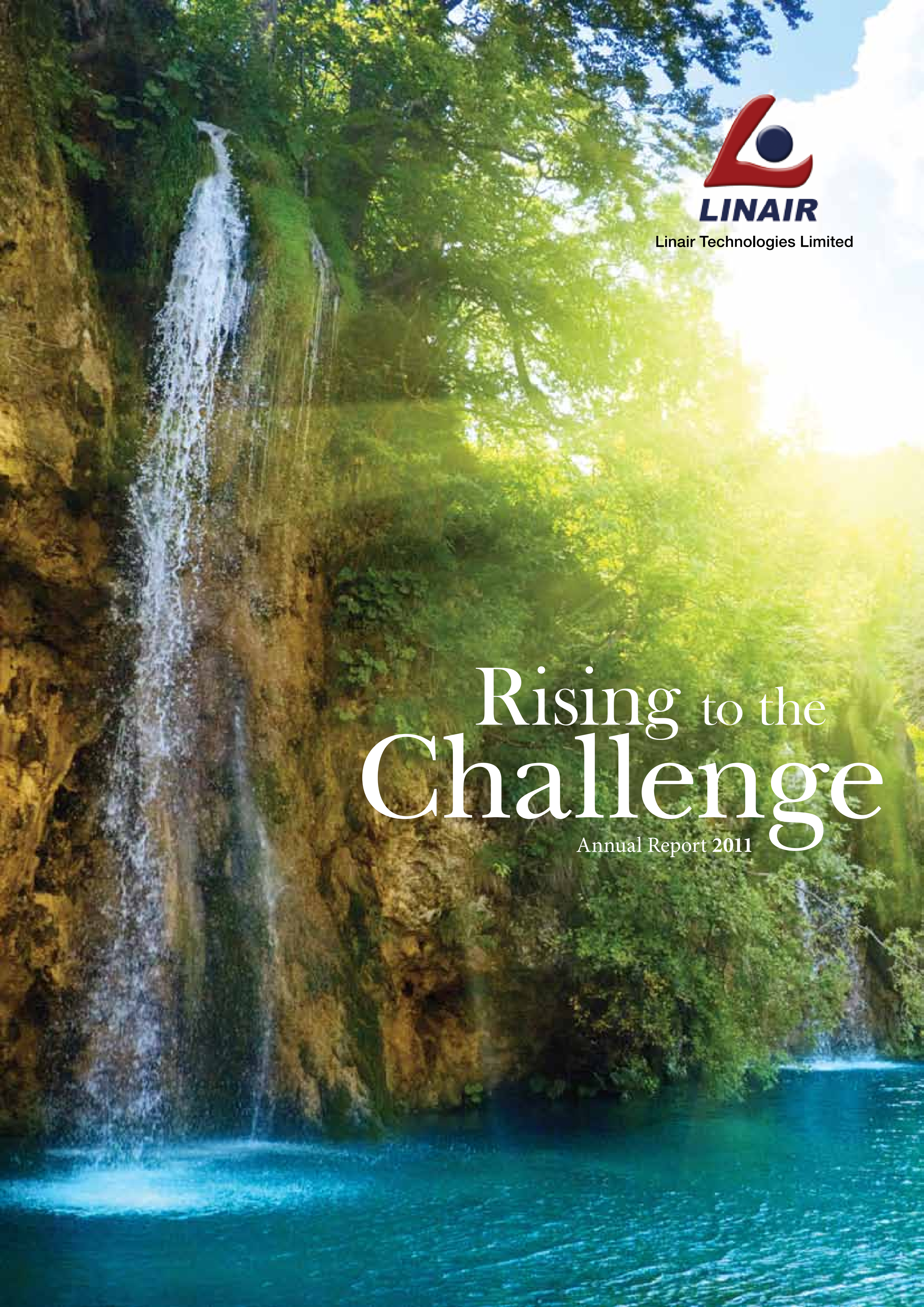


LINAIR

Linair Technologies Limited

Rising to the Challenge

Annual Report 2011

Contents

We have the strength and capability to surmount the challenges in these changing times.

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch, for compliance with the relevant rules of the SGX-ST. CIMB Bank Berhad, Singapore Branch has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Jason Chian Siet Heng (Director, Corporate Finance), CIMB Bank Berhad, Singapore Branch, 50 Raffles Place, #09-01, Singapore Land Tower, Singapore 048623, telephone (65) 6337 5115.

Corporate Profile

Founded in Singapore in 1998, Linair is a multi-disciplinary group providing one-stop environmental solutions and integrated services to diverse industries including semiconductor, wastewater treatment, chemical, pharmaceutical and biotechnological industries. Linair is also a leading building services and engineering solutions provider which specialises in the design, installation, testing and commissioning of Air-Conditioning and Mechanical Ventilation (ACMV) and Electrical Systems The company was successfully listed in the SGX Sesdaq (now known as Catalist) on February 2005.

Linair Group has three major pillars;

Manufacturing

Linair has established a strong position in the duct manufacturing industry. Our manufacturing capability encompasses Ethylene Tetrefluoroethylene (ETFE) coated stainless steel ducts, uncoated stainless steel ducts, galvanised ducts and other specialised exhaust system components.

Linair's competitive advantage is our FM-approved status (an international commercial and industrial property insurance and risk management organisation) for production of ETFE-coated ducts. Our FM approved ETFE coated ducts, marketed under the brand name of CMT™ are highly corrosive resistance and designed to handle both flammable and non-flammable corrosive / toxic fumes in exhaust systems.

Our high quality galvanised and stainless steel ductwork and accessories are suitable for less corrosive application such as heating, ventilation and air-conditioning systems for commercial and industrial buildings. Our products are widely used in biotechnology, pharmaceutical and waste water treatment facilities.

Besides ducts, Linair also manufacture laboratory air flow products. Our Isolation Dampers are designed for effective shut-off and isolation of one or more tiers of filters in hazardous containment exhaust systems. In bio-hazardous environments, the dampers enable air filtration systems to be shut off for decontamination, or for filter changes.

Distribution

This segment refers to the sale and distribution of products which are mainly used in industrial, biotechnology and pharmaceutical industries. These include critical airflow control systems, ductworks for laboratories.

Engineering & Environmental Solution

Fronted by our subsidiary, Air System Technology (AST), the Group provides turnkey facility construction management and specialist engineering; mechanical, electrical and plumbing (MEP) services for commercial, residential and industrial buildings. We specialize in design, installation, testing and commissioning of Air Conditioning and Mechanical Ventilation (ACMV) Systems and Electrical Systems for Indoor Ranges, Cleanrooms, Commercial Complexes, Offices, Production spaces, Condominiums and Research Laboratories. We also provide maintenance and repair services for Air Conditioning & Mechanical Ventilation Systems (ACMV), improvement works, additions and alterations to existing mechanical and electrical systems and facilities.

Linair has a team of specialists who engages in the project management and consultancy services for the construction of semiconductor clean rooms and laboratories up to Bio-Safety Level 3. In addition we can provide installation and servicing of fume exhaust systems in the semiconductor, pharmaceutical and chemical industries.

We have Resources at the Ready

Letter to Shareholders

Mr William C M Tan

Group Chief Executive Officer

Mr Tan Hup Foi @ Tan Hup Hoi

Chairman & Independent Non-Executive Director

For the financial year ended 31 December 2011 (FY11), Linair Group achieved a turnover of $49.0 million and after tax profit of $1.2 million. At the end of FY11, the net asset value was 5.41 cents per share and its cash and cash equivalents stood at $10.8 million.

For the financial year ended 31 December 2011 (FY11), Linair Group achieved a turnover of $49.0 million and after tax profit of $1.2 million. At the end of FY11, the net asset value was 5.41 cents per share and its cash and cash equivalents stood at $10.8 million.

Financial Review

The Group's turnover for FY11 was $49.0 million, an increase of 15.2% from $42.5 million attained in the previous year.

Gross profit and gross profit margin in FY11 was $8.5 million and 17.4% compared to $9.6 million and 22.5% in FY10. This was due to the higher proportion of engineering works, which had a lower gross profit margin compared to manufacturing segment, in the revenue mix. Administration and other operating expenses in FY11 were $4.5 million and $3.3 million respectively, comparable to $4.6 million and $3.8 million in FY10. The marginal reductions in these expenses, despite the higher turnover, were due to continued costs controls and lower depreciation costs.

The Group's FY11 after tax profit was $1.2 million, comparable to the after tax profit of $1.1 million in FY10. Earnings per share were 0.35 cents per share in FY11 compared to 0.30 cents per share in the previous corresponding period.

Following a profitable performance for FY11, the Group's balance sheet was much stronger, ending the year with a net asset value of 5.41 cents per share, compared to 5.09 cents per share at end FY10.

Letter to Shareholders

At the close of FY11, cash and cash equivalents, including pledged bank deposits, stood at $10.8 million, an increase of $1.7 million compared to $9.1 million at close of FY10.

Business and Operations Review

After a promising beginning to FY11, when we were supplying our FM-approved ETFE coated ductworks to projects in Singapore, Beijing and Nanjing, our manufacturing and distribution businesses were adversely impacted by the global slowdown of the electronics industry. This slowdown was partially mitigated by our focused diversification into the supply of galvanized ductworks, which carried lower gross margins.

During the financial year, we continued with our strategy to our focus on Green Mark projects with higher efficiency ACMV systems in line with the BCA's (Building and Construction Authority) emphasis to build Singapore into one of the most noteworthy green cities in the world. We secured and largely completed upgrading projects such as Chinatown Point and Lot 1, as well as new builds like the Unilever Training Center at one-north, to attain Green Mark Awards. For maintenance services, apart from our core ACMV, we were also successful in securing integrated M&E (Mechanical and Electrical) maintenance contract at Biopolis.

Outlook

The global economic outlook remains uncertain as a result of the continuing financial situations in Europe and the USA. The supply chain disruptions due to the earthquake and tsunami in Japan, floods in Thailand, political turmoil in the Middle-East and North Africa, and tough competitive and monetary environments in China have also contributed to the economic uncertainty that will affect our businesses.

Locally, the recent measures by the Government of Singapore to tighten foreign workers availability and hike foreign worker's levy, together with the rising prices of materials continue to pose significant challenges which we need to manage. We intend to strengthen our competitive edge by continuing with costs controls, securing key materials at fixed prices upon entering contracts and continually improving our operations.

We will continue with our drive to diversify our customer base, as well as broaden our product and service offerings leveraging on our integrated design and project management competencies, our manufacturing capabilities and maintenance expertise. With our focus on meeting and exceeding customers' needs and creating sustained shareholder value, Linair will work to overcome the challenges that lie ahead.

Board Changes and Appointments

BG(Ret) Law Chwee Kiat, who did not seek re-election at the 2011 Annual General Meeting, retired as Independent Director and Non-Executive Chairman. The Board sincerely thanks BG(Ret) Law for his invaluable contributions to the Linair Group.

The Board was then re-constituted with Mr Tan Hup Foi as Chairman of the Board as well as the Remuneration Committee. Mr Ong Chin Lin remains as the Chairman of the Audit Committee. Mr Leong Horn Kee assumed the Chairmanship of the Nominating Committee.

Appreciation

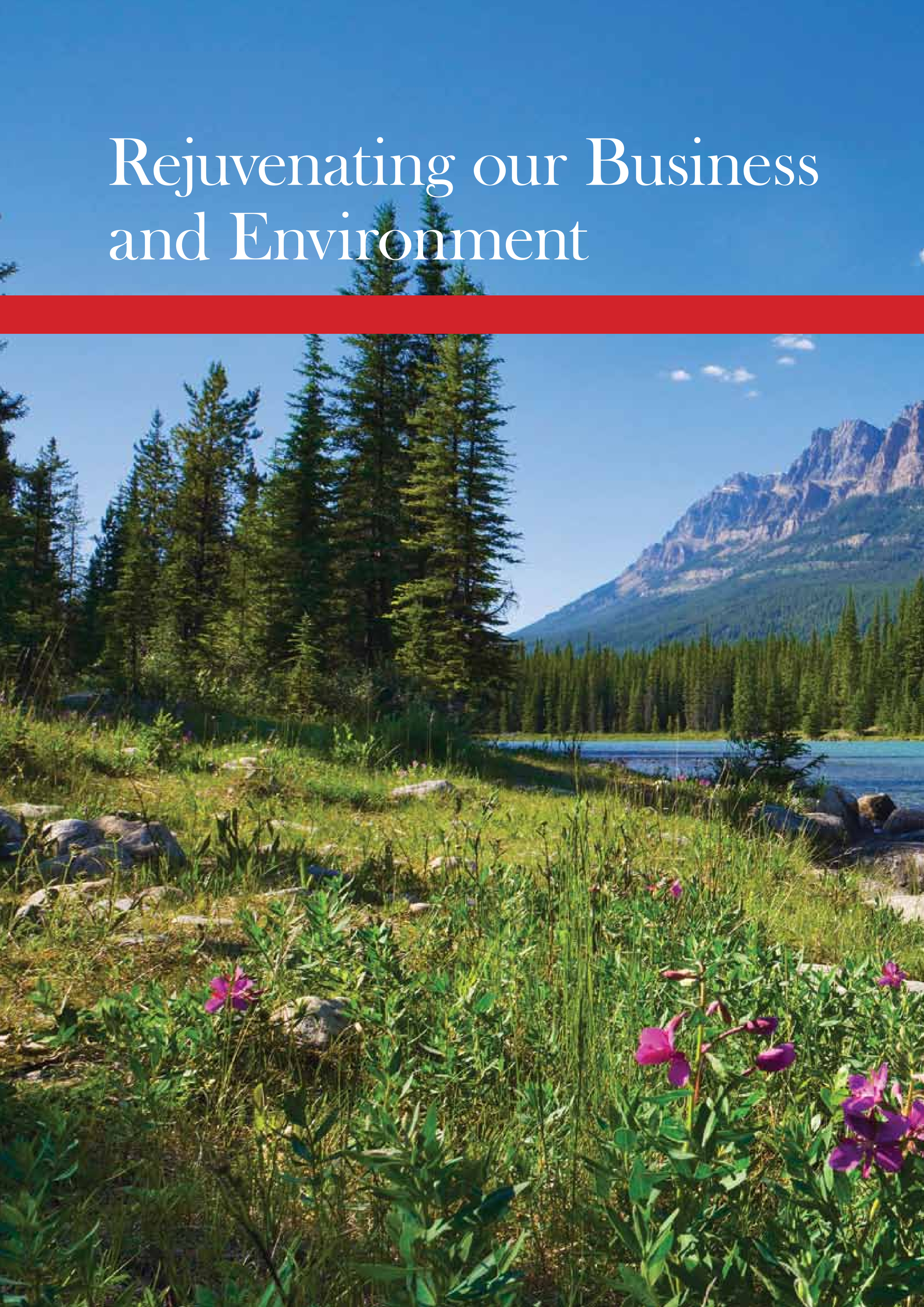
The entire Linair Team had worked tirelessly in FY11. Everyone remained focused on the tasks necessary to ensure that the Group met its objectives and targets. We would like to thank the Management and all employees for their dedication, enthusiasm and passion throughout the year. We would also like to thank our Directors for their commitment, strong support and wise counsel.

Our thanks also go to our business partners, shareholders and stakeholders for their support in enabling the Group to conclude another successful year.

Tan Hup Foi
Independent Director and Non-Executive Chairman

William C M Tan
Group Chief Executive Officer

Rejuvenating our Business and Environment



Board of Directors

Mr Tan Hup Foi @ Tan Hup Hoi

Chairman &
Independent Non-Executive Director

Mr Tan Hup Foi was appointed Independent Non-Executive Director in August 2009 and Chairman in April 2011. He is also Chairman of the Remuneration Committee and member of the Audit Committee. Mr Tan is Honorary Vice-President of the International Association of Public Transport (UITP) and Honorary Chairman of UITP Asia-Pacific Division. He was the Chairman of Ngee Ann Polytechnic Council from 2004 to 2011. Mr Tan was Chief Executive of Trans-Island Bus Services Ltd from 1994 to 2005 and concurrently Deputy President of SMRT Corporation Ltd from 2003 to 2005. He was awarded the Public Service Medal (PBM) in 1996 and Public Service Star (BBM) in 2008 by the President of the Republic of Singapore.

Mr Tan graduated from Monash University in Australia with a First Class Honours degree in Mechanical Engineering in 1974 and he obtained a Master of Science (Industrial Engineering) degree from the University of Singapore in 1979.

Mr William C M Tan

Group Chief Executive Officer

Mr William C M Tan has over 25 years of experience in strategic management, marketing, operations and business development, having worked in both the public and private sectors, in MNCs and SMEs, in diverse industries such as education, trading, energy and, specialty chemicals, and materials across the Asia Pacific.

Mr Tan holds a First Class Honours degree in Mechanical Engineering, a Master of Science (Industrial Engineering) degree, and a MBA, all from the National University of Singapore.

Mr Ong Chin Lin

Independent Non-Executive Director

Mr Ong Chin Lin is an Independent Non-Executive Director at Linair. He is the Chairman of the Audit Committee and a member of the Nominating Committee. Mr Ong had previously held senior financial and operations positions at Prima Flour Ltd, Malaysia-Beijing Travel Sdn Bhd and Nylect Technology Limited. He is currently Independent Non-Executive Director of Yi-Lai Berhad and Old Chang Kee Ltd. Mr Ong graduated with a Bachelor of Commerce (Accountancy) from the then Nanyang University in 1970.

He is a fellowship member of the Institute of Chartered Accountants in England & Wales and also a member of the Malaysia Institute of Accountants.

Mr Leong Horn Kee

Independent Non-Executive Director

Mr Leong was appointed Independent Non-Executive Director in August 2009. He is Chairman of the Nominating Committee and, member of the Audit Committee and the Remuneration Committee. He is currently the Chairman of CapitalCorp Partners Pte Ltd. Mr Leong has wide experience in both the public and private sectors, having served in the Government Administrative Service in the Ministry of Finance and Ministry of Trade and Industry, and worked in business sectors such as venture capital, merchant banking, hotels, food and beverage, and property development.

Mr Leong was a Member of Parliament for 22 years from 1984 to 2006. He is currently Singapore's Non-resident Ambassador to Mexico. Mr Leong holds a Production Engineering degree from Loughborough University, UK; an Economics Honours degree from the University of London, UK; a Chinese Language and Literature degree from Beijing Normal University, China; an MBA from INSEAD, France; and a Master in Business Research from the University of Western Australia.

Mr See Yen Tarn

Non-Executive &
Non-Independent Director

Mr See joined the Board as a Non-Executive & Non-Independent Director in August 2010. He is a member of the Audit Committee. Mr See has more than 20 years of working experience at senior management level in various industries and has held such positions as Chief Financial Officer, Executive Director and Deputy Group Managing Director for both listed and non-listed entities in Singapore, Indonesia, Hong Kong, People's Republic of China and Australia. Mr See is presently the Group Chief Executive Officer of CSC Holdings Limited.

Mr See holds a Bachelor of Accountancy degree from the National University of Singapore. He is also a Chartered Accountant from England and Wales.

Mr Teo Beng Teck

Non-Executive &
Non-Independent Director

Mr Teo joined the Board as a Non-Executive & Non-Independent Director in August 2010. He is a member of the Nominating Committee. Mr Teo has more than 35 years of experience in engineering and construction in both public and private sectors.

Mr Teo holds a Master of Science in Construction Engineering from the University of Singapore. Mr Teo is also a Chartered Secretary and holds memberships with several professional bodies relating to management and logistic services.

Mr Ho Ta-Huang

Non-Executive &
Non-Independent Director

Mr Ho Ta-Huang is the founder and Chairman of Chern Dar Enterprise Company Limited, a business partner of Linair Group, based in Taiwan. He is a member of the Audit Committee and the Remuneration Committee. Mr Ho has over 30 years of experience in the business of manufacturing and installation of stainless steel and galvanised steel ductworks in Taiwan. He is the Honorary Chairman of the Taiwan Hardware Association and an inspector with the Taiwan Ventilation Equipment Association.

Senior Management

Mr Goh Tcheng Hion

Group Chief Financial Officer

Mr Goh Tcheng Hion joined Linair as Group Chief Financial Officer in December 2010. He is responsible for the financial management and reporting functions of the Group. Mr Goh is also the Company Secretary.

Mr Goh has more than 15 years of experience in finance in various industries/ organisations and held several financial roles, which included overseeing the finance function of 2 SGX listed companies.

Mr Goh holds a Bachelor of Accountancy degree from the Nanyang Technological University. He is a fellow of the Institute of Certified Public Accountants of Singapore and a member of the CFA Institute (USA).

Ms Vivian Lee

Human Resources Manager

Ms Vivian Lee joined Linair as HR Manager in June 2011. She is responsible for the Group's Human Resource program development and implementation. Ms Lee also oversees the Group's administration function.

Ms Lee has more than 15 years of experience in developing people, businesses and operations unit both in Malaysia and Singapore. She has broad experience implementing service and operations excellence, process improvements, industrial relation and HR Management programs.

Ms Lee holds a Bachelor Degree (Hons) in Business Administration from University of Bolton, United Kingdom.

Mr Wong Kok Chye

Chief Executive Officer, Environmental Products

Mr Wong Kok Chye is the Chief Executive Officer for Environmental Products. He is responsible for the operations, growth and profitability of the Group's manufacturing and distribution businesses. Mr Wong joined Linair in 2000 as Project Director and held several other senior positions within the Group before assuming his present position in November 2010.

Mr Wong holds a Bachelor degree in Engineering with First Class Honours in Mechanical Engineering from Queen's University of Belfast.

Mr Lai Mun Yow

Director, Air System Technology

Mr Lai Mun Yow joined Linair in October 2006 as Chief Executive Officer of Linair Engineering before assuming his present position in March 2009. His responsibilities include overseeing the Group's engineering business and operations in ASEAN and China.

Mr Lai has more than 20 years of experience in project management and construction of laboratory, pharmaceutical plants and clean rooms. Prior to joining Linair, Mr Lai was project manager with Shin Nippon Air Technologies Co., Ltd.

Mr Lai hold a Diploma in Mechanical Engineering from the Singapore Polytechnic.

Corporate Structure

LINAIR TECHNOLOGIES LIMITED

Linair Technologies (Suzhou) Co., Ltd 100%

Linair Technologies (M) Sdn Bhd 100%

Air System Technology (S) Pte Ltd 100%

Linair Bio-Science Pte Ltd 100%

Linair Engineering Pte Ltd 100%

Shanghai Xianda Industry Equipment Installation Co., Ltd 70%

Metal Technologies LLC 24%

Corporate Information

Directors	Tan Hup Foi @ Tan Hup Hoi – *Independent Non-Executive Chairman* Tan Chee Meng William – *Executive Director and Group CEO* Ong Chin Lin – *Independent Non-Executive Director* Leong Horn Kee – *Independent Non-Executive Director* See Yen Tarn – *Non-Independent Non-Executive Director* Teo Beng Teck – *Non-Independent Non-Executive Director* Ho Ta-Huang – *Non-Independent Non-Executive Director*
Audit Committee	Ong Chin Lin *(Chairman)* Tan Hup Foi @ Tan Hup Hoi Leong Horn Kee Ho Ta-Huang See Yen Tarn
Nominating Committee	Leong Horn Kee *(Chairman)* Ong Chin Lin Teo Beng Teck
Remuneration Committee	Tan Hup Foi @ Tan Hup Hoi *(Chairman)* Ho Ta-Huang Leong Horn Kee
Company Secretary	Goh Tcheng Hion
Bankers	United Overseas Bank Limited Standard Chartered Bank Malayan Banking Berhad
Auditors	PKF-CAP LLP 146 Robinson Road #08-01 Singapore 068909
Partner-In-Charge	Lee Eng Kian (with effect from financial year ended 2008)
Share Registrar	KCK CorpServe Pte Ltd 333 North Bridge Road #08-00 KH KEA Building Singapore 188721
Company Registration Number	199505699D
Registered Office	33 Mactaggart Road #04-00 Singapore 368082 Tel: (65) 6757 5310 Fascimile: (65) 6757 5319 Corporate Website: http://www.linair.com.sg

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (the "Board") of Linair Technologies Limited (the "Company") is committed to ensuring and maintaining a high standard of corporate governance within the Group. This report describes the corporate governance framework and practices of the Company with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2005 (the "Code").

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive management. To fulfil this role, the Board sets the Group's strategic direction, establishes goals for management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

The Board meets regularly and as warranted by particular circumstances or as deemed appropriate by the board members. The Company Secretary is always present at such meetings to record the proceedings.

The responsibilities of the Board include:

- reporting to shareholders and the market;
- ensuring adequate risk management processes;
- reviewing internal controls and internal and external audit reports;
- monitoring the Board composition, director selection and Board processes and performance;
- reviewing and approving executive directors' remuneration;
- validating and approving corporate strategy;
- reviewing business results, monitoring budgetary control and corrective actions (if required); and
- authorising and monitoring major investment and strategic commitments.

Newly appointed directors will be given an orientation program to familiarise themselves with the Company's operations. Apart from keeping the Board informed of all relevant new laws and regulations, where necessary, the Company will arrange for the Directors to attend training programmes in connection with their duties as Directors.

The Board is assisted by various Board Committees namely the Audit Committee, the Nominating Committee and the Remuneration Committee in carrying out and discharging its duties and responsibilities efficiently and effectively.

STATEMENT OF CORPORATE GOVERNANCE

The attendance of the directors at meetings of the Board and Board Committees during the year, as well as the frequency of such meetings, is disclosed below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	3	2	1
Name of Directors	**Number of meetings attended**			
BG (Ret) Law Chwee Kiat [1]	1	1	1	1
Tan Chee Meng William	4	NA	NA	NA
Ho Ta-Huang	4	3	NA	1
Teo Beng Teck	4	NA	2	NA
Ong Chin Lin	4	3	2	1
See Yen Tarn	3	3	NA	NA
Leong Horn Kee	4	2	NA	1
Tan Hup Foi @ Tan Hup Hoi	4	3	NA	NA

[1] BG (Ret) Law Chwee Kiat retired as Independent Director and Non-Executive Chairman on 29 April 2011.

The Company has adopted internal guidelines and financial authority limits structure setting forth matters that require Board approval. Under the guidelines, Board approval is required for material transactions such as commitments and payments of operating and capital expenditure exceeding S$2,000,000.

BOARD COMPOSITION AND BALANCE

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

As at the date of this Report, the Board comprises seven members; of whom three are independent, which provides a strong and independent element on the Board:

Mr Tan Hup Foi @ Tan Hup Hoi	Independent Non-Executive Chairman
Mr Tan Chee Meng William	Executive Director and Group Chief Executive Officer
Mr Ong Chin Lin	Independent Non-Executive Director
Mr Leong Horn Kee	Independent Non-Executive Director
Mr See Yen Tarn	Non-Independent Non-Executive Director
Mr Teo Beng Teck	Non-Independent Non-Executive Director
Mr Ho Ta-Huang	Non-Independent Non-Executive Director

The Board is of the view that the current size and structure are appropriate given that the non-executive directors form the majority in the Board comprising seven members.

The criterion for independence is based on the definition given in the Code. The Board considers an "Independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs. The independence of each Director is reviewed annually by the Nominating Committee, based on the definition of independence as stated in the Code.

STATEMENT OF CORPORATE GOVERNANCE

The non-executive Directors effectively check on Management by constructively challenging and helping to develop proposals on strategy. They monitor and review the reporting and performance of Management in meeting agreed goals and objectives.

The non-executive Directors may meet regularly on their own as warranted without the presence of Management.

The Board is of the view that the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group. The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

The Chairman of the Board is Mr Tan Hup Foi @ Tan Hup Hoi, an Independent Non-Executive Director whilst the Chief Executive Officer ("CEO"), Mr Tan Chee Meng William, is an Executive Director. The Chairman and the CEO are not related. The Chairman is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process. The Chairman also ensures that the Board constructively engages the management on strategy, business operations, enterprise risk and other plans.

The Chairman ensures that Board meetings are held regularly, at least twice a year, and as and when necessary. He sets the board meeting agenda in consultation with the CEO, key executives as well as the Company Secretary. He also ensures that sufficient information is disseminated to the members of the Board on a timely basis to enable them to carry out their duties. In the conduct of Board meetings, the Chairman seeks and encourages contribution by both executive and non-executive directors. Chairman also ensures effective communication with shareholders.

The Chairman is also assisted by the three Committees and the internal auditors who report to the Audit Committee in ensuring compliance with the Company's guideline on corporate governance.

As the Company's CEO, Mr Tan Chee Meng William is responsible for the day-to-day management affairs of the Group. He reports directly to the Board, updates the Board on the performance of the Company during regular meetings and ensures that policies and strategies adopted by the Board are implemented.

BOARD MEMBERSHIP

Principle 4: *There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.*

STATEMENT OF CORPORATE GOVERNANCE

Nominating Committee ("NC")

The NC comprises three Directors, the majority of whom, including the Chairman, are independent. The NC members are:

Mr Leong Horn Kee (Chairman)	Independent Non-Executive Director
Mr Ong Chin Lin	Independent Non-Executive Director
Mr Teo Beng Teck	Non-Independent Non-Executive Director

The primary function of the NC is to determine the criteria for identifying candidates, review nominations for the appointment of Directors to the Board, decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows: -

a. to make recommendations to the Board on all board appointments and re-nomination having regard to the director's contribution and performance (eg. attendance, preparedness, participation, candour and any other salient factors);

b. to ensure that all directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

c. to determine annually whether a director is independent, in accordance with the guidelines contained in the Code;

d. to decide whether a director is able to and has adequately carried out his duties as a director of the Company, in particular cases, where the director has multiple board representations; and

e. to decide how the Board's performance may be evaluated and to propose objective performance criteria.

There is a formal and transparent process for the appointment of new directors to the Board. The NC reviews and recommends all new Board appointments and also the re-nomination and re-appointment of directors to the Board.

In the nomination and selection process of a new director, the NC identifies key attributes of an incoming director based on the requirements of the Group and recommends to the Board the appointment of the new director. New directors are appointed by way of a board resolution. The NC has conducted an annual review of the independence of the Independent Directors, based on guidelines stated in the Code, and has ascertained that they are independent.

BOARD PERFORMANCE

Principle 5: *There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

The NC has assessed the effectiveness of the Board as a whole and the contributions of each director to the effectiveness of the Board. In assessing the effectiveness of the Board, the NC considers a number of factors, including the discharge of the Board's functions, access to information, participation at board meetings and communication and guidance given by the Board to top management.

STATEMENT OF CORPORATE GOVERNANCE

The NC's focus in the assessment of Board effectiveness is on its ability to provide supervision and oversight. While the NC will, to a certain extent, consider the Company's achievement of various financial performance criteria (including those in the Code) as part of its assessment of the effectiveness of the Board, the Board regards these criteria as being more appropriate measures of management performance and is relevant in its assessment of the Company's management. The Chairman of NC would act on the results of the performance evaluation and propose changes to the Board where appropriate.

ACCESS TO INFORMATION

Principle 6: *In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

Periodic financial summary reports, budgets, forecasts and other disclosure documents are provided to the Board prior to Board meetings. The Board has separate and independent access to the Company's senior management and Company Secretary at all times. Any material variance between projections and actual results to be disclosed and explained.

The Company Secretary will attend all Board meetings to respond to the queries of any Director and to assist in ensuring that board procedures are followed as well as applicable rules and regulations are complied with. The office of the Company Secretary acts as a channel of information flow within the Board and its committees and between senior management and non-executive Directors. The appointment and removal of the Company Secretary is by the Board.

Management deals with requests for information from the Board promptly. The Board is informed of all material events and transactions as and when they occur.

The Company Secretary assists the Board to ensure that board procedures are followed and that the Company complies with all rules and regulations that are applicable to the Company.

Each director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

REMUNERATION MATTERS

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The Remuneration Committee ("RC") comprises three non-executive Directors, the majority of whom, including the Chairman, are independent.

Tan Hup Foi @ Tan Hup Hoi (Chairman)	Independent Non-Executive Director
Mr Ho Ta-Huang	Non-Independent Non-Executive Director
Mr Leong Horn Kee	Independent Non-Executive Director

STATEMENT OF CORPORATE GOVERNANCE

The RC's role is to review and recommend remuneration policies and packages for each director and key executives. The review will cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

The payment of fees to Directors is subject to approval at the annual general meeting of the Company. No director is involved in deciding his own remuneration.

To enable the committee to carry out its duties, the RC has access to expert advice in the field of executive compensation inside and/or outside the Company, where necessary.

LEVEL AND MIX OF REMUNERATION

Principle 8: *The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

The Board has also recommended a fixed fee for non-executive directors plus a variable component depending on the number of meetings they attend, taking into account the effort, time spent and responsibility of each non-executive director.

The Company has entered into a service contract with its CEO. The service contract covers the terms of employment such as salary and other benefits. The service contract of CEO is for a fixed term of three years with a notice period of three months. The non-executive directors do not have any service contracts.

The Company's Performance Bonus Share Plan is administered by the RC with such discretion, powers and duties as are conferred on it by the Board. A member of the RC shall not be involved in the deliberations of the RC in respect of the grant of awards to him. The Company has not granted any shares under its Performance Bonus Share Plan.

The recommendations of the RC will be submitted to the Board for endorsement. The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

DISCLOSURE OF REMUNERATION

Principle 9: *Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

The Company will submit the quantum of the non-executive Directors' fee for each year to the shareholders for approval at each annual general meeting.

STATEMENT OF CORPORATE GOVERNANCE

A breakdown showing the level and mix of each director's remuneration for the financial year ended 31 December 2011 is as follows:

Remuneration Band & Name of Director	Salary %	Bonus %	Other Benefits %	Directors' Fees %	Total %
Below $250,000					
Tan Chee Meng William	79	11	10	–	100
BG (Ret) Law Chwee Kiat [1]	–	–	–	100	100
Ho Ta-Huang	–	–	–	100	100
Ong Chin Lin	–	–	–	100	100
See Yen Tarn	–	–	–	100	100
Leong Horn Kee	–	–	–	100	100
Teo Beng Teck	–	–	–	100	100
Tan Hup Foi @ Tan Hup Hoi	–	–	–	100	100

[1] BG (Ret) Law Chwee Kiat retired as Independent Director and Non-Executive Chairman on 29 April 2011.

Remuneration of key executives (who are not directors) for the financial year ended 31 December 2011

Remuneration Band & Name of key executive	Salary %	Bonus %	Other Benefits %	Total %
Below $250,000				
Goh Tcheng Hion	81	9	10	100
Wong Kok Chye	79	14	7	100
Lai Mun Yow	74	19	7	100
Lim Soo Keow Jenny	100	–	–	100
Lee Wee Beng Vivian	92	8	–	100

There were no employees during the financial period from 1 January 2011 to 31 December 2011 who were immediate family members of a Director and/or a Substantial Shareholder whose remuneration exceeded $150,000 during the financial year ended 31 December 2011.

Linair Performance Bonus Share Plan

The Company has not granted any shares under its Performance Bonus Share Plan.

ACCOUNTABILITY AND AUDIT

Principle 10: *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

STATEMENT OF CORPORATE GOVERNANCE

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Listing Manual").

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

Management provides directors with the management accounts on a periodic basis.

Principle 11: *The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.*

Audit Committee

The Audit Committee ("AC") comprises the following non-executive Directors, the majority of whom, including the Chairman, are independent.

Mr Ong Chin Lin (Chairman)	Independent Non-Executive Director
Mr Tan Hup Foi @ Tan Hup Hoi	Independent Non-executive Director
Mr Leong Horn Kee	Independent Non-Executive Director
Mr Ho Ta-Huang	Non-Independent Non-Executive Director
Mr See Yen Tarn	Non-Independent Non-Executive Director

The AC members have the relevant accounting or related financial management experience.

The role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the established Board references and requirements. The AC also reviews the adequacy of the company's internal controls and effectiveness of the company's internal audit function as set out in the guidelines stated in the Code. The services of the internal auditors are utilised to assist the AC in the discharge of its duties and responsibilities. The AC also has the authority to carry out any matter within its terms of reference.

The AC had reviewed the financial statements of the Group for the year ended 31 December 2011 as well as the auditor's report thereon and the announcements for half-year and annual results before they are submitted to the Board for approval. The AC also reviewed the interested person transactions of the Group.

The financial statements, accounting policies and system of internal accounting controls are the responsibilities of the Board of Directors acting through the AC. In performing its functions set out in Section 201B (5) of the Companies Act, Cap. 50, the AC reviewed the scope of work of both internal and external auditors and the assistance given by the Group's officers to the auditors. The AC met periodically with the Company's internal and external auditors to review their audit plan and discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting controls without the presence of the Company's management. The AC has separate and independent access to the external auditors and the internal audit function. The AC has also reviewed the appointment of the external auditors for the Company and its subsidiaries and is satisfied with the standard and effectiveness of the audit.

The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual in engaging PKF-CAP LLP, registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and of its Singapore subsidiaries, and other suitable audit firms for its foreign subsidiaries.

STATEMENT OF CORPORATE GOVERNANCE

In accordance with the Code, the AC is satisfied that it:

- has full access to and cooperation from management as well as discretion to invite any director, executive or otherwise, to attend its meeting.
- has been given reasonable resources to enable it to complete its functions properly.
- has reviewed findings and evaluation of the system of internal controls with internal and external auditors.

The AC had reviewed the amount of non-audit services to the Group by the external auditors and is satisfied that the nature and extent of such services had not prejudiced the independence and objectivity of the external auditors. No non-audit fees is payable to the external auditors during the financial year.

The Company recognises that external auditors are a critical component of the Group's overall corporate governance framework as they provide the Board and shareholders with an independent verification of the Group's financial statements as well as highlighting areas for strengthening the Group's systems of internal control and accounting procedures during the course of the audit.

The Company has in place a whistle-blowing framework where staff of the Company can access the AC Chairman and members to raise concerns about improprieties.

INTERNAL CONTROLS

Principle 12: *The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

INTERNAL AUDIT

Principle 13: *The Company should establish an internal audit function that is independent of the activities it audits.*

The internal audit function reports directly to the AC. The internal audit function follows essentially the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. Currently, the internal audit function is undertaken by Eltici e-Risk Services Pte Ltd. The AC reviews annually the adequacy of the internal audit function.

With the assistance of the internal audit function and through the AC, the Board reviews the effectiveness of the key internal controls at least on an annual basis, provides its perspective on management control and ensures that the necessary corrective actions are taken on a timely basis. There are formal procedures in place for both the internal and external auditors to report conclusions and recommendations to management and to the AC independently.

Based on the framework established and the reports of the internal and external auditors, the Board opines, with the concurrence of the AC, that in the absence of evidence to the contrary, the system of internal controls maintained by the Company provides reasonable but not absolute assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, and the identification and containment of financial, operational and compliance risks. The AC notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, fraud or other irregularities.

STATEMENT OF CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

Principle 14: *Companies should engage in regular effective and fair communication with shareholders.*

Principle 15: *Companies should encourage greater shareholder participation at annual general meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

In line with the Company's continuing obligations pursuant to the Listing Manual, the Board's policy is that all shareholders would be equally informed of all major developments impacting the Group on a timely basis.

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The financial results for the half-year and full year are released to shareholders within 45 and 60 days of the half-year end and full year-end respectively.

The chairman of the respective AC, NC and RC, will normally be present at forthcoming AGMs to answer any questions relating to the work of these committees. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Group also maintains a website at http://www.linair.com.sg at which shareholders can access information on the Group. The website provides, *inter alia*, corporate announcements, press releases and profiles of the Group.

The Articles allow a member of the Company to appoint one or two proxies to attend and vote on behalf of the member.

Separate resolutions are proposed for substantially separate issues at the meeting.

All shareholders of the Company will be provided the annual report and notice of annual general meeting ("AGM"). At the AGM, shareholders are given the opportunity to voice their views and ask Directors or senior management questions regarding the Company.

STATEMENT OF CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and requires all such transactions to be at arm's length and are reviewed by the AC. Besides the information disclosed below, there is no other interested person transactions conducted during the year, which exceeds S$100,000 in value.

In FY11, the Company has made purchases amounting to $377,519 from Chern Dar Enterprise Co., Ltd.

Name of interested person	Aggregate value of all interested transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	2011 ($'000)	2010 ($'000)	**2011 ($'000)**	2010 ($'000)
Chern Dar Enterprise Co., Ltd				
Purchases	**378**	232	**–**	–

DEALINGS IN SECURITIES

In line with Rule 1204(19) of the Listing Manual on Dealing in Securities, the Company issues circulars to its directors and employees, to remind them that (1) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in shares of the Company. The directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half year and year-end financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule during the financial year.

MATERIAL CONTRACTS

There was no material contract entered into by the Company or any of its subsidiary companies involving the interest of the Chief Executive Officer, any Director, or controlling shareholder.

SPONSORSHIP

The Company has appointed CIMB Bank Berhad, Singapore Branch ("CIMB") as the Company's Continuing Sponsor with effect from 27 August 2009, and such appointment was renewed for a further two years till 26 August 2013.

The directors and senior management of the Company would consult CIMB on all material matters relating to compliance with the Listing Rules, its listing and the quotation of its securities, documents to be released to shareholders to ensure that such documents are in compliance with the Listing Rules and proper disclosure will be made.

There is no non-sponsor fee paid by the company to the sponsor during the financial year.

Financial Contents

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited financial statements of the Company and consolidated financial statements of the Group for the financial year ended 31 December 2011.

Directors

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

Tan Hup Foi @ Tan Hup Hoi (Chairman)
Ho Ta-Huang
Ong Chin Lin
Leong Horn Kee
Tan Chee Meng William
Teo Beng Teck
See Yen Tarn

Arrangements to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other body corporate.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares of the Company and its related corporations except as follows:

Name of corporation: Linair Technologies Limited	**Holdings registered in the name of director**		**Holdings in which a director is deemed to have an interest**	
	Number of ordinary shares fully paid			
	At 1.1.2011	**At 31.12.2011**	**At 1.1.2011**	**At 31.12.2011**
Ho Ta-Huang	–	–	45,583,000	45,583,000
Ong Chin Lin	402,000	402,000	–	–
Teo Beng Teck	354,000	354,000	–	–

The directors' interest in shares of the Company at 21 January 2012 were the same at 31 December 2011.

DIRECTORS' REPORT

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director has received or has become entitled to receive a benefit, by reason of a contract made by the Company or its related corporations with a director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

No options to take up unissued shares of the Company or of its subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Ong Chin Lin (Chairman)
Ho Ta-Huang
Leong Horn Kee (appointed on 25 July 2011)
Tan Hup Foi @ Tan Hup Hoi
See Yen Tarn

The Audit Committee carried out its functions in accordance with Section 201B of the Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited, Section B: Rules of Catalist and the Code of Corporate Governance.

In performing its functions, the Audit Committee reviewed the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's and the Group's system of internal accounting controls. The Audit Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2011 as well as the auditors' report thereon. The Audit Committee has full access to and co-operation of the Management and has been given the resources required for it to discharge its functions properly. It also has discretion to invite any Director and executive officer to attend its meetings.

The Audit Committee has also conducted a review of the fees paid or payable to the auditors for non-audit services for financial year ended 31 December 2011. In pursuance with Section 206(1A) of the Companies Act, Cap. 50, and based on the review by the Audit Committee and its recommendation, the Board is also satisfied that the level of non-audit fees paid or payable to the auditors did not affect the independence of the auditors.

DIRECTORS' REPORT

The Audit Committee has recommended to the Board the nomination of PKF-CAP LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

Auditors

The auditors, PKF-CAP LLP, has expressed its willingness to accept re-appointment.

On behalf of the board of directors,

TAN HUP FOI @ TAN HUP HOI

TAN CHEE MENG WILLIAM

Dated: 15 March 2012

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, 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 of the business, changes in equity and cash flows of the Group for the financial year ended on that date; 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.

On behalf of the board of directors,

TAN HUP FOI @ TAN HUP HOI

TAN CHEE MENG WILLIAM

Dated: 15 March 2012

INDEPENDENT AUDITORS' REPORT

To the members of Linair Technologies Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Linair Technologies Limited ("the Company") and its subsidiaries (collectively, "the Group"), set out on pages 31 to 87, which comprise the statements of financial position of the Company and the Group as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial 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 financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Chapter 50 ("the Act") and Singapore Financial Reporting Standards ("FRS"), 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 Linair Technologies Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and FRS 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 the results, changes in equity and cash flows of the Group for the year ended on that date.

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.

PKF-CAP LLP
Public Accountants and
Certified Public Accountants

Singapore
15 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

	Note	2011 $	2010 $
Revenue	3	**49,005,992**	42,521,470
Cost of sales		**(40,499,368)**	(32,959,984)
Gross profit		**8,506,624**	9,561,486
Other operating income	4	**939,805**	387,262
Administrative expenses		**(4,498,991)**	(4,600,109)
Other operating expenses	5(a)	**(3,332,255)**	(3,799,472)
Finance costs	5(b)	**(34,403)**	(107,904)
Share of associated companies' results		**–**	(73,465)
Profit before tax	5(c)	**1,580,780**	1,367,798
Income tax expense	7	**(355,319)**	(304,963)
Profit for the year		**1,225,461**	1,062,835
Other comprehensive income			
Exchange differences on translating foreign operations		**(127,336)**	6,957
Total comprehensive income for the year		**1,098,125**	1,069,792
Profit attributable to:			
Shareholders of the Company		**1,225,461**	1,062,835
Total comprehensive income attributable to:			
Shareholders of the Company		**1,098,125**	1,069,792
Earnings per share attributable to shareholders of the Company (cents):			
Basic	8	**0.35**	0.30
Diluted	8	**0.35**	0.30

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		The Company		The Group	
		2011	2010	**2011**	2010
	Note	**$**	$	**$**	$
Assets					
Non-current assets					
Goodwill	9	**–**	–	**1,291,100**	1,291,100
Property, plant and equipment	10	**106,881**	525,895	**2,411,792**	4,152,295
Other intangible assets	11	**–**	–	**2,013,125**	2,415,750
Investment in subsidiaries	12	**12,451,652**	15,936,382	**–**	–
Investment in associated company	13	**138,045**	138,045	**138,045**	138,045
		12,696,578	16,600,322	**5,854,062**	7,997,190
Current assets					
Inventories	14	**73,521**	24,334	**1,397,845**	1,854,409
Gross amount due from customers for contract work-in-progress	15	**80,772**	–	**362,095**	1,019,660
Trade and other receivables	16	**12,454,187**	9,750,076	**14,298,013**	14,807,990
Fixed deposits pledged	17	**1,327,346**	725,583	**5,341,200**	2,637,724
Financial asset at fair value through profit or loss	18	**–**	–	**25,356**	33,415
Prepaid operating expenses		**17,728**	25,407	**70,838**	166,851
Cash and bank balances	19	**874,649**	1,161,365	**5,448,991**	6,462,185
		14,828,203	11,686,765	**26,944,338**	26,982,234
Total assets		**27,524,781**	28,287,087	**32,798,400**	34,979,424
Equity and liabilities					
Current liabilities					
Gross amount due to customers for contract work-in-progress	15	**60,456**	204,793	**2,953,355**	3,323,386
Trade and other payables	20	**13,659,183**	10,829,910	**10,307,687**	12,607,522
Obligations under finance leases	21	**–**	125,814	**–**	125,814
Current tax payable		**8,905**	–	**340,024**	409,843
Bank borrowings	22	**206,343**	546,397	**206,343**	546,397
		13,934,887	11,706,914	**13,807,409**	17,012,962
Net current assets/(liabilities)		**893,316**	(20,149)	**13,136,929**	9,969,272
Non-current liabilities					
Deferred tax liabilities	23	**–**	–	**129,741**	203,337
		–	–	**129,741**	203,337
Total liabilities		**13,934,887**	11,706,914	**13,937,150**	17,216,299
Net assets		**13,589,894**	16,580,173	**18,861,250**	17,763,125
Capital and reserves					
Share capital	24	**17,580,594**	17,580,594	**17,580,594**	17,580,594
(Accumulated losses)/Retained earnings		**(3,990,700)**	(1,000,421)	**1,226,304**	843
Foreign currency translation reserve		**–**	–	**54,352**	181,688
Attributable to equity holders of the Company		**13,589,894**	16,580,173	**18,861,250**	17,763,125
Non-controlling interests		**–**	–	**–**	–
Total equity		**13,589,894**	16,580,173	**18,861,250**	17,763,125
Total equity and liabilities		**27,524,781**	28,287,087	**32,798,400**	34,979,424

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2011

		◄ Attributable to equity holders of the Company ►					
	Note	**Share capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
		$	**$**	**$**	**$**	**$**	**$**
Balance at 1 January 2010		17,577,449	174,731	(1,061,992)	16,690,188	–	16,690,188
Profit for the year		–	–	1,062,835	1,062,835	–	1,062,835
Exchange difference on translating foreign operations		–	6,957	–	6,957	–	6,957
Total comprehensive income for the year		–	6,957	1,062,835	1,069,792	–	1,069,792
Issue of shares, arising from exercise of warrants	24	3,145	–	–	3,145	–	3,145
Balance at 31 December 2010		17,580,594	181,688	843	17,763,125	–	17,763,125
Balance at 1 January 2011		17,580,594	181,688	843	17,763,125	–	17,763,125
Profit for the year		**–**	**–**	**1,225,461**	**1,225,461**	**–**	**1,225,461**
Exchange difference on translating foreign operations		**–**	**(127,336)**	**–**	**(127,336)**	**–**	**(127,336)**
Balance at 31 December 2011		**17,580,594**	**54,352**	**1,226,304**	**18,861,250**	**–**	**18,861,250**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011

	2011	2010
	$	$
Cash Flows from Operating Activities		
Profit before tax	**1,580,780**	1,367,798
Adjustments for:		
Depreciation of property, plant and equipment	**731,281**	1,424,524
Impairment loss on property, plant and equipment	**575,574**	22,370
Amortisation of intangible assets	**402,625**	402,625
Allowance for impairment loss on trade receivables	**361,627**	258,492
Provision for warranty costs	**255,973**	336,728
Bad debts written off	**105,980**	203,159
Allowance for slow-moving inventories	**89,086**	214,848
Inventories written off	**41,201**	8,720
Interest expense	**34,403**	107,904
Fair value adjustment on financial asset at fair value through profit or loss	**8,059**	(393)
Gain on disposal of property, plant and equipment	**(586,748)**	(69,179)
Write-back of impairment loss on trade receivables	**(379,381)**	(467,108)
Write-back for slow-moving inventories	**(135,102)**	(392,449)
Exchange difference	**(61,597)**	(118,108)
Interest income	**(21,889)**	(7,509)
Recognised losses on contract work-in-progress	**–**	258,520
Property, plant and equipment written off	**–**	154,168
Impairment loss on investment in associated companies	**–**	74,193
Share of associated companies' results	**–**	73,465
Allowance for impairment loss on other receivables	**–**	37,128
Gain on disposal of investment in associated companies	**–**	(131,800)
Operating cash flows before movements in working capital	**3,001,872**	3,758,096
Decrease in inventories	**459,865**	1,269,351
Decrease in amount due from customers for contract work-in-progress	**552,866**	53,407
Decrease/(increase) in operating receivables	**418,940**	(2,530,788)
Decrease in operating payables	**(2,821,141)**	(574,134)
Cash generated from operations	**1,612,402**	1,975,932
Net interest paid	**(12,514)**	(100,395)
Tax paid	**(498,734)**	(194,874)
Net cash generated from operating activities	**1,101,154**	1,680,663

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011

	2011	2010
	$	$
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	**1,597,872**	316,581
Purchase of property, plant and equipment	**(541,650)**	(167,686)
Proceeds from disposal of investment in associated companies	–	131,800
Net cash generated from investing activities	**1,056,222**	280,695
Cash Flows from Financing Activities		
(Increase)/decrease in fixed deposits pledged	**(2,703,476)**	306,576
Bank borrowings repaid	**(340,054)**	(323,503)
Finance lease obligations paid	**(125,814)**	(671,395)
Proceeds from shares issued	–	3,145
Net cash used in financing activities	**(3,169,344)**	(685,177)
Net (decrease) / increase in cash and cash equivalents	**(1,011,968)**	1,276,181
Effects of currency translation on cash and cash equivalents	**(1,226)**	(17,379)
Cash and cash equivalents at the beginning of the year	**6,462,185**	5,203,383
Cash and cash equivalents at the end of the year	**5,448,991**	6,462,185

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General information

The statement of financial position of the Company and the consolidated financial statements of the Group for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The Company is a limited liability company and incorporated in the Republic of Singapore and listed on the Singapore Exchange Securities Trading Limited (''SGX-ST'').

The registered office and principal place of business of the Company is located at 33 Mactaggart Road, #04-00, Singapore 368082.

The principal activities of the Company are that of business of supply and installation of environment-control exhaust systems from its component parts and investment holding. The principal activities of the subsidiaries are stated in Note 12 to the financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRSs") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, 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 financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

In the process of applying the Group's accounting policies, which are described in Note 2(c), management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements.

<u>Impairment of goodwill</u>

The Group determines whether goodwill is impaired at least once on an annual basis. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows. Further details on the key assumptions applied in the impairment assessment of goodwill are described in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (cont'd)

Amortisation of other intangible assets

The Group assesses whether there are any indicators of impairment of intangible assets at each reporting date and they are tested for impairment when such indicator exists. When the value-in-use calculations are undertaken, the management must estimate the expected future cash flows from the asset and choose a suitable discount rate to calculate the net present value of those cash flows.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 60 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment of property, plant and equipment at each reporting date and they are tested for impairment when such indicator exists. When the value-in-use calculations are undertaken, the management must estimate the expected future cash flows from the asset and choose a suitable discount rate to calculate the net present value of those cash flows.

During the financial year, a subsidiary of the Group within the manufacturing segment, Linair Technologies (Suzhou) Co., Ltd carried out a review of the recoverable amount of its plant and machinery because the subsidiary had been persistently making losses. An impairment loss of $575,574, representing the write-down of these plant and machinery to the recoverable amount was recognised in "other operating expenses" (Note 5(a)) in the consolidated statement of comprehensive income for the financial year ended 31 December 2011. The recoverable amount of the plant and machinery was based on its value in use and the pre-tax discount rate used was 14.8%.

Impairment of investments in subsidiaries and associate

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the carrying amounts of the investments are determined on the basis of the net recoverable amounts to determine the extent of the impairment loss.

During the financial year, management performed an impairment test for the investment in Linair Technologies (Suzhou) Co., Ltd as the subsidiary had been persistently making losses. An impairment loss of $3,484,730 was made to write-down the carrying value to its recoverable amount. The recoverable amount of the investment has been determined based on a value in use calculation using cash flow projections from budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 14.8% and 5% respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(a) Basis of preparation (cont'd)

Significant accounting estimates and judgements (cont'd)

Revenue and cost of sales recognition

The Group has recognised revenue generated from installation contracts and relevant cost of sales incurred by using the percentage of completion method. The assessment of the percentage of completion requires the examination of the circumstances of the transactions. The Group believes that its recognition basis of sales and cost of sales as set out in Note 2(c) is appropriate.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. An expected loss on the construction contract should be recognised as an expense immediately.

Income tax

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Operating lease commitments - as lessor

The Group has entered into commercial property lease on its freehold property. The Group has determined that it retains all the significant risks and rewards of ownership of its property which is leased out and so accounts for the contract as operating lease.

Allowance for trade and other receivables

The Group provides for allowance on trade and other receivables mainly based on the collectability of the individual receivables at the end of the year. The balance of impairment for doubtful debts as at 31 December 2011 amounted to $2,124,291 (2010: $2,148,663).

Allowance for slow-moving inventories

The Group assesses the allowance for slow-moving inventories when the related inventories are not saleable above their carrying amounts. An allowance of $89,086 (2010: $214,848) is made and is recognised in "other operating expenses". The Group have recognised a reversal of allowance of $135,102 (2010: $392,449) as the inventories were sold above the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (cont'd)

Provision for warranty costs

A provision is recognised for expected warranty claims on construction projects completed during the year, based on past experience of the level of returns.

The provision for warranty costs represents management's best estimate of the Group's liability for additional costs to be incurred for the completed projects within warranty periods granted and the amount recognised as at 31 December 2011 is $592,701 (2010: $336,728) (Note 20).

2(b) Adoption of new and revised financial reporting standards

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any material impact on the financial performance or position of the Group and the Company except as disclosed below:

FRS 24 Related Party Disclosures (Revised)

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. As this is a disclosure standard, it has no impact on the financial position or financial performance of the Group implemented in 2011.

FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that are relevant to the Group that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
FRS 1 (Amendments)	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
FRS 28 (Revised 2011)	Investments in Associates and Joint Ventures	1 January 2013
FRS 110	Consolidated Financial Statements	1 January 2013
FRS 112	Disclosure of Interests in Other Entities	1 January 2013
FRS 113	Fair Value Measurements	1 January 2013

The directors anticipate that the adoption of the above FRSs, and amendments to FRS in future period will not have a material impact on the financial position or performance of the Group or of the Company in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies

Basis of consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Details of its subsidiaries are given in Note 12. All inter-company balances and significant inter-company transactions and resulting unrealised profits and losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

The financial statements of the subsidiaries used in the presentation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from consolidated financial statements from the effective dates of acquisition or disposal i.e. when the power to govern the financial and operating policies of the subsidiary is ceded. Where accounting policies of the subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Goodwill

Goodwill on consolidation arises when purchase price exceeds the fair values attributed to net assets at the date of acquisition.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Intangible assets acquired are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of intangible assets is recognised in profit or loss.

Intangible assets with finite useful lives are amortised over the estimated useful lives of 8 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Furniture and fittings	3 - 10 years
Plant and machinery	3 - 10 years
Renovations	10 years
Motor vehicles	5 years
Freehold property	$33^1/_3$ years
Leasehold property	over the period of lease
Computers and office equipment	3 -10 years

The cost of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration costs is also included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Fully depreciated property, plant and equipment are retained in the books of account until they are no longer in use.

The carrying amounts of property, plant and equipment are reviewed yearly in order to assess whether their carrying amounts need to be written down to recoverable amounts. Recoverable amount is defined as the higher of value in use and net selling price.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Subsidiaries

A subsidiary is defined as a company in which the investing Company has a long-term equity interest of more than 50% or whose financial and operating policy decisions the Group controls.

Shares in subsidiaries at the Company level are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Investments in associates at Company level are initially recognised at cost. The cost of an acquisition is measured at the fair value of assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Allowance for impairment losses, if any, is made on an individual associate basis.

The Group's investment in associates is accounted for using the equity method. Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(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 controlled or jointly controlled by a person identified in (a);

(vi) 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). Directors and certain managers that have the authority and responsibility for planning, directing and controlling the activities of the entity are considered key management personnel.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and apportioned manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Amount due from/(to) customers for contract work-in-progress

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the statement of financial position date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers.

The stage of completion is determined by surveys of work performed.

At the statement of financial position date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as gross amount due from customers on contract work-in-progress on the face of statements of financial position. Where progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is presented as gross amount due to customers on contract work-in-progress on the face of the statement of financial position.

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at each statements of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is defined as the higher of value in use and its fair value less costs to sell. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

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 if no impairment loss had been recognised.

Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, where applicable. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

(i) <u>Financial assets at fair value through profit or loss</u>

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the statements of financial position date.

(ii) <u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the statements of financial position date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents.

(iii) <u>Held-to-maturity investments</u>

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) <u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the statements of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the profit or loss. Any amount in the fair value reserve relating to that asset is also taken to the profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised in the profit or loss.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' investment category are included in the profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the fair value reserve within equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the profit or loss.

(e) Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

(f) Impairment

The Group assesses at each statements of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company and the Group consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(ii) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2(c) Summary of significant accounting policies (cont'd)

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Company and Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted. The amount of the allowance is recognised in the profit or loss.

Bad debts are written off when known and specific provisions are made for those debts considered to be doubtful. Receivables include trade and non-trade balances with third parties and related companies.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and bank deposits.

Financial liabilities

The Company's and the Group's financial liabilities include trade and other payables and bank borrowings. Financial liabilities are recognised when the Company and the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in profit or loss.

Payables

Payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and the Group.

Payables include trade and non-trade balances with third parties and related companies.

Borrowings

Interest-bearing loans are recognised initially at fair value, less attributable transaction costs, if any. Subsequent to initial recognition, interest-bearing loans are stated at amortised cost which is the initial fair value less any principal repayments. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Leases

(a) Finance leases

Leases of property, plant and equipment where the Company and the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) Operating leases

(i) Where the Group and the Company are the lessees

Rental expenses on operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the total lease rentals. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred. There are no contingent rentals.

(ii) Where the Group and the Company are the lessors

Rental income from leasing of commercial premises is recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the total lease rentals. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred. There are no contingent rentals.

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary companies. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiary companies fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs.

Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the subsidiary companies' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Provisions

Provisions are recognised when the Company and the Group have 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.

The Company and the Group make provision for warranty costs based on management's best estimate of the group's liability for additional costs to be incurred for the completed projects within the warranty periods granted on such completed projects based on past experience.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, fixed deposits, trade and other receivables, financial assets at fair value through profit or loss, trade and other payables, finance leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Disclosures on financial risk management are provided in Note 28.

Employee benefits

Pension obligations

The Company and the Group contribute to the Central Provident Fund ("CPF") or equivalent fund, a defined contribution plan regulated and managed by the Government of Singapore or other authorities, which applies to the majority of the employees. The Company's and the Group's contributions to CPF or equivalent are charged to the profit or loss in the period to which the contributions relate.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's and the Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or different period, outside profit or loss. In these cases, deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Manufacturing revenue relates to revenue generated from the manufacture, supply, installation and maintenance of Ethylene Tetrafluoroethylene ("ETFE") coated ducts, uncoated stainless steel ducts and galvanised ducts which will be integrated with third-party equipment such as fume-hoods, scrubbers and fans for a complete environment-control system.

    Manufacturing revenue is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to surveys of work performed.

(b) Engineering revenue is recognised in the period in which the services are rendered.

    Engineering revenue is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to survey of work performed.

(c) Distribution revenue relates to distribution of the air-flow systems and Individual Ventilated Cages. Distribution revenue is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Revenue recognition (cont'd)

(d) Interest income is recognised using the effective interest method.

(e) Rental income from operating leases on property, plant and equipment is recognised on a straight-line basis over the lease term.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relates to an expense item, it is recognised in the profit or loss over the period necessary to match it on a systematic basis to the costs that it is intended to compensate. Grants related to income are deducted in reporting the related expenses.

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("the functional currency"). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is also the functional currency of the Company.

Conversion of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into functional currency at rates of exchange closely approximating those ruling at statements of financial position date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as the date when the fair value was determined.

Assets and liabilities of the foreign subsidiaries are translated at the rates of exchange ruling at the statements of financial position date. The statement of comprehensive income of the foreign subsidiaries are translated at the average monthly rates. Foreign translation adjustments arising are recognised initially in other comprehensive income and accumulated in the foreign exchange translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

2(c) Summary of significant accounting policies (cont'd)

Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

3 Revenue

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax, are detailed as follows:

	2011	2010
	$	$
The Group		
Engineering services	**38,460,416**	27,987,618
Manufacturing	**9,899,113**	12,417,550
Distribution & services	**646,463**	2,116,302
	49,005,992	42,521,470

4 Other operating income

	2011	2010
	$	$
The Group		
Interest income	**21,889**	7,509
Rental income	**17,377**	107,208
Gain on disposal of property, plant and equipment	**586,748**	69,179
Foreign exchange gain	**110,505**	–
Other service income	**179,246**	71,566
Other income	**24,040**	–
Gain on disposal of investment in associated companies	**–**	131,800
	939,805	387,262

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

5(a) Other operating expenses

	2011	2010
	$	$
The Group		
Impairment loss on property, plant and equipment	**575,574**	22,370
Operating lease rentals	**568,772**	559,762
Depreciation of property, plant and equipment	**470,892**	971,836
Amortisation of intangible assets	**402,625**	402,625
Allowance for impairment loss on receivables		
- Trade	**361,627**	258,492
- Others	**–**	37,128
Provision for warranty costs	**255,973**	336,728
Transport and travelling expenses	**242,388**	332,472
Bad debts written off	**105,980**	203,159
Allowance for slow-moving inventories	**89,086**	214,848
Upkeep and maintenance of office	**86,510**	56,294
Water and electricity	**84,337**	87,040
Upkeep of motor vehicles	**77,113**	110,408
Entertainment expenses	**76,395**	127,656
Insurance	**75,493**	97,490
Inventories written off	**41,201**	8,720
Licence fee	**38,881**	41,936
Training cost	**22,191**	19,135
Upkeep of equipment	**13,720**	21,694
Write-back of impairment loss on trade receivables	**(379,381)**	(467,108)
Write-back for allowance for slow-moving inventories	**(135,102)**	(392,449)
Recognised losses on contract work-in-progress	**–**	258,520
Property, plant and equipment written off	**–**	154,168
Foreign exchange loss	**–**	83,435
Others	**257,980**	253,113
	3,332,255	3,799,472

5(b) Finance costs

	2011	2010
	$	$
The Group		
Bank loans	**19,640**	36,148
Obligation under finance leases	**12,657**	62,732
Trust receipts	**2,106**	9,024
	34,403	107,904

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

5(c) Profit before tax

	2011	2010
	$	$
The Group		
Profit before tax has been arrived at after (crediting)/charging:		
Audit fees paid to the auditors of the Company	**126,900**	105,000
Audit fees paid to other auditors	**8,217**	29,195
Non-audit fees paid to the auditors of the Company	**–**	–
Employee benefits (Note 6)	**5,250,499**	5,521,777
Depreciation of property, plant and equipment included in other operating expenses	**470,892**	971,837
Depreciation of property, plant and equipment included in costs of sales	**260,389**	452,687
Operating lease rentals included in other operating expenses	**568,772**	559,762
Operating lease rentals included in costs of sales	**108,710**	103,973
Fair value adjustment on financial asset at fair value through profit or loss	**8,059**	(393)
Recognised losses on contract work-in-progress	**–**	258,520

6 Employee benefits

	2011	2010
	$	$
The Group (including directors' remuneration)		
Salary and related costs	**4,868,954**	5,119,471
Central provident fund contributions	**381,545**	415,686
	5,250,499	5,535,157
Less: Government grant – jobs credit scheme	**–**	(13,380)
	5,250,499	5,521,777

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

7 Income tax expense

	2011	2010
	$	$
The Group		
Current tax	**509,504**	416,528
Deferred tax (Note 23)	**(24,486)**	13,473
	485,018	430,001
Overprovision in respect of prior years:		
Current tax	**(83,450)**	(125,038)
Deferred tax	**(46,249)**	–
	355,319	304,963

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's profits as a result of the following:

	2011	2010
	$	$
Profit before tax	**1,580,780**	1,367,798
Tax at statutory income tax rate of 17% (2010:17%)	**268,733**	232,526
Tax effect on non-deductible expenses	**188,784**	124,311
Tax effect on non-taxable income	**(142,074)**	(77,689)
Statutory stepped income exemption	**(25,925)**	(25,925)
Effect of different tax rates of overseas operations	**63,376**	48,148
PIC Tax incentive claimed	**(42,692)**	–
Utilisation of reinvestment allowances	**–**	(479)
Deferred tax benefits not recognised	**181,008**	128,616
Overprovision of current tax in prior years	**(83,450)**	(125,038)
Overprovision of deferred tax in prior years	**(46,249)**	–
Others	**(6,192)**	493
Income tax expense recognised in the profit or loss	**355,319**	304,963

The Group

As at the statement of financial position date, the Company and its Singapore subsidiaries have unutilised tax losses of approximately $79,000 (2010: $602,730) and unabsorbed capital allowance of $132,400 (2010: $81,100) available for offset against future taxable profits. In addition, certain overseas subsidiaries have unutilised tax losses carried forward of approximately $4,807,106 (2010:$3,166,729). The utilisation of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with the provisions of the tax legislation of the respective countries in which the companies operate.

No deferred tax asset has been recognised in the financial statements due to uncertainty of its utilisation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

8 Earnings per share

The basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables below.

The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

	2011		2010	
	Basic	**Diluted**	Basic	Diluted
	$	**$**	$	$
Net profit attributable to owners of the Company	**1,225,461**	**1,225,461**	1,062,835	1,062,835
	Number of shares		Number of shares	
Weighted average number of ordinary shares used to compute earnings per share	**348,783,140**	**348,783,140**	348,781,896	348,781,896
Earnings per share (cents)	**0.35**	**0.35**	0.30	0.30

9 Goodwill

	2011	2010
	$	$
The Group		
Goodwill	**1,291,100**	1,291,100

The goodwill represents the excess of the cost of business over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. For the purpose of impairment testing, the above goodwill is allocated to the Group's operation which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment testing for goodwill

Goodwill arising from business combinations is allocated to the cash-generating units ("CGUs"), categorized under the Engineering services business of the Group.

The recoverable amount of the CGU was determined based on value-in-use calculations. These calculations used cash flow projections from financial budgets approved by the management covering a nine-year period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

9 Goodwill (cont'd)

The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flows for the nine-year period and beyond is as follows:

	2011	2010
Growth rate	**5%**	5%
Pre-tax discount rate	**12.7%**	14.8%

The value-in-use calculation for the CGU is most sensitive to the following assumptions:

Growth rate – The forecasted growth rate applied in the cash flow projections represents management's best estimate of likely economic conditions for the forecasted period.

Pre-tax discount rate – The cash flows are discounted using a pre-tax weighted average cost of capital.

As a result of the impairment testing performed, the management does not consider that any impairment write-down is necessary in relation to the goodwill as at 31 December 2011.

10 Property, plant and equipment

The Company	**Furniture and fittings**	**Plant and machinery**	**Renovations**	**Motor vehicles**	**Leasehold property**	**Computers and office equipment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Cost							
At 1.1.2010	65,591	1,265,365	371,411	287,038	599,520	148,238	2,737,163
Additions	–	7,889	1,050	–	–	11,353	20,292
Disposals	(36,280)	–	(178,978)	(234,888)	–	(7,716)	(457,862)
At 31.12.2010	29,311	1,273,254	193,483	52,150	599,520	151,875	2,299,593
Additions	–	–	82,062	–	–	25,583	107,645
Disposals	–	–	(178,088)	–	(599,520)	(1,355)	(778,963)
At 31.12.2011	**29,311**	**1,273,254**	**97,457**	**52,150**	**–**	**176,103**	**1,628,275**
Accumulated depreciation							
At 1.1.2010	64,979	865,879	326,160	170,705	128,769	126,742	1,683,234
Depreciation for the year	370	397,471	11,014	22,620	9,000	14,138	454,613
Disposals	(36,280)	–	(178,978)	(141,175)	–	(7,716)	(364,149)
At 31.12.2010	29,069	1,263,350	158,196	52,150	137,769	133,164	1,773,698
Depreciation for the year	242	7,274	11,921	–	2,550	16,909	38,896
Disposals	–	–	(149,981)	–	(140,319)	(900)	(291,200)
At 31.12.2011	**29,311**	**1,270,624**	**20,136**	**52,150**	**–**	**149,173**	**1,521,394**
Net book value							
At 31.12.2011	**–**	**2,630**	**77,321**	**–**	**–**	**26,930**	**106,881**
At 31.12.2010	242	9,904	35,287	–	461,751	18,711	525,895

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

10 Property, plant and equipment (Cont'd)

The Group	Furniture and fittings	Plant and machinery	Renovations	Motor vehicles	Freehold Property	Leasehold property	Computers and office equipment	Total
	$	$	$	$	$	$	$	$
Cost								
At 1.1.2010	213,808	8,699,192	819,532	1,231,991	702,176	599,520	473,436	12,739,655
Additions	8,986	129,371	6,596	–	–	–	22,733	167,686
Disposals	(330)	(65,818)	–	(693,947)	–	–	–	(760,095)
Write-off	(36,280)	(403,935)	(179,424)	(57,730)	–	–	(44,532)	(721,901)
Foreign exchange difference	703	(152,457)	(12,707)	(9,992)	–	–	(10,063)	(184,516)
At 31.12.2010	186,887	8,206,353	633,997	470,322	702,176	599,520	441,574	11,240,829
Additions	–	183,554	240,579	72,790	–	–	44,727	541,650
Disposals	(10,536)	(42,221)	(254,871)	(100,654)	(702,176)	(599,520)	(4,134)	(1,714,112)
Foreign exchange difference	(595)	119,785	12,986	7,090	–	–	8,730	147,996
At 31.12.2011	**175,756**	**8,467,471**	**632,691**	**449,548**	**–**	**–**	**490,897**	**10,216,363**
Accumulated depreciation and impairment								
At 1.1.2010	147,798	4,469,890	691,220	662,202	228,686	128,769	384,950	6,713,515
Depreciation for the year	16,469	1,157,687	61,991	110,277	21,066	9,000	48,034	1,424,524
Disposals	(330)	(43,528)	–	(391,842)	–	–	–	(435,700)
Write-off	(36,280)	(252,844)	(179,364)	(55,422)	–	–	(43,823)	(567,733)
Foreign exchange difference	541	(44,761)	(10,991)	(6,457)	–	–	(6,774)	(68,442)
Impairment loss	–	22,522	–	–	–	–	(152)	22,370
At 31.12.2010	128,198	5,308,966	562,856	318,758	249,752	137,769	382,235	7,088,534
Depreciation for the year	4,693	564,197	35,548	59,619	10,532	2,550	54,142	731,281
Disposals	(10,536)	(35,102)	(193,746)	(59,390)	(260,284)	(140,319)	(3,614)	(702,991)
Foreign exchange difference	(465)	86,882	12,987	5,505	–	–	7,264	112,173
Impairment loss	–	575,574	–	–	–	–	–	575,574
At 31.12.2011	**121,890**	**6,500,517**	**417,645**	**324,492**	**–**	**–**	**440,027**	**7,804,571**
Net book value								
At 31.12.2011	**53,866**	**1,966,954**	**215,046**	**125,056**	**–**	**–**	**50,870**	**2,411,792**
At 31.12.2010	58,689	2,897,387	71,141	151,564	452,424	461,751	59,339	4,152,295

In 2010, the Group had machinery under finance leases with a net book value of $245,079.

In 2010, the leasehold property with a carrying amount of $461,751 was pledged for banking facilities granted to the Company and the freehold property with a carrying amount of $452,424 was pledged for banking facilities granted to a subsidiary (Note 27).

During the financial year, a subsidiary of the Group within the manufacturing segment carried out a review of the recoverable amount of its plant and machinery because the subsidiary had been persistently making losses. An impairment loss of $575,574 (2010: $22,370), representing the write-down of these plant and machinery to the recoverable amount was recognised in "other operating expenses" (Note 5(a)) in the consolidated statement of comprehensive income for the financial year ended 31 December 2011. The recoverable amount of the plant and machinery was based on its value in use and the pre-tax discount rate used was 14.8%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

11 Other intangible assets

	2011	2010
	$	$
The Group		
Cost:		
Balance at beginning/end of the year	**3,221,000**	3,221,000
Amortisation:		
Balance at beginning of year	**805,250**	402,625
Additions	**402,625**	402,625
Balance at end of year	**1,207,875**	805,250
Carrying value	**2,013,125**	2,415,750

The other intangible assets relate to the BCA L6 licence obtained and have an average remaining amortisation period of five years (2010: six years).

The amortisation of other intangible assets is included in "other operating expenses".

12 Investment in subsidiaries

	2011	2010
	$	$
The Company		
Unquoted equity investments, at cost	**17,318,012**	17,536,012
Allowance for impairment loss	**(4,866,360)**	(1,599,630)
	12,451,652	15,936,382

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

12 Investment in subsidiaries (cont'd)

The subsidiaries as at 31 December 2011 are:

Name of subsidiary	Country of incorporation/ Place of business	Cost of investment		Percentage of equity held		Principal activities
		2011	2010	2011	2010	
		$	$			
Linair Technologies (M) Sdn. Bhd. (1)	Malaysia	**268,563**	268,563	**100%**	100%	Manufacture of air related ducts and accessories
Linair Engineering Pte. Ltd. (2)	Singapore	**130,880**	130,880	**100%**	100%	Dormant
Linair Bio-Science Pte. Ltd. (2)	Singapore	**500,000**	500,000	**100%**	100%	Mechanical engineering works including design, installation, testing and commission and maintenance of airflow control systems, provide laboratory equipping, decontamination, indoor air quality evaluation and certification
Linair Technologies (Suzhou) Co., Ltd. (3)	People's Republic of China	**8,253,461**	8,253,461	**100%**	100%	Manufacture of air related ducts and accessories
Linair Bio-Energy Pte Ltd.	Singapore	**–**	10,000	**–**	100%	Dormant. Deregistered during the year
Shanghai XianDa Industry Equipment Installation Co., Ltd (3)	People's Republic of China	**750,750**	750,750	**70%**	70%	Dormant
Linair Technologies (Taiwan) Co., Ltd	Republic of China (Taiwan)	**–**	208,000	**–**	100%	Dormant. Liquidated in current year
Air System Technology (S) Pte Ltd (2)	Singapore	**7,414,358**	7,414,358	**100%**	100%	General contractors for building construction, pumping and air-conditioning
		17,318,012	17,536,012			

(1) Audited by PKF Malaysia
(2) Audited by PKF-CAP LLP, Singapore
(3) Reviewed by PKF-CAP LLP, Singapore for consolidation purposes

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

12 Investment in subsidiaries (cont'd)

Impairment in investment in subsidiaries

In previous financial years, management performed an impairment test for the investment in Linair Engineering Pte Ltd, Linair Bio-Science Pte Ltd, Shanghai Xianda Industry Equipment Installation Co., Ltd and Linair Technologies (Taiwan) Co., Ltd as these subsidiaries had been making losses. An impairment loss of $1,599,630 was made to write-down the carrying value to its recoverable amount. The recoverable amount of the investment has been determined on the basis of their net assets value at the statement of financial position date as in the opinion of the directors of the company, the net asset values of these subsidiaries reasonably approximate their net carrying values.

During the current financial year, management performed an impairment test for the investment in Linair Technologies (Suzhou) Co., Ltd as the subsidiary had been persistently making losses. An impairment loss of $3,484,730 was made to write-down the carrying value to its recoverable amount. The recoverable amount of the investment has been determined based on a value in use calculation using cash flow projections from budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 14.8% and 5% respectively.

13 Investment in associated company

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Cost				
Cost of investment – unquoted shares	**161,688**	646,220	**161,688**	646,220
Disposal of associated companies	**–**	(484,532)	**–**	(484,532)
Balance at end	**161,688**	161,688	**161,688**	161,688
Allowance for impairment loss:				
Balance at beginning	**(161,688)**	(275,754)	**(74,193)**	–
Current year	**–**	(370,466)	**–**	(74,193)
Disposal	**–**	484,532	**–**	–
Balance at end	**(161,688)**	(161,688)	**(74,193)**	(74,193)
Share of post-acquisition profit/ (loss):				
Balance at beginning	**–**	–	**(87,495)**	(498,562)
Share of associated result after tax	**–**	–	**–**	(73,465)
Disposal of associated companies	**–**	–	**–**	484,532
Balance at end	**–**	–	**(87,495)**	(87,495)
Net carrying value	**–**	–	**–**	–
Loan to associated company	**138,045**	138,045	**138,045**	138,045
Investment in associated company	**138,045**	138,045	**138,045**	138,045

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

13 Investment in associated company (cont'd)

The associated company as at 31 December 2011 is as follows:-

Name of associated company	Place of business/ Country of incorporation	Percentage of equity held		Principal activities
		2011	2010	
Metal Technologies LLC (1)	Dubai	**24%**	24%	Manufacturing of galvanized steel ventilation ductwork and accessories

(1) Unaudited by Abdul Majid Hamadeh & Co., Dubai

Summary of financial information of the associated company, not adjusted for the proportion of ownership interest held by the Group, is set out below:

	2011	2010
	$	$
Total assets	**657,128**	1,640,488
Total liabilities	**351,362**	1,169,857
Revenue	**1,836,177**	1,654,571
(Loss)/ Profit after tax for the year	**(168,178)**	33,437

On 6 December 2010, in the shareholders' meeting the joint venture partner of Metal Technologies LLC ("Metal Technologies") had resolved to close the operation after the financial year. Accordingly, the management reassessed the carrying amount of the investment in Metal Technologies and fully impaired the carrying value of the Company's investment in Metal Technologies of $161,688 as it was assessed that the distribution of residual amount after repayment of liabilities is insignificant.

The loan to an associated company is unsecured, interest free and repayable on demand. Notwithstanding the term of repayment, the loan is expected to be repaid only after the completion of liquidation of the joint venture. Due to uncertainty of when the liquidation of Metal Technologies is to be completed, the loan to associated company is classified as a non-current asset. The loan to associated company is denominated in Arab Emirate Dirhams ("AED") of AED620,430 and the carrying amount of the loan approximates its fair value.

The Group has not recognised losses relating to Metal Technologies where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $40,362 (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

14 Inventories

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Raw materials	**44,550**	–	**1,023,819**	1,262,439
Work-in-progress	**–**	–	**75,404**	149,659
Finished goods	**28,971**	24,334	**298,622**	442,311
	73,521	24,334	**1,397,845**	1,854,409

Allowance for slow-moving inventories

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Balance at beginning	53,752	28,220	1,121,872	1,307,783
Allowance for current year	–	28,354	89,086	214,848
Reversal of provision	(5,688)	(2,822)	(135,102)	(392,449)
Written off	–	–	(706,449)	–
Exchange differences	–	–	1,514	(8,310)
Balance at end	48,064	53,752	370,921	1,121,872

The cost of inventories recognised as an expense and included in “cost of sales” in the profit or loss amounted to $5,340,051 (2010: $6,277,835).

Due to obsolescence of inventories and decline in net realisable value below cost, the Company and the Group tested the inventories for impairment. Consequently, allowances for slow-moving inventories of the Company and the Group amounting to Nil and $89,086 (2010: $28,354 and $214,848) respectively were provided.

The Company and the Group have recognised a reversal of allowance of $5,688 (2010: $2,822) and $135,102 (2010: $392,449) respectively as the inventories were sold above the carrying amount in 2011.

During the current year, certain inventories of the Group were written off as there was no potential usage of these inventories. Accordingly, inventories of $706,449 (2010: $nil) were written off against the provision made in prior years.

During the current year, the Group wrote off $41,201 (2010: $8,720) of damaged inventory.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

15 Gross amount due from/ (to) customers for contract work-in-progress

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Costs incurred	**3,303,931**	1,282,899	**64,568,854**	35,564,179
Attributable profit	**837,341**	662,308	**11,627,616**	8,128,118
Recognised losses (a)	**–**	–	**–**	(1,718,872)
	4,141,272	1,945,207	**76,196,470**	41,971,425
Progress billings	**(4,120,956)**	(2,150,000)	**(78,787,730)**	(44,275,151)
Gross amount due from/ (to) customers for contract work-in-progress	**20,316**	(204,793)	**(2,591,260)**	(2,303,726)
Gross amount due from customers for contract work-in-progress	**80,772**	–	**362,095**	1,019,660
Gross amount due to customers for contract work-in-progress	**(60,456)**	(204,793)	**(2,953,355)**	(3,323,386)
	20,316	(204,793)	**(2,591,260)**	(2,303,726)
Advance payments received on construction contracts (Note 20)	**–**	–	**237,919**	903,855
Retention sum receivables on construction contracts (Note 16)	**355,627**	170,172	**4,247,452**	2,952,651

(a) In 2010, the Group recognised losses on contract work-in-progress amounting to $1,718,872 which arose from a China subsidiary, Shanghai Xianda Industry Equipment Installation Co., Ltd as a result of the discontinuance of its projects in China.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

16 Trade and other receivables

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Trade receivables				
- Third parties	**2,809,263**	4,213,463	**11,556,683**	13,314,637
- Subsidiaries	**729,246**	731,993	**–**	–
	3,538,509	4,945,456	**11,556,683**	13,314,637
Allowance for impairment loss (trade) (Note 28.1 (ii))	**(729,246)**	(811,221)	**(2,124,291)**	(2,066,688)
Trade receivables, net	**2,809,263**	4,134,235	**9,432,392**	11,247,949
Advances to suppliers	**–**	–	**–**	248,057
Deposits	**145,003**	50,150	**328,229**	163,744
Amount owing by subsidiaries, non-trade	**12,400,821**	9,142,945	**–**	–
Amount owing by an associate, non-trade	**79,957**	79,957	**79,957**	79,957
Retention sums receivable (Note 15)	**355,627**	170,172	**4,247,452**	2,952,651
Unbilled revenue	**–**	104,367	**–**	68,367
Interest receivable	**160,435**	160,476	**535**	982
Other receivables	**101,498**	22,753	**209,448**	128,258
Allowance for impairment loss (non- trade)	**(3,598,417)**	(4,114,979)	**–**	(81,975)
Total trade and other receivables	**12,454,187**	9,750,076	**14,298,013**	14,807,990
Add: Cash and cash equivalents (Note 19)	**874,649**	1,161,365	**5,448,991**	6,462,185
Total loans and receivables	**13,328,836**	10,911,441	**19,747,004**	21,270,175

Trade receivables are normally due within 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

16 Trade and other receivables

The trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Singapore dollars	**11,425,515**	9,153,589	**12,420,616**	12,699,500
Malaysia Ringgit	**716,100**	287,757	**751,727**	324,432
United States dollars	**312,572**	308,730	**30,525**	60,635
Renminbi	**–**	–	**857,225**	1,281,524
Arab Emirate Dirham	**–**	–	**237,920**	438,651
Taiwan dollars	**–**	–	**–**	3,248
	12,454,187	9,750,076	**14,298,013**	14,807,990

The amount owing by subsidiaries and an associate are non-trade in nature, unsecured, interest-free, repayable on demand and are to be settled in cash.

The carrying amounts of trade and other receivables approximate their fair values.

Receivables that are impaired

The allowance for impairment of receivables is due to significant financial difficulties faced by these customers including significant delay in payments which management considered objective evidence that the receivables are impaired.

17 Fixed deposits pledged

The Company

The fixed deposits earn interest at the rates of 0.375% - 0.45% (2010: 0.33%) per annum and have been pledged to various banks for banking facilities granted to the Company.

The Group

The fixed deposits earn interest at the rates of 0.1% - 0.875% (2010: 0.1% - 0.47%) per annum and have been pledged to various banks for banking facilities granted to the Group (Note 27).

Fixed deposits pledged are denominated in the following currencies:

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Singapore dollars	1,327,346	725,583	5,282,132	2,579,232
Malaysia Ringgit	–	–	59,068	58,492
	1,327,346	725,583	5,341,200	2,637,724

The carrying amounts of fixed deposits pledged approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

18 Financial asset at fair value through profit or loss

	2011	2010
	$	$
The Group		
Quoted investment, at cost	**150,000**	150,000
Less: Fair value adjustment	**(124,644)**	(116,585)
	25,356	33,415
Market value of quoted investment	**25,356**	33,415

The quoted investment has been pledged to a bank for a banking facility granted to a subsidiary (Note 27).

The financial asset at fair value through profit or loss is carried at fair value which is determined by reference to the quoted prices (unadjusted) in active markets, which is Level 1 of the fair value hierarchy.

The financial asset at fair value through profit or loss is denominated in Singapore dollars.

19 Cash and cash equivalents

	The Company		The Group	
	2011	2010	2011	2010
	$	$	$	$
Cash and bank balances	**874,649**	1,161,365	**5,448,991**	6,462,185

The carrying amounts of cash and cash equivalents approximate their fair values.

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	2011	2010	2011	2010
	$	$	$	$
Singapore dollars	**846,300**	955,968	**4,535,912**	5,348,768
United States dollars	**27,625**	203,177	**212,738**	297,630
Euro	**724**	2,220	**724**	2,220
Renminbi	**–**	–	**564,946**	615,500
Malaysia Ringgit	**–**	–	**134,671**	192,492
Taiwan dollars	**–**	–	**–**	5,575
	874,649	1,161,365	**5,448,991**	6,462,185

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

20 Trade and other payables

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Trade payables	**668,595**	1,646,073	**7,017,918**	9,116,897
Retention payables	**28,884**	–	**1,152,962**	1,002,125
Amount owing to subsidiaries, trade	**11,415,995**	7,880,151	**–**	–
Amount owing to subsidiaries, non-trade	**940,148**	772,413	**–**	–
Advance payments received	**497**	46,677	**238,416**	968,308
Accruals – directors' fees	**211,333**	148,500	**211,333**	148,500
Accrued operating expenses	**311,275**	140,885	**1,061,667**	908,825
Provision for warranty costs	**59,728**	170,172	**592,701**	336,728
Other payables	**22,728**	25,039	**32,690**	126,139
	13,659,183	10,829,910	**10,307,687**	12,607,522

Included in the Group's advance payments received are advances received on construction contracts of $237,919 (2010:$903,855) (Note 15).

Trade payables are normally on 30 to 60 days credit terms. The carrying amounts of the trade and other payables approximate their fair values.

The non-trade amount owing to subsidiaries is interest free, unsecured, repayable on demand and is to be settled in cash.

Provision for warranty costs represents management's best estimate of the Group's liability for additional costs to be incurred for the completed projects within the warranty periods granted on such completed projects.

The movement of the provision for warranty costs is as follows:

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Balance at beginning of the year	**170,172**	–	**336,728**	–
Additional provision made for the year	**82,879**	170,172	**570,723**	336,728
Reversed in the year	**(193,323)**	–	**(314,750)**	–
Balance at end of the year	**59,728**	170,172	**592,701**	336,728

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

20 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Singapore dollars	**13,426,473**	10,204,225	**7,622,729**	9,207,978
Taiwan dollars	**153,319**	392,309	**153,319**	393,257
United States dollars	**50,079**	–	**50,079**	72,506
Malaysia Ringgit	**29,312**	228,501	**229,993**	526,649
Renminbi	**–**	–	**2,246,260**	2,402,257
Others	**–**	4,875	**5,307**	4,875
	13,659,183	10,829,910	**10,307,687**	12,607,522

21 Obligations under finance leases

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Minimum lease payments payable:				
Due not later than one year	**–**	138,471	**–**	138,471
Finance charges allocated to future periods	**–**	(12,657)	**–**	(12,657)
Present value of minimum lease payments	**–**	125,814	**–**	125,814
Present value of minimum lease payments:				
Due not later than one year	**–**	125,814	**–**	125,814

The effective interest rates for the Company and the Group are 2.01% p.a. (2010: 2.01% p.a.) and 2.01% p.a. (2010: 2.01% p.a.) respectively.

Obligations under finance leases are denominated in Singapore dollars.

The carrying amounts of the obligations under finance leases for 2010 approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

22 Bank borrowings

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Bank loan (unsecured) – repayable within one year	206,343	546,397	206,343	546,397

All bank borrowings are denominated in Singapore dollars.

The unsecured bank loan bears effective interest rate at 5% (2010: 5%) per annum and is repayable in 36 monthly instalments commencing August 2009.

The bank loan is repayable on demand and is shown under current liabilities.

The carrying amounts of the bank borrowings approximate their fair values.

23 Deferred tax liabilities

	2011	2010
	$	$
The Group		
Balance at beginning	**203,337**	187,533
Transferred to profit or loss (Note 7)	**(70,735)**	13,473
Exchange differences	**(2,861)**	2,331
Balance at end	**129,741**	203,337
The balance comprises tax on:		
Excess of net book value over tax written down value of property, plant and equipment	**129,741**	203,337

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

24 Share capital and reserves

Share capital

	No. of shares	Share capital
		$
Balance as at 1 January 2010	348,748,200	17,577,449
Conversion of warrants to ordinary shares	34,940	3,145
Balance as at 31 December 2010 and 2011	348,783,140	17,580,594

All issued ordinary shares are fully paid. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meeting. All shares rank equally with regard to the Company's residual assets.

In 2010, 34,940 warrants were exercised at an issue price of $0.09. The warrants expired on 18 January 2010.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

25 Significant related party transactions

(a) Sales and purchases of goods and services

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the Company and the Group with related parties on terms agreed between the parties concerned:

	2011	2010
	$	$
The Company		
Purchases from subsidiaries	**4,177,015**	5,620,350
Sales to subsidiaries	**151,928**	13,665
Management fees from subsidiaries	**963,314**	702,485
Impairment loss on investment in subsidiaries	**3,484,730**	–
Allowance for impairment loss on amount owing by subsidiaries	**13,890**	3,172,796
Write-back of impairment loss on amount owing by subsidiaries	**72,885**	74,120
Bad debts written off on amounts owing by subsidiaries	**457,467**	242,355
Purchases from a related party, a substantial shareholder of the Company	**479,741**	216,758
The Group		
Bad debts written off for an associated company	**–**	203,159
Purchases from a related party, a substantial shareholder of the Company	**611,885**	275,333

(b) Compensation of key management personnel

	2011	2010
	$	$
The Group		
Short-term benefits	**910,822**	823,102
Central provident fund contributions	**48,602**	37,440
	959,424	860,542
Comprise amounts paid to:		
Directors of the Company	**441,262**	510,254
Other key management personnel	**518,162**	350,288
	959,424	860,542

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

26 Operating commitments (non-cancellable)

(a) Operating lease commitments – where the Group is a lessee

At the statement of financial position date, the Company and the Group were committed to making the following lease rental receipts under non-cancellable operating leases:

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Not later than one year	**224,055**	139,002	**520,944**	475,581

Operating lease payments represent rental payables by the Company and the Group for certain of its office properties. Leases are negotiated for an average term of one to four years.

(b) Operating lease commitments – where the Group is a lessor

At the statement of financial position date, the Company and the Group were committed to receive the following lease rental receipts under non-cancellable operating leases:

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Not later than one year	**–**	–	**–**	13,308

Operating lease receivables represent rental receivables by the Company and the Group for certain of its warehouse properties. Leases were negotiated for 9 months in 2010.

27 Contingent liabilities

Legal claim:

A subsidiary had entered into an agreement to settle the outstanding amount of $1,634,276 owing to a group of suppliers in 2009. Based on this agreement, the suppliers agreed to take a 25% reduction of the amount owing to them which amounted to $408,569. In respect of the balance of S$1,225,707, a sum of $408,569 was paid to the suppliers in 2009.

On 17 December 2010, the suppliers collectively agreed that the remaining amount of $817,138 is to be settled by the assignment of debts owing by the customers. The assignment of debts was executed by two representatives appointed by the suppliers and payment is over four tranches straddling over four financial years commencing 2010, of which the first, second, third and forth tranches amounted to 20%, 20%, 30% and 30% of the total debt respectively. The first and second tranches of $163,428 each have been received in December 2010 and January 2012 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

27 Contingent liabilities (cont'd)

Under the debts assignment agreement, the suppliers will not seek recourse from the subsidiary in the event of non-payment by the above mentioned customers. This is provided that the failure to procure payments by the suppliers is not due to the negligence of the subsidiary. The subsidiary has assessed that any further cash outflow relating to this matter to be unlikely.

The total amount due to these suppliers by the subsidiary as at the end of reporting period is $642,567, of which $316,406 has been recorded in "trade payables". Since the subsidiary will not pay these suppliers if it is not able to collect the amounts due from the above mentioned customers, consequently, no provision of the remaining sum of $326,161 is made in the financial statements.

Apart from the suppliers mentioned above, who have agreements with the subsidiary company, there were other creditors who do not have agreements with the subsidiary company. Management is of the opinion that there will not be any potential disputes with these suppliers that will lead to additional liabilities other than those disclosed in the financial statements.

Guarantees

The Company in the normal course of business, issued letters of indemnities to various customers for warranty on the exhaust systems installed.

The Company has given letters of financial support to certain subsidiary companies to enable them to continue to operate as a going concern and to meet their respective obligations as and when they fall due.

The Company has given guarantees to banks amounting to $8,612,982 (2010: $6,959,372) for securing banking facilities for one of its subsidiaries. No liability is expected to arise from the guarantee given.

A subsidiary has provided a bankers' guarantees amounting to $2,142,706 (2010: $976,823) to third parties for performance of contracts at the statements of financial position date. The above facility is secured by the subsidiary's fixed deposits of $3,738,528 (2010: $1,638,000) and quoted investments with market value of $25,356 (2010: $33,415). Additionally, it is also secured by a corporate guarantee for $8,612,982 executed by the Company as mentioned in preceding paragraph and was also secured by the subsidiary's freehold property with a carrying value of S$452,424 in 2010. The said freehold property has been disposed of during the current financial year.

28 Financial risk management

The Group and the Company are exposed to credit risk, foreign currency risk, liquidity risk and other market risks arising in the normal course of business. The management continually monitors the Group's risk management process to ensure the appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

28 Financial risk management (cont'd)

28.1 Credit risk

Credit risk is the risk of a financial loss on outstanding financial instruments should a counter-party default on its obligation.

For trade and other receivables, the Group's policy is to deal with creditworthy counterparties and/or obtaining sufficient rental deposits or bankers' guarantees, where appropriate, to mitigate credit risk. In addition, these receivables are monitored closely on an on-going basis. The Group is not exposed to any significant concentration of credit risk, except approximately 24.5% of the Group's trade receivables were due from four major customers who are located in Singapore at the statement of financial position date.

Cash and fixed deposits are placed with financial institutions which are regulated and reputable.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and segment profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net of allowance for doubtful receivables) at the statement of financial position date is as follows:

	2011	**2011**	2010	2010
	$	**%**	$	%
The Group				
By country:				
Singapore	**8,708,084**	**92%**	10,053,863	89%
People's Republic of China	**724,308**	**8%**	1,194,086	11%
	9,432,392	**100%**	11,247,949	100%
By segment:				
Manufacturing	**3,283,317**	**35%**	5,154,104	45%
Engineering services	**6,001,604**	**63%**	4,859,361	44%
Distribution & services	**147,471**	**2%**	1,234,484	11%
	9,432,392	**100%**	11,247,949	100%

(i) Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with a good payment records with Company and the Group. Cash and short-term deposits, and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

28 Financial risk management (cont'd)

28.1 Credit risk (cont'd)

(ii) Financial assets that are past due but not impaired

The trade receivables that are past due but not impaired are, in the opinion of management, collectible as they were made to their on-going customers.

The ageing analysis of trade receivables that are past due but not impaired is as follows:

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Trade receivables past due:				
One month or less	**622,090**	1,514,841	**1,467,027**	4,227,197
More than one but less than two months	**566,160**	524,035	**704,647**	1,509,709
More than two but less than three months	**53,918**	255,923	**156,310**	781,680
More than three months but less than one year	**565,599**	74,586	**1,220,770**	1,501,545
More than one year	**8,631**	1,273	**575,918**	343,348

These receivables are unsecured.

(iii) Financial assets that are past due and impaired

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Gross amount	**4,327,663**	4,926,200	**2,124,291**	2,148,663
Less: Allowance for impairment	**(4,327,663)**	(4,926,200)	**(2,124,291)**	(2,148,663)
	–	–	**–**	–
Movement in allowance for impairment:				
At beginning of the year	**4,926,200**	2,021,693	**2,148,663**	2,491,986
Current year allowance	**13,890**	3,246,066	**361,627**	295,620
Allowance written back	**(154,860)**	(99,204)	**(379,381)**	(467,108)
Bad debts written off	**(457,567)**	(242,355)	**(106,745)**	–
Exchange differences	**–**	–	**100,127**	(171,835)
At end of year	**4,327,663**	4,926,200	**2,124,291**	2,148,663

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

28 Financial risk management (cont'd)

28.1 Credit risk (cont'd)

The allowance for impairment of receivables is due to significant financial difficulties of the debtors and significant delay in payments from the debtors which the management deems to be objective evidence that these financial assets are impaired.

The Company and the Group have recognised a reversal of allowance of $154,860 (2010: $99,204) and $379,381 (2010: $467,108) respectively as the amount due was collected from the debtors subsequently.

28.2 Foreign exchange risk

The Group transacts business in various foreign currencies, including United States dollar, Malaysia Ringgit, Taiwan dollar and Arab Emirate Dirham, therefore is exposed to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

Sensitivity analysis for foreign currency risk

The table below demonstrates the sensitivity of the Company's and Group's profit net of tax to a reasonably possible change in the United States dollar ("USD"), Taiwan dollar ("NTD") and Malaysia Ringgit ("RM") and Arab Emirate Dirham ("AED') exchange rates against the respective functional currencies of the Company and the Group entities, with all other variables held constant.

		2011	2010
		$	$
The Group		**Profit**	Profit
USD/SGD	–strengthened 5% (2010: 5%)	**20,989**	11,859
	–weakened 5% (2010: 5%)	**(20,989)**	(11,859)
NTD/SGD	–strengthened 5% (2010: 5%)	**(6,363)**	(16,281)
	–weakened 5% (2010: 5%)	**6,363**	16,281
RM/SGD	–strengthened 5% (2010: 5%)	**28,502**	2,459
	–weakened 5% (2010: 5%)	**(28,502)**	(2,459)
AED/SGD	–strengthened 5% (2010: 5%)	**9,874**	(5,729)
	–weakened 5% (2010: 5%)	**(9,874)**	5,729
The Company			
USD/SGD	–strengthened 5% (2010: 5%)	**12,040**	8,432
	–weakened 5% (2010: 5%)	**(12,040)**	(8,432)
NTD/SGD	–strengthened 5% (2010: 5%)	**(6,363)**	(16,281)
	–weakened 5% (2010: 5%)	**6,363**	16,281
RM/SGD	–strengthened 5% (2010: 5%)	**28,502**	2,459
	–weakened 5% (2010: 5%)	**(28,502)**	(2,459)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

28 Financial risk management (cont'd)

28.3 Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's policy is to minimise interest rate risk exposures while obtaining sufficient funds for business expansion and working capital needs. To achieve this, the Group regularly assesses and monitors its cash with reference to its business plans and day-to-day operations.

The Group's exposure to interest rate risk arises primarily from its interest-bearing deposits and borrowings from financial institutions.

The Group manages its interest cost by using a fixed borrowings rate.

28.4 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate due to change in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company's and the Group's market risk is insignificant.

28.5 Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group and the Company monitors its liquidity needs by closely monitoring scheduled debt servicing payments for financial liabilities and their cash outflows due to day-to-day operations, as well as ensuring the availability of funding through an adequate amount of credit facilities, both committed and uncommitted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

28 Financial risk management (cont'd)

28.5 Liquidity risk (cont'd)

The table below analyses the maturity profile of the Group's and the Company's financial assets and liabilities based on contractual undiscounted cash flows:

The Group	Less than 1 year $	Between 2 and 5 years $	Total $
As at 31 December 2011			
Financial assets:			
Trade and other receivables	**14,298,013**	–	**14,298,013**
Fixed deposits pledged	**5,341,200**	–	**5,341,200**
Financial asset at fair value through profit or loss	**25,356**	–	**25,356**
Cash and bank balances	**5,448,991**	–	**5,448,991**
Financial liabilities:			
Trade and other payables	**10,307,687**	–	**10,307,687**
Obligations under finance leases	–	–	–
Bank borrowings	**209,796**	–	**209,796**
As at 31 December 2010			
Financial assets:			
Trade and other receivables	14,807,990	–	14,807,990
Fixed deposits pledged	2,637,724	–	2,637,724
Financial asset at fair value through profit or loss	33,415	–	33,415
Cash and bank balances	6,462,185	–	6,462,185
Financial liabilities:			
Trade and other payables	12,607,522	–	12,607,522
Obligations under finance leases	138,471	–	138,471
Bank borrowings	569,446	–	569,446

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

28 Financial risk management (cont'd)

28.5 Liquidity risk (cont'd)

The Company	Less than 1 year	Between 2 and 5 years	Total
	$	$	$
As at 31 December 2011			
Financial assets:			
Trade and other receivables	**12,454,187**	–	**12,454,187**
Fixed deposits pledged	**1,327,346**	–	**1,327,346**
Cash and bank balances	**874,649**	–	**874,649**
Financial liabilities:			
Trade and other payables	**13,659,183**	–	**13,659,183**
Obligations under finance leases	–	–	–
Bank borrowings	**209,796**	–	**209,796**
As at 31 December 2010			
Financial assets:			
Trade and other receivables	9,750,076	–	9,750,076
Fixed deposits pledged	725,583	–	725,583
Cash and bank balances	1,161,365	–	1,161,365
Financial liabilities:			
Trade and other payables	10,829,910	–	10,829,910
Obligations under finance leases	138,471	–	138,471
Bank borrowings	569,446	–	569,446

29 Capital Management

The primary objective of the Group's capital management is to maintain a strong credit rating and healthy capital ratios to support the Group's business operations and to maximise shareholder value.

The Group manages the capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of the underlying assets. There were no changes in the Group's approach to capital management during the financial year.

Management monitors capital based on gearing ratio. The Group's policy is to keep the gearing ratio to not more than 70%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

29 Capital Management (cont'd)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	The Company		The Group	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net debt	**12,990,877**	10,214,942	**5,065,039**	6,691,734
Total equity	**13,589,894**	16,580,173	**18,861,250**	17,763,125
Total Capital	**26,580,771**	26,795,115	**23,926,289**	24,454,859
Gearing ratio	**49%**	38%	**21%**	27%

The Group and Company are in compliance with all loan covenants for the financial year ended 31 December 2011.

30 Statement of operations by segments

For management purposes, the Group is organised into business units based on their activities and services, and has three reportable operating segments as follows:

Manufacturing

Manufacturing relates to revenue generated from the manufacture, supply, installation and maintenance of ETFE-coated ducts, uncoated stainless steel ducts and galvanised ducts which will be integrated with third-party equipment such as fume-hoods, scrubbers and fans for a complete environment-control system.

Engineering services

Engineering relates to provision of turnkey facility construction management and specialist engineering.

Distribution & services

Distribution relates to revenue generated from the distribution of the air-flow systems and Individual Ventilated Cages.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

30 Statement of operations by segments (cont'd)

(a) Business segments

Financial year ended 31 December 2011

	Manufacturing	Engineering services	Distribution & services	Total
	$	$	$	$
REVENUE				
Total Segment	14,074,056	38,658,484	646,463	53,379,003
Less: Inter-segment	(4,174,943)	(198,068)	–	(4,373,011)
External sales	9,899,113	38,460,416	646,463	49,005,992
RESULTS				
Segment results	(372,527)	1,877,741	109,969	1,615,183
Finance costs	(34,403)	–	–	(34,403)
Unallocated finance costs				–
Share of associated companies' results				–
Tax				(355,319)
Net profit attributable to shareholders				1,225,461
ASSETS				
Segment assets	14,079,684	17,603,484	1,115,232	32,798,400
Unallocated corporate assets				–
Total assets				32,798,400
LIABILITIES				
Segment liabilities	2,924,274	10,292,033	251,078	13,467,385
Unallocated corporate liabilities				469,765
Total liabilities				13,937,150
OTHER INFORMATION				
Capital expenditure	368,269	172,758	623	541,650
Depreciation	646,552	77,709	7,020	731,281
Gain on disposal of property, plant and equipment	(244,992)	(341,756)	–	(586,748)
Allowance for impairment loss on receivables	–	361,627	–	361,627
Bad debts written off	–	105,980	–	105,980
Impairment loss on property, plant and equipment	575,574	–	–	575,574

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

30 Statement of operations by segments (cont'd)

(a) Business segments (cont'd)

Financial year ended 31 December 2010

	Manufacturing	Engineering services	Distribution & services	Total
	$	$	$	$
REVENUE				
Total Segment	18,051,565	28,349,475	2,116,302	48,517,342
Less: Inter-segment	(5,634,015)	(361,857)	–	(5,995,872)
External sales	12,417,550	27,987,618	2,116,302	42,521,470
RESULTS				
Segment results	255,332	1,211,625	82,210	1,549,167
Finance costs	(63,092)	–	(4,882)	(67,974)
Unallocated finance costs				(39,930)
Share of associated companies' results				(73,465)
Tax				(304,963)
Net profit attributable to shareholders				1,062,835
ASSETS				
Segment assets	17,566,245	15,660,374	1,752,805	34,979,424
Unallocated corporate assets				–
Total assets				34,979,424
LIABILITIES				
Segment liabilities	4,790,134	11,152,093	660,892	16,603,119
Unallocated corporate liabilities				613,180
Total liabilities				17,216,299
OTHER INFORMATION				
Capital expenditure	142,040	21,970	3,676	167,686
Depreciation	1,101,199	154,762	168,563	1,424,524
Loss/ (gain) on disposal of property, plant and equipment	5,601	(74,780)	–	(69,179)
Property, plant and equipment written off	138,637	15,531	–	154,168
Allowance for impairment loss on receivables	419,084	(158,842)	35,378	295,620
Bad debts written off	203,159	–	–	203,159
Impairment loss on property, plant and equipment	(87,383)	(47,346)	157,099	22,370

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

30 Statement of operations by segments (cont'd)

(b) Geographical segments

	2011	2010
	$	$
Revenue		
Singapore	**47,129,067**	40,087,988
People's Republic of China	**1,876,925**	2,398,451
Republic of China (Taiwan)	**–**	35,031
	49,005,992	42,521,470

The following table shows the assets by geographical area as at 31 December 2011:

	2011	2010
	$	$
Total assets		
Singapore	**27,696,838**	28,052,404
Malaysia	**1,778,005**	2,467,404
People's Republic of China	**3,323,557**	4,450,794
Republic of China (Taiwan)	**–**	8,822
	32,798,400	34,979,424

Information about major customers

In the current year, the Group has 2 major customers from the engineering segment that contributes $11,219,283 and $8,287,227 of the Group's revenue respectively.

In 2010, the Group has one major customer from the engineering segment that contributes $15,328,344 of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

31 Fair value of financial instruments

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) 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) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Group does not have financial instruments recorded at fair value except a financial asset under fair value through profit or loss category amounting to $25,356 (2010: $33,415). Other financial instruments such as loans and receivables that are recorded at amortised cost are excluded from the hierarchy fair value disclosure.

The Group does not anticipate that the carrying amounts recorded at the statement of financial position date for financial assets with a maturity of more than one year to be significantly different from the values that would eventually be received.

32 Authorisation of Financial Statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 15 March 2012.

SHAREHOLDINGS STATISTICS

As at 13 March 2012

Issued and fully paid up capital	:	S$ 17,580,594
Total Number of issued shares	:	348,783,140
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS AS AT 13 MARCH 2012

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	18	2.68	1,798	0.00
1,000 - 10,000	182	27.04	1,128,675	0.32
10,001 - 1,000,000	437	64.93	54,888,626	15.74
1,000,001 and above	36	5.35	292,764,041	83.94
Total	**673**	**100.00**	**348,783,140**	**100.00**

LIST OF 20 LARGEST SHAREHOLDERS AS AT 13 MARCH 2012

No.	Name	No. of Shares	%
1	TAT HONG CAPITAL PTE LTD	94,500,000	27.09
2	DMG & PARTNERS SECURITIES P L	48,190,000	13.82
3	CITIBANK NOMS S'PORE PTE LTD	32,801,000	9.40
4	SENG SOON HIANG	15,504,541	4.45
5	RAMESH S/O PRITAMDAS	7,991,000	2.29
6	WONG KOK CHYE	6,822,000	1.96
7	CHANG CHEN YU	6,698,000	1.92
8	YUEN CHEE KIN	6,469,000	1.85
9	HUANG LING JUNG	6,235,000	1.79
10	DAIWA CAPITAL MKTS S'PORE LTD	6,000,000	1.72
11	TAN CHOW KHONG	5,982,000	1.72
12	NG KAH HOCK	5,767,000	1.65
13	MAYBANK KIM ENG SECS PTE LTD	5,256,000	1.51
14	LAW CHWEE KIAT	5,035,500	1.44
15	GAY SOON WATT	3,124,000	0.90
16	LOH YIH	2,900,000	0.83
17	PHEE CHENG KOON	2,486,000	0.71
18	DBS NOMINEES PTE LTD	2,460,000	0.71
19	UNITED OVERSEAS BANK NOMINEES	2,346,000	0.67
20	OH BOON HUA	2,302,000	0.66
	TOTAL	268,869,041	77.09

SHAREHOLDINGS STATISTICS

As at 13 March 2012

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2012

	Number of Shares fully paid			
Name of Substantial Shareholders	**Direct Interest**	**%**	**Deemed Interest**	**%**
Ho Ta-Huang (1)	–	–	45,583,000	13.07
Chern Dar Enterprise Co. Ltd (2)	–	–	45,583,000	13.07
Tat Hong Capital Pte Ltd	94,500,000	27.09	–	–
Loh Toh Yong (3)	32,800,000	9.40	–	–

Notes:

(1) Mr Ho Ta-Huang is deemed to be interested in the 45,583,000 held by Chern Dar Enterprise Co. Ltd.
(2) Chern Dar Enterprise Co. Ltd's shares are held in the name of a nominee.
(3) Loh Toh Yong's shares are held in the name of a nominee.

PUBLIC FLOAT

Based on information available to the Company as at 13 March 2012, approximately 50.22% of the issued ordinary shares of the Company are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Orchid Country Club, 1 Orchid Club Road, Theatrette, Singapore 769162 on Friday, 27 April 2012 at 2.00 p.m., to transact the following business: -

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2011 together with the reports of the Directors and the Auditors thereon.

   (Resolution 1)

2. To re-elect Mr Ho Ta-Huang, a Director retiring under Article 89 of the Articles of Association of the Company.

   Mr Ho Ta-Huang will upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited, Section B: Rules of Catalist. He will also remain as a member of the Remuneration Committee.

   (Resolution 2)

3. To re-elect Mr Ong Chin Lin, a Director retiring under Article 89 of the Articles of Association of the Company.

   Mr Ong Chin Lin will upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited, Section B: Rules of Catalist. He will also remain as a member of the Nominating Committee. **(Resolution 3)**

4. To re-elect Mr Leong Horn Kee, a Director retiring under Article 89 of the Articles of Association of the Company.

   Mr Leong Horn Kee will upon re-election as Director of the Company, remain as the member of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited, Section B: Rules of Catalist. He will also remain as a Chairman of the Nominating Committee and member of Remuneration Committee.

   (Resolution 4)

5. To approve payment of Directors' Fee of S$211,333 for the financial year ended 31 December 2011 (2010: S$148,500). **(Resolution 5)**

6. To re-appoint PKF-CAP LLP as auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and if thought fit, pass the following ordinary resolutions, with or without modifications:-

7. **Authority to allot and issue shares**

"That pursuant to Section 161 of the Companies Act, and the Listing Manual under Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Rules of Catalist"), approval be and is hereby given to the Directors of the Company, to:

(a) (i) issue ordinary shares in the capital of the Company (the "Shares") whether by way of rights, bonus or otherwise; and/ or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors in their absolute discretion deem fit;

(b) issue shares in pursuance of any instruments made or granted by the Directors while the authority was in force (notwithstanding the authority conferred by this resolution may have ceased to be in force) provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued Shares , excluding treasury shares, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 50% of the total number of issued Shares excluding treasury shares, and for the purpose of this resolution, the total number of issued Shares excluding treasury shares shall be the Company's total number of issued Shares excluding treasury shares at the time this resolution is passed, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(ii) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST, the Monetary Authority of Singapore or the Sponsor of the Company) and the Articles of Association for the time being of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

(iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 7)**

(See Explanatory Note 1)

8. **Renewal of the Share Buy Back Mandate**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the "Share Buy Back Mandate");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held or is required by law to be held;

(ii) the date on which the share buy back is carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked;

(d) for purposes of this Resolution:

"Prescribed Limit" means 8% of the issued ordinary share capital of the Company as at the date of passing of this Resolution (excluding any treasury shares that may be held by the Company from time to time);

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:-

(i) in the case of a Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase or, as the case may be, the day of making of the offer pursuant to the Off-Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period; and

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

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution."

(Resolution 8)
(See Explanatory Note 2)

9. **Renewal of Linair Performance Bonus Share Plan**

"That authority be and is hereby given to the Directors of the Company to grant awards under the Linair Performance Bonus Share Plan ("the Plan") established by the Company from time to time in accordance with the provisions of the Plan and to allot and issue from time to time such number of fully-paid up shares as may be required to be allotted and issued pursuant to the vesting of the awards under the Plan, provided that the aggregate number of shares to be allotted and issued pursuant to the Plan shall not exceed 15% of the Company's issued share capital of the Company from time to time."

(Resolution 9)
(See Explanatory Note 3)

Any Other Business

10. To transact any other business which may be properly transacted at the Annual General Meeting.

By Order of the Board

Goh Tcheng Hion
Company Secretary

Singapore, 12 April 2012

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Special Business to be transacted: -

1. The Ordinary Resolution 7, if passed, will empower the Directors of the Company from the date of the above Meeting until the next annual general meeting to issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued Shares excluding treasury shares of the Company, of which the total number of Shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of issued Shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. The Rules of Catalist currently provide that the total number of issued Shares excluding treasury shares of the Company for this purpose shall be the total number of issued Shares excluding treasury shares at the time this resolution is passed (after adjusting for new Shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares). This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

2. Resolution 8, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next annual general meeting is to be held or is required by law to be held, whichever is the earlier, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 8% of the total number of issued Shares excluding any Shares which are held as treasury shares of the Company at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate are set out in greater detail in the Addendum accompanying this Notice.

3. Resolution 9, if passed, will empower the Directors of the Company to grant awards and to issue and allot shares in the capital of the Company pursuant to the Linair Performance Bonus Share Plan. The Directors may exercise their power to allot and issue shares in the Company pursuant to the Share Plan, provided that the aggregate number of shares to be allotted and issued shall not exceed 15% of the total number of issued shares excluding treasury shares in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution.

Notes:

1. A Depositor's name must appear on the Depository Register not less than 48 hours before the time of the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead and any such proxy need not be a member of the Company.

3. The instrument appointing a proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting.

PROXY FORM

LINAIR TECHNOLOGIES LIMITED

Registration No. 199505699D
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. The Proxy Form is, therefore, not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ____ (Name)

of ____ (Address)

being a member/members of LINAIR TECHNOLOGIES LIMITED hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or [delete as appropriate]

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at **Orchid Country Club, 1 Orchid Club Road, Theatrette, Singapore 769162** on Friday, 27 April 2012 at 2.00 p..m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Ordinary Resolutions	For*	Against*
1.	To receive and adopt the Audited Financial Statements for the year ended 31 December 2011 together with the reports of the Directors and the Auditors thereon.		
2.	To re-elect Mr Ho Ta-Huang, a Director retiring under Article 89 of the Articles of Association of the Company.		
3.	To re-elect Mr Ong Chin Lin, a Director retiring under Article 89 of the Articles of Association of the Company.		
4.	To re-elect Mr Leong Horn Kee, a Director retiring under Article 89 of the Articles of Association of the Company.		
5.	To approve payment of Directors' Fee of S$211,333 for the financial year ended 31 December 2011.		
6.	To re-appoint PKF-CAP LLP as Auditors of the Company and to authorize Directors to fix their remuneration.		
	Special Business		
7.	To authorize Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		
8.	To renew the Share Buy Back Mandate		
9.	To renew the Linair Performance Bonus Share Plan.		

* *Please indicate your vote "For" or "Against" with a "✓" within the box provided.*

Dated this ______________ day of ____________________ 2012.

Total number of Shares in	Number of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM

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Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, must be deposited at the registered office of the Company at the Registered Office at 33 Mactaggart Road, #04-00, Singapore 368082 not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

LINAIR

Linair Technologies Limited

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