilities:				
Trade and other payables measured at amortised cost	4,134	3,557	696	1,080
Other financial liabilities measured at amortised cost	440	2,334	–	–
At end of the year	4,574	5,891	696	1,080

Further quantitative disclosures are included throughout these financial statements.

30B. Financial Risk Management

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

The guidelines include 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, All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.
5. When appropriate consideration is given to investing in shares or similar instruments.
6. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There has been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

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

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

Notes to the Financial Statements
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30. Financial Instruments: Information on Financial Risks (Cont'd)

30C. Fair Value of Financial Instruments

30.C.1. Fair value of financial instruments stated at amortised cost in the statements of financial position

The financial assets and financial liabilities at amortised cost are at a carrying amount that is a reasonable approximation of fair value.

30.C.2. Fair value measurements recognised in the statements of financial position

The fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are: Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Balances recognised at fair value in the statements of financial position included quoted equity shares in corporations of NIL (2010: $105,000). They were measured at level 1 of the fair value hierarchy.

30D. Credit Risk on Financial Assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables, and other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances with banks and any financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings.

For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. 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.

Note 23 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 – 90 days (2010: 30 – 90 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2011 $'000	2010 $'000
Trade receivables:		
91- 120 days	235	592
121- 150 days	78	93
151- 180 days	–	3
Over 180 days	1	–
At end of the year	314	688

Notes to the Financial Statements
31 December 2011

30. Financial Instruments: Information on Financial Risks (Cont'd)

30D. Credit Risk on Financial Assets (Cont'd)

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2011	2010
	$'000	$'000
Trade receivables:		
Over 180 days	48	141

The allowance which is disclosed in Note 20 on trade receivables is based on individual accounts totalling $48,000 (2010: $141,000) that are determined to be impaired at the end of reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity. Also see Note 17.

Concentration of trade receivable customers at the end of the reporting year:

	Group	
	2011	2010
	$'000	$'000
Top 1 customer	710	902
Top 2 customers	1,365	1,489
Top 3 customers	1,905	2,073

Available for sale investments represent equity shares and therefore there is no maturity.

30E. Liquidity Risk

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

	Less than 1 year	1 – 5 years	Total
Group	$'000	$'000	$'000
2011			
Gross borrowing commitments	435	–	435
Gross finance lease liabilities	8	26	34
Trade and other payables	4,134	–	4,134
	4,577	26	4,603
2010			
Gross borrowing commitments	2,500	–	2,500
Gross finance lease liabilities	2	–	2
Trade and other payables	3,557	–	3,557
	6,059	–	6,059

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30. Financial Instruments: Information on Financial Risks (Cont'd)

30E. Liquidity Risk (Cont'd)

	Less than 1 year
Company	$'000
2011	
Trade and other payables	696
2010	
Trade and other payables	1,080

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

Financial guarantee contracts – For financial guarantee contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities:

	Less than 1 year
Company	$'000
2011	
Financial guarantee contracts – in favour of subsidiaries	–
2010	
Financial guarantee contracts – in favour of subsidiaries	2,566

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 – 90 days (2010: 30 – 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

	Group	
	2011	2010
	$'000	$'000
Bank facilities:		
Undrawn borrowing facilities	1,918	2,065

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

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30. Financial Instruments: Information on Financial Risks (Cont'd)

30F. Interest Rate Risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant.

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

30G. Foreign Currency Risks

Analysis of amounts denominated in non-functional currencies:

Group Financial assets:	Cash and cash equivalents $'000	Trade and other receivables $'000	Total $'000
2011			
Singapore dollars	616	816	1,432
US dollars	2,950	2,814	5,764
Euro	29	–	29
Renminbi	–	1,897	1,897
	3,595	5,527	9,122
2010			
Singapore dollars	139	362	501
US dollars	1,528	2,334	3,862
Euro	17	–	17
Hong Kong dollars	–	82	82
	1,684	2,778	4,462

Group Financial liabilities:	Borrowings $'000	Trade and other payables $'000	Total $'000
2011			
Singapore dollars	–	751	751
US dollars	–	738	738
	–	1,489	1,489
2010			
Singapore dollars	–	211	211
US dollars	557	608	1,165
	557	819	1,376

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30. Financial Instruments: Information on Financial Risks (Cont'd)

30G. Foreign Currency Risks (Cont'd)

Net financial assets (liabilities) at end of the reporting year:

	Group	
	2011	2010
	$'000	$'000
Singapore dollars	681	290
US dollars	5,026	2,697
Euro	29	17
Renminbi	1,897	–
Hong Kong dollars	–	82

The amount of financial assets and financial liabilities of the company denominated in foreign currencies at the end of the reporting year 2011 and 2010 are not significant.

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

Sensitivity analysis:

	Group	
	2011	2010
	$'000	$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the US$ with all other variables held constant would have an adverse effect on post-tax profit of	503	270
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Euro with all other variables held constant would have an adverse effect on post-tax profit of	3	2
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the HKD with all other variables held constant would have an adverse effect on post-tax profit of	–	8
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the RMB with all other variables held constant would have an adverse effect on post-tax profit of	190	–

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on the profit or loss.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

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

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31. Acquisition of Subsidiary

Pursuant to the signing of a term sheet on 19 December 2010, the company has on 19 January 2011 entered into a conditional sales and purchase agreement ("SPA") with Messrs Tan Jian You (the "vendor") to purchase from the vendor a 50.54% shareholding interest in Greatly Holdings Investments Limited ("Greatly Holdings"). A deposit of $5,928,000 (RMB 30 million equivalent) was paid to the vendor and was accounted under other assets as at 31 December 2010 (Note 22).

On 13 May 2011, the company completed the above acquisition. Greatly Holdings became a subsidiary of the company. The transaction was accounted for by the acquisition method of accounting.

Greatly Holdings is an investment holding company and its only investment is a 30% equity stake in Tianjin Swan Lake Real Estate Development Co. Ltd ("Tianjin Swan Lake"), which owns a commercial development project in Wuqing District, Tianjin, known as the Jing Jin Business Centre.

The acquisition of a controlling stake of 50.54% in Greatly Holdings is to acquire its 30% stake in Tianjin Swan Lake. Tianjin Swan Lake is an associate of the group. Management has performed a purchase price allocation exercise and identified the fair value of Greatly Holdings at date of acquisition.

The consideration transferred is as follows:

	2011 $'000
Cash	11,500
2,212,000 treasury shares issued	621
Total consideration transferred	12,121

The only asset of Greatly Holdings is the associate. Also see Note 17.

32. Disposal of Subsidiaries

HLN Metal Centre Group, the metallic business unit, was sold on 17 November 2011.

The losses for the reporting year from the disposal of the subsidiaries and the results for the previous year and for the period from the beginning of the reporting year to the date of the disposal, which have been included in the consolidated financial statements, were as follows:

	Group	
	Period to the date of disposal $'000	Year ended 31/12/2010 $'000
Revenue	3,439	6,536
Expenses	(3,433)	(6,054)
Profit before tax	6	482
Income tax expense	(52)	(94)
(Loss) profit after tax before disposal loss	(46)	388
Loss on disposal of subsidiaries	(730)	–
Realised foreign exchange translation reserve reclassified to profit or loss	(57)	–
Total (loss) profit on discontinued operations	(833)	388

A loss of $833,000 arose on the disposal of HLN Metal Centre Group, being the consideration receivable on disposal less the carrying amount of the subsidiary's net assets, inclusive of other comprehensive income. No tax charge or credit arose from the transaction.

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32. Disposal of Subsidiaries (Cont'd)

The following table summarises the carrying amounts of the assets and liabilities of the discontinued operations (HLN Metal Centre Group) that were sold on 17 November 2011:

	Group	
	Date of disposal in 2011	End of last year 2010
	$'000	$'000
Plant and equipment	288	311
Inventories	2,778	2,173
Trade and other receivables	972	1,447
Other assets, current	39	22
Cash and equivalents	402	1,124
Other reserves	57	92
Non-controlling interest	(30)	(4)
Deferred tax assets	6	6
Income tax payables	(4)	(38)
Trade and other payables	(533)	(210)
Other finance liabilities	(1,038)	(1,915)
Net assets disposed of	2,937	3,008
Loss on disposal	(730)	
Realised foreign exchange translation reserve reclassified to profit or loss	(57)	
Total consideration	2,150	
Net cash inflow on disposal:		
Cash consideration	2,150	
Cash balance disposed of	(402)	
Net cash inflow	1,748	

The cash flows of the discontinued operations for the previous year and for the period from the beginning of the reporting year to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	Group	
	Period to the date of disposal	Year ended 31/12/2010
	$'000	$'000
Operating cash flows	243	(1,052)
Investing activities	(24)	(4)
Financing activities	(941)	1,674
Total cash flows	(722)	618

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33. Operating Lease Payment Commitments

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2011	2010
	$'000	$'000
Not later than one year	756	821
Later than one year and not later than five years	593	721
Rental expense for the year	996	1,080

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.

34. Changes and Adoption of Financial Reporting Standards

For the reporting year ended 31 December 2011 the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements Disclosures (Amendments to)
FRS 24	Related Party Disclosures (revised)
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 32	Classification Of Rights Issues (Amendments to) (*)
FRS 34	Interim Financial Reporting (Amendments to)
FRS 103	Business Combinations (Amendments to)
FRS 107	Financial Instruments: Disclosures (Amendments to)
FRS 107	Financial Instruments: Disclosures (Amendments to) - Transfers of Financial Assets
INT FRS 113	Customer Loyalty Programmes (Amendments to) (*)
INT FRS 114	Prepayments of a Minimum Funding Requirement (revised) (*)
INT FRS 115	Agreements for the Construction of Real Estate(*)
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments(*)

(*) Not relevant to the entity.