Staying on Course

Linair Technologies Limited
Annual Report **2013**

LINAIR
Linair Technologies Ltd

CONTENTS

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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 Tetrafluoroethylene (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 corrosion resistant 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 applications 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 manufactures 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 and 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 specialise 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 ACMV Systems, 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.

Keeping our Focus

We capitalise on the seamless compatibility of our major business arms to provide the best customised turnkey solutions while remaining vigilant in managing costs and working capital, improving operational efficiency and restructuring so as to stay sustainable and meet the ever increasing demands and expectations of our clients.

LETTER TO SHAREHOLDERS

Mr Wong Kok Chye
Group Chief Executive Officer
& Executive Director

Mr Loh Yih
Executive Chairman
& Executive Director

Dear Shareholders,

A year has passed and it has been nothing short of bracing. We had to operate in an environment that saw more competition, especially in government sector projects where we have an established track record. We also undertook a major change in directorships with the departure of four directors and the appointment of two new ones, including our new Executive Chairman and Executive Director Mr Loh Yih. Mr Loh brings with him much experience leading corporations in the private sector.

For the year in review, we had to contend with continued global economic uncertainty affecting local business sentiments, heightened competition and a decrease in the number of public sector project tenders. This was the challenging landscape for our industry despite overall growth in Singapore accelerating to 4.1% in 2013, an improvement over 2012 where growth was 1.9%. This is according to the Ministry of Trade and Industry (MTI) in a February 2014 report. As a barometer of the state of our industry, we can refer to the construction sector as our business is closely linked. In 2013 based on statistics from MTI, the growth in the construction sector moderated to 5.9% from 8.6% in 2012, due to a slowdown in both public and private sector construction activities. Amid such a background, sales were lower and the Company recorded a net loss. On balance, we secured fewer projects but achieved successes in our marketing of our proprietary airflow control systems and furthered our presence in public sector works, especially in the education sub-sector.

Financial Review

For Financial Year 2013 ("FY2013"), the Group registered revenue of $28.66 million, a decrease of about 15.52% or $5.27 million from $33.93 million in FY2012. This was mainly due to a decrease in revenue of approximately S$5.44 million in the Singapore engineering segment in FY2013 as compared to FY2012 due to fewer projects secured and some delays in our projects. On the other hand, revenue in the manufacturing segment improved by 2.3% or $0.119 million with a slight increase in demand.

With a decrease in revenue over the year, gross profit also declined by 41.6% from $4.9 million to $2.8 million. Gross profit margin for FY2013 was 9.93% as compared to 14.36% in FY2012, representing a reduction of 4.43 percentage points. This was mainly due to the current engineering projects having a lower gross profit margin as compared to FY2012 due to intense competition. The Group registered a net loss of $2.46 million in the year in review, compared with net loss of $2.62 million in the previous year.

Other operating income increased by $0.84 million from $0.24 million in FY2012 to $1.08 million in FY2013. This increase was primarily due to the write back of provision of warranty for $0.20 million, exchange gain of $0.37 million and gain in disposal of fixed assets of $0.198 million in FY2013. Administrative expenses registered a decrease from $3.99 million in FY2012 to $3.77 million in FY2013. This was mainly due to a decrease in staff costs of $0.22 million.

Other operating expenses decreased from $3.76 million in FY2012 to $2.55 million in FY2013. This was mainly due to the impairment of $0.75 million in FY2012 with respect to certain property, plant and equipment in our Suzhou subsidiary. Another reason for the decrease was the write back of provision for warranty in FY2013. Bad debt recovered and allowance for impairment of trade receivables written back also contributed to the decrease by $0.42 million in FY2013. The allowance for impairment of trade receivables written back of $0.336 million was due to impairment made in previous years with the pertinent debts recovered in FY2013. The remaining goodwill balance of $0.708 million was fully impaired after an impairment test was done at year-end FY2013 to assess the future value of cash generating units of the engineering segment.

The Group maintained a healthy liquidity position as shown by a current ratio of 2.43 as at 31 December 2013. The Group's cash and cash equivalents, excluding pledged bank deposits of $1.17 million, stood at $8.82 million as at 31 December 2013. This compares with $4.22 million in FY2012. On a per share basis, loss per share was 0.73 cents in the year in review, compared to loss per share of 0.75 cents in the previous year. Net asset value per share as of 31 December 2013 was 3.79 cents, a decrease from 4.64 cents as of 31 December 2012.

Business and Operations Review

The past year was marked by intense competition, especially for government sector projects. This resulted in significant pricing pressure which ultimately impacted our gross profit margin. On the positive side, we made further inroads in the education area with projects completed over the year. On the back of strong marketing, we saw greater demand for our proprietary Ecoflow Venturi Dampers, which are sophisticated airflow control systems required in laboratories to produce negative air pressure conditions that prevent the escape of toxic fumes. Another of our products, the FM-approved ETFE coated ducts, is gaining more market acceptance as well. They are also fire-proof and corrosion-resistant, being composed of steel and polymer hybrid material, as compared to conventional ducts made of polymer material which do not possess these qualities.

In September 2013, we commenced actions to wind up our wholly-owned subsidiary Linair Technologies Suzhou Co. Ltd. ("Linair Suzhou"). Having incurred losses over the last two financial years and operating in an environment whose outlook is still uncertain, we decided it would be best to terminate our Suzhou operations. Under the direction of our new Executive Chairman appointed in September 2013, we decided to begin a major restructuring of our entire Group. In Singapore, we undertook cost rationalisation as well as revamped our human resources incentive and reward structure.

Outlook

Going into the new year, we will continue with these crucial streamlining measures as well as align the Group to achieve the goals we have set out. The dynamic changes in our business environment over these few years necessitate an equally vigorous response from us. We have capable staff and a pool of expertise to draw upon, not to mention proprietary technology that is gradually gaining ground. By leveraging on these fundamental strengths and rationalising our operations, we aim to return to growth.

We expect the business environment in 2014 to not be too different from the year before. Recent projections for the world economy by the International Monetary Fund (IMF) and the Singapore Ministry of Trade and Industry (MTI) point towards a slow recovery but caution that much uncertainty remains. The IMF, in a World Economic Outlook update in January 2014, predicts global growth of 3.7% while the MTI, in February, forecasts modest growth in Singapore at around 2.0% to 4.0%. Recent news in March 2014 indicates continued slow growth in China and persistently high unemployment in the US, weighing on business sentiment worldwide. We must assume that such challenging business conditions will be the norm for the year and adjust accordingly. For our Group, we will also need to manage escalating labour costs and inflationary pressures on our operating expenses. Prudence must be a by-word as we push ahead and we must maintain flexibility and manage our financial position well.

Nonetheless, we are confident of our solid base. We have a good track record as a specialist in environmental engineering and the project development of ACMV Systems and we will leverage on this to target larger, more sophisticated projects. This will enable us to scale up our expertise and grow our value-add. At the same time, our in-house products and technology not only give us an advantage, they also provide us the platform to reach out to new research and development experts and distribution partners. Lastly, while we seek to grow organically, we will also be open to growth through strategic acquisitions.

Conclusion

To meet the evolving challenges of today and grow sustainably ahead, Linair has to undergo a fundamental make-over. As the incoming Executive Chairman, I believe we have intrinsic strengths and resources to build upon and, together with the changes we are implementing, we aim to achieve a turnaround over the next 24 months. We have much to our advantage and I am optimistic of our prospects.

At this juncture, allow me to thank, on behalf of the Board, our Group Chief Executive Officer Mr Wong Kok Chye, for his guidance and experience as we take the helm of this corporate ship. We would also like to thank outgoing directors Mr Tan Hup Foi, Mr Leong Horn Kee, Mr See Yen Tarn and Mr Teo Beng Teck for their contributions. Gratitude must also be extended to our departing Group Chief Financial Officer and Company Secretary Mr Goh Tcheng Hion. The Group welcomes Mr Yeo Meng Hin as an incoming Independent Non-Executive Director. Mr Yeo is a human resources professional and is currently the Asia Pacific Head of Human Resources for a global logistics company. We look forward to his contributions. In conclusion, we would like to thank our directors, management and staff for their advice and effort, and our business partners and shareholders for their support. Together, let us build the road ahead.

Loh Yih
Executive Chairman and Executive Director

Wong Kok Chye
Group Chief Executive Officer and Executive Director

Preserving our Surroundings

As a leading multi-disciplinary group providing one-stop environmental solutions and integrated services, we are dedicated to creating safe, clean and comfortable workspaces that do not disrupt the harmony of nature and our client's businesses.

BOARD OF DIRECTORS

Mr Loh Yih
Executive Chairman
& Executive Director

Mr Loh was appointed Executive Chairman in September 2013. He is responsible for the overall management and performance of the Company, its subsidiaries and associated companies. Mr Loh is the Managing Partner of MGF Management Pte Ltd, which was an exempt fund management company that focuses primarily on China Private Equity Investment. In 2005, he invested in Netplus Communication Pte Ltd, an Internet Service Provider in Singapore. He took over as Managing Director from 2005, restructuring and turning the company around before selling the entity to Media Ring, a listed company in 2006. Mr Loh has a professional background in financial services. He has held positions in merchant banking with Standard Chartered Merchant Bank Asia Ltd and West Merchant Bank and in audit with Ernst & Young LLP. He currently holds directorships in Ban Leong Technologies Limited, International Press Softcom Limited and Weichai Power Co. Ltd.

Mr Loh graduated with a Bachelor's Degree in Accountancy (Honours) from National University of Singapore in 1988. He is also a Chartered Financial Analyst.

Mr Wong Kok Chye
Group Chief Executive Officer
& Executive Director

Mr Wong Kok Chye is the Group Chief Executive Officer. Mr Wong joined Linair in 2000 as Project Director and held several other senior positions within the Group before assuming his present position in January 2013.

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

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 Remuneration Committee and 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 Yeo Meng Hin
Independent
Non-Executive Director

Mr Yeo Meng Hin was appointed an Independent Non-Executive Director in September 2013. He was also concurrently appointed the Chairman of the Remuneration Committee, Chairman of the Nominating Committee and a member of the Audit Committee. Mr Yeo is the Asia Pacific Head of Human Resources for a global logistics company. Mr Yeo has also held senior positions at SMRT Corporation Ltd and DFS Group Ltd and brings with him experience in various human resource and consultancy roles in a wide array of industries including hospitality, professional services, property, financial services and retail.

Mr Yeo holds an MBA from the University of Phoenix, USA; a Graduate Diploma in Personnel Management from the Singapore Institute of Management, and a Bachelor of Arts (Economics) from National University of Singapore. He is a Certified Compensation Professional (CCP) and a Global Remuneration Professional (GRP) with the American Compensation Association.

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, which is based in Taiwan. He is a member of the Audit Committee, the Nominating 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 Nanyang Technological University. He is a fellow of the Institute of Singapore Chartered Accountants and a member of the CFA Institute (USA).

Ms Lee Wee Beng

Human Resources Manager

Ms Lee Wee Beng 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, business and operations 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 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.

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 holds a Diploma in Mechanical Engineering from the Singapore Polytechnic.

LINAIR

Linair Technologies Limited

100%	Linair Technologies (Suzhou) Co., Ltd (in liquidation)
100%	Linair Technologies (M) Sdn Bhd
100%	Air System Technology (S) Pte Ltd
100%	Linair Bio-Science Pte Ltd
100%	Linair Engineering Pte Ltd
70%	Shanghai Xianda Industry Equipment Installation Co., Ltd
24%	Metal Technologies LLC (in liquidation)

CORPORATE INFORMATION

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
Directors	Loh Yih[1] - *Chairman and Executive Director* Wong Kok Chye - *Group Chief Executive Officer & Executive Director* Ong Chin Lin - *Independent Non-Executive Director* Yeo Meng Hin[1] - *Independent Non-Executive Director* Ho Ta-Huang - *Non-Executive & Non-Independent Director* Tan Hup Foi @ Tan Hup Hoi[2] - *Chairman & Independent Non-Executive Director* Leong Horn Kee[2] - *Independent Non-Executive Director* See Yen Tarn[2] - *Non-Executive & Non-Independent Director* Teo Beng Teck[2] - *Non-Executive & Non-Independent Director*
Audit Committee	Ong Chin Lin (Chairman) Yeo Meng Hin[1] Ho Ta-Huang Leong Horn Kee[2] Tan Hup Foi @ Tan Hup Hoi[2] See Yen Tarn[2]
Nominating Committee	Yeo Meng Hin[1] (Chairman) Ong Chin Lin Ho Ta-Huang Leong Horn Kee[2] (Chairman) Teo Beng Teck[2]
Remuneration Committee	Yeo Meng Hin[1] (Chairman) Ong Chin Lin Ho Ta-Huang Tan Hup Foi @ Tan Hup Hoi[2] (Chairman) Leong Horn Kee[2]
Company Secretary	Goh Tcheng Hion[3]
Bankers	United Overseas Bank Limited RHB Bank Berhad
Auditors	PKF-CAP LLP 6 Shenton Way #32-01 OUE Downtown 1 Singapore 068809
Partner-In-Charge	John Lim Geok Peng (with effect from financial year 2013)
Share Registrar	KCK CorpServe Pte Ltd 333 North Bridge Road #08-00 KH KEA Building Singapore 188721

Notes:

[1] Mr Loh Yih and Mr Yeo Meng Hin were appointed to the Board on 30 September 2013.
[2] Mr Tan Hup Foi @ Tan Hup Hoi, Mr Leong Horn Kee, Mr Teo Beng Teck and Mr See Yen Tarn have ceased to be Directors of the Company with effect from 30 September 2013.
[3] Mr Goh Tcheng Hion has ceased to be the Company Secretary with effect from 4 April 2014.

The Board is committed to maintaining good corporate governance to enhance and safeguard the interest of its shareholders. This report below describes the corporate governance framework & practices of the Company with reference to the Code of Corporate Governance 2012 (the "Code 2012") for the financial year ended 31 December 2013 ("FY2013"). Explanations are provided where there are deviations from the Code 2012. The Company has complied with the principles of the Code 2012 where appropriate.

1. BOARD MATTERS

1.1. 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 fulfill 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.

Apart from its statutory responsibilities, the principal functions of the Board encompass the following:

- Providing stewardship to the Company including charting its corporate strategies and business plans;
- Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- Authorising and monitoring major investment and strategic commitments;
- Reviewing and accessing the performance of the Management (comprising executive directors ("**Executive Directors**") and executive officers ("**Executive Officers**") of the Company;
- Overseeing the evaluation of the adequacy of internal controls, addressing risk management, financial reporting and compliance, and satisfying itself as to the sufficiency of such processes;
- Establishing a framework for effective control, including the safeguarding of shareholders' interests and the company's assets;
- Providing guidance and advice to Management;
- Being responsible for good corporate governance;
- Considering sustainability issues, including environmental and social factors, as part of the Company's strategic formulation;
- Identifying key stakeholder groups of the Company and recognising that their perceptions affect the Company's reputation; and
- Setting the Company's values and standards, including ethical standards, and ensuring that the obligations to its shareholders and other stakeholders are understood and met.

All directors are expected to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has also adopted internal guidelines and financial authority limits structure setting forth matters that require Board approval. The Board's decision or specific approval is required on matters such as commitments and payments of operating and capital expenditure exceeding S$2,000,000, major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends, acceptance of bank facilities, release of the Group's half year and full year results announcements and interested person transactions of a material nature.

The Company's Articles of Association permit the Directors of the Company to attend meetings through the use of audio-visual communication equipment.

In between the scheduled meetings, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad-hoc Board meetings are also convened as and when they are deemed necessary in between the scheduled meetings.

The number of meetings held by the Board and Board Committees and the attendance for FY2013 up to the date of this Report are summarised in the table below:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held in FY2013	4	3	1	1
Directors	**Number of meetings attended in FY2013**			
Loh Yih (1)	1	0	0	0
Tan Hup Foi @ Tan Hup Hoi (2)	3	3	1	1 (3)
Wong Kok Chye	4	3 (3)	1 (3)	1 (3)
Ong Chin Lin	4	3	1 (3)	1
Ho Ta-Huang	3	2	1	1 (3)
Leong Horn Kee (2)	3	3	1	1
Teo Beng Teck (2)	3	3 (3)	1 (3)	1
See Yen-Tarn (2)	3	3	1 (3)	1 (3)
Yeo Meng Hin (1)	1	0	0	0

Notes:

(1) Mr Loh Yih and Mr Yeo Meng Hin were appointed to the Board on 30 September 2013.

(2) Mr Tan Hup Foi @ Tan Hup Hoi, Mr Leong Horn Kee, Mr Teo Beng Teck and Mr See Yen-Tarn have ceased to be Directors of the Company with effect from 30 September 2013.

(3) Attendance by invitation.

To assist the Board in the discharge of its responsibilities, the Board has established three (3) Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. Upon its establishment, the Board Committees operate within clearly defined terms of reference and operating procedures, which would be reviewed on a regular basis. Minutes of all Board Committee meetings will be circulated to the Board so that the Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

The Board ensures that incoming newly appointed Directors will be given an orientation on the Group's business activities, strategic direction, policies and governance practices to facilitate the effective discharge of their duties. Newly appointed Directors will also be provided with a formal letter setting out their duties and obligations. The Company will also provide training for first-time Directors in areas such as accounting, legal and industry-specific knowledge as appropriate. The Directors have been given briefings by the Management on the Group's business activities and its strategic directions to facilitate the effective discharge of their duties. The Management will monitor new laws, regulations and commercial developments and will keep the Board informed accordingly. Updates on relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings, presentations and/or handouts. Where necessary, the Company will also arrange for the Directors to attend any training programmes in connection with their duties as Directors.

1.2. Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently consists of five (5) Directors and is as follows:

Loh Yih	Executive Chairman
Wong Kok Chye	Executive Director and Group Chief Executive Officer
Ong Chin Lin	Independent Non-Executive Director
Yeo Meng Hin	Independent Non-Executive Director
Ho Ta-Huang	Non-Executive and Non-Independent Director

The Company endeavours to maintain a strong and independent element on the Board. Two (2) of the Company's Directors are independent, thereby fulfilling the Code 2012's requirement that at least one-third of the Board should comprise Independent Directors. The Company is aware of Guideline 2.2 of the Code 2012 that Independent Directors should constitute at least half of the Board where the Chairman is not an Independent Director, and the Company has plans to satisfy this Guideline 2.2 by year 2016.

The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders[(1)] or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs with a view to the best interests of the Company. The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that would interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement, with a view to the best interests of the Company. The independence of each Director will be reviewed annually by the Nominating Committee in accordance with the definition of independence in the Code 2012. The Nominating Committee has reviewed and is of the view that the two (2) Independent Directors are independent.

Notes:

(1) The Code 2012 defines a 10% shareholder as a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that shares is not less than 10% of the total votes attached to all the voting shares in the company.

The Board notes that Mr Ong Chin Lin ("**Mr Ong**") has been an Independent Director of the Company for 9 years. The Board has undertaken a review of the independence of Mr Ong, and has concluded that Mr Ong is suitable to continue as an Independent Director of the Company. During the 9 years period, Mr Ong had no relationship with the Company, its related companies, its 10% shareholders or its officers. Neither Mr Ong nor any of his immediate family member has been employed by the Company or its related companies, has accepted any significant compensation by the Company or its related Company, has been a 10% shareholder, partner, director or executive officer of an organisation which has provided or received significant payments or material services from the Company, is a 10% shareholder of the Company, or has been directly associated with a 10% shareholder of the Company.

A review of the size of the Board will be undertaken by the Company, and the Nominating Committee will also determine if the current size and composition of the Board is appropriate for the scope and nature of the Group's operations, and facilitate effective decision-making. In line with Code 2012, the Nominating Committee will take into account the requirements of the Group's businesses and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Nominating Committee is of the view that the present composition of the Board allows it to exercise objective judgement on corporate matters and that no individual or small group of individuals dominates the decisions of the Board.

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. The Nominating Committee has reviewed and is of the view that the current Board comprises persons who as a group provide an appropriate balance and diversity of skills, experience and capabilities required for the Board to be effective.

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 profiles of the Directors are set out on pages 8 and 9 of this Annual Report. The Board considers its current Board size to be appropriate for effective decision-making, taking into account the nature and scope of the Group's operations.

1.3 Chairman and CEO

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

Mr Loh Yih is the Executive Chairman of the Board, and is responsible for the workings of the Board to ensure the effectiveness and integrity of the governance process. The former Non-Executive Chairman, Mr Tan Hup Foi @ Tan Hup Hoi, was an Independent Non-Executive Director, and had stepped down as Non-Executive Chairman and Independent Non-Executive Director on 30 September 2013. Mr Wong Kok Chye is the Chief Executive Officer ("**CEO**"), who is responsible for the business and operational decisions of the Group. The Board is of the view that there is a clear division of responsibilities between the Executive Chairman and the CEO in order to ensure that there is an appropriate balance of power, increased accountability and sufficient capacity of the Board for independent decision making. Both the Executive Chairman and Mr Tan Hup Foi @ Tan Hup Hoi are not related to the CEO.

The CEO works with the Board to determine the strategy for the Group and is responsible for the Group's business performance. He reports directly to the Board, and updates the Board on the performance of the Company during regular meetings and ensures that policies and strategies adopted by the Board are implemented. The CEO also works with the senior management of the Group to ensure that the senior management operates in accordance with the strategic and operational objectives of the Group.

The Executive Chairman leads the Board to ensure its effectiveness on all aspects of its role. He approves the agendas for the Board, and ensures that adequate time is available for discussion of all agenda items during the meetings, in particular strategic issues. The agendas for Board Committees are approved by the Executive Chairman together with the respective chairpersons of the Board Committees.

The Executive Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board, the Management and the shareholders of the Company. He encourages interactions between the Board and the senior management, as well as between the Executive and Non-Executive Directors, and promotes a culture of openness and debate at the Board. The Executive Chairman also ensures that the Directors receive complete, adequate and timely information and ensures effective communication with shareholders. In addition, the Executive Chairman takes a leading role in ensuring the Company's compliance with corporate governance guidelines.

In order to ensure good corporate governance practice and that there is no concentration of power and authority vested in one individual, the Company has appointed Mr Ong as the Lead Independent Director. The Lead Independent Director will be available to the shareholders where they have concerns which cannot be resolved through the normal channels of the Executive Chairman, the CEO or the Chief Financial Officer, or where such contact is not possible or inappropriate. The Independent Directors will also meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

1.4. Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The Nominating Committee

The Company has constituted a Nominating Committee to, among other things, make recommendations to the Board on all Board appointments and oversee the Company's succession and leadership development plans. The Nominating Committee comprises Mr Yeo Meng Hin (Chairman of the Nominating Commitee), Mr Ong Chin Lin, and Mr Ho Ta-Huang, of which the majority of whom, including the Chairman, are independent.

The primary function of the Nominating Committee is to determine the criteria for identifying candidates, review nominations for the appointment of Directors to the Board, to decide how the Board's performance may be evaluated and to 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 (e.g. 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 2012;

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

(e) to review and approve any new employment of related persons and the proposed terms of their employment;

(f) to put in place and review Board succession plans for the Directors, and in particular, for the chairman of the Board and the chief executive officer of the Company;

(g) to decide how the Board's performance may be evaluated and to propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long term shareholders' value; and

(h) to review the training and professional development programs for the Board.

The Board has implemented a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his performance or re-nomination as a Director.

There is a formal and transparent process for the appointment of new Directors to the Board. The Nominating Committee reviews and recommends all new Board appointments and also the re-nomination and re-appointment of Directors to the Board. The Nominating Committee has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Company's business and that each Director contributes and brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In the nomination and selection process of a new Director, the Nominating Committee 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. The Nominating Committee will take into consideration the current Board size and its composition – including the mix of expertise, skills and attributes of the Directors – and determine if the candidate's background, experience and knowledge will bolster the core competencies of the Board.

Annually, the Nominating Committee will assess the independence of each Director, the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board. The Nominating Committee is also required to determine whether Directors who hold multiple board representations are able to and have been devoting sufficient time to discharge their responsibilities adequately. The Code 2012 requires listed companies to fix the maximum number of board representations on other listed companies that their directors may hold. The Nominating Committee has conducted an annual review of the independence of the Independent Directors, based on guidelines stated in the Code 2012, and has ascertained that they are independent. The Nominating Committee has also fixed the maximum number of board representations on other listed companies that their Directors may hold to be nine (9).

All Directors are subject to the provisions of Article 89 of the Company's Articles of Association whereby one-third of the Directors are required to retire and subject themselves to re-election by the shareholders at each annual general meeting, and each Director is required to subject himself for re-nomination and re-election at least once every three (3) years. In addition, any new Director appointed during the year either to fill a casual vacancy or as an addition to the Board will have to retire at the annual general meeting following his appointment, and is eligible for re-election if he/she so desires.

The Nominating Committee has recommended to the Board that Mr Loh Yih, Mr Yeo Meng Hin, and Mr Ong Chin Lin be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. Mr Yeo Meng Hin will, upon re-election as a Director, remain as a member of the Audit Committee and the Chairman of the Remuneration Committee and Nominating Committee. Mr Ong Chin Lin will, upon re-election as a Director, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee. Mr Loh Yih, Mr Yeo Meng Hin and Mr Ong Chin Lin have no relationships, including any immediate family relationships, with the other Directors, the Company or the 10% shareholders of the Company. The current directorships and other principal commitments of Mr Loh Yih, Mr Yeo Meng Hin and Mr Ong Chin Lin are found in the table below.

Key information regarding the Directors, including the date of initial appointment and last re-election of each Director, together with their directorships in other companies, are set out on pages 8 and 9 of this Annual Report and below:

Name of Director	Date of initial Appointment	Date of last re-election	Directorships in other listed companies		Other Principal Commitments
			Current	**Past 3 Years**	
Loh Yih	30 September 2013	N.A	• Ban Leong Technologies Limited • International Press Softcom Limited • Weichai Power Co. Ltd.	Nil	Nil
Wong Kok Chye	7 January 2013	N.A.	Nil	Nil	Nil
Ong Chin Lin	30 November 2004	27 April 2012	• Old Chang Kee Ltd • Yi-Lai Berhad	Nil	Consultant
Ho Ta-Huang	7 December 2001	27 April 2012	Nil	Nil	Chairman of Chern Dar Enterprise Co., Ltd
Yeo Meng Hin	30 September 2013	N.A.	Nil	Nil	Asia Pacific Head of Human Resources for a global logistics company

There are no alternate directors appointed in the Company.

1.5. Board Performance

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

Review of the Board's performance will be conducted by the Nominating Committee annually. The Nominating Committee is guided by its terms of reference which set out its responsibility for assessing the Board's effectiveness as a whole, the effectiveness of its Board Committees, and the contribution from each individual Director to the effectiveness of the Board. The Board, through the delegation of its authority to the Nominating Committee, has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Company's business and that each Director contributes and brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

In assessing the effectiveness of the Board, the Nominating Committee 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 the Management. The Nominating Committee's focus in the assessment of the Board's effectiveness is on its ability to provide supervisory and oversight.

With regard to the adopted process for collective Board appraisal, each Director will assess the Board's performance as a whole and provide the feedback to the Nominating Committee. In reviewing the Board's effectiveness as a whole, the Nominating Committee shall take into account feedback from Board members as well as the Director's individual skills and experience. The Nominating Committee will also consider the guidelines set out in the Code 2012 for the evaluation and assessment of the performance of the Board as a whole in achieving strategic objectives. A summary report will be compiled by the Chairman of Nominating Committee and submitted to the Chairman of the Board for analysis and discussion with a view to implementing certain recommendations to further enhance the effectiveness of the Board. If necessary, a copy of the summary report will be extended to the individual Director for information and feedback.

The Nominating Committee is of the view that although some of the Directors have multiple board representations, these Directors are able and have been adequately carrying out their duties as Directors of the Company. The Nominating Committee, having reviewed the overall performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, and the individual Director's performance, is of the view that the performance of the Board and each individual Director has been satisfactory.

1.6. Access to Information

Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the importance of continual dissemination of relevant information which is explicit, accurate, timely and vital to the Board in carrying out its duties. The Management reports to the Board the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company in a timely and accurate manner. Prior to each Board meeting, the Board members are each provided with the relevant documents and the necessary information to allow the Board to comprehensively understand the issues to be deliberated upon and to make informed decisions thereon, including periodic financial summary reports, budgets, forecasts and other disclosure documents. In respect of budgets, any material variances between projections and actual results of the Company will be reviewed by the Directors. Directors are also entitled to request from Management additional information required to make informed decisions, which the Management will provide in a timely manner.

In exercising their duties, the Directors have unrestricted, separate and independent access to the Company's Management, company secretary ("**Company Secretary**") and independent auditors. The Company Secretary attends all Board meetings of the Company, ensures a good flow of information within the Board and between the Management and the Non-Executive Directors, attends to corporate secretariat administration matters, and advises the Board on governance matters, ensuring Board procedures are followed and that applicable rules and regulations are complied with. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

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 fulfill their duties and responsibilities as directors.

2. REMUMERATION MATTERS

2.1. Procedures for Developing Remuneration Policies

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 comprises Mr Yeo Meng Hin (Chairman of the Remuneration Committee), Mr Ong Chin Lin and Mr Ho Ta-Huang, of which the majority of whom, including the Chairman, are independent. The Remuneration Committee is regulated by a set of written terms of reference and has access to independent professional advice, if necessary.

The Remuneration Committee reviews and recommends to the Board a framework of remuneration for the Directors and key Management personnel, including the CEO, other personnels having the authority and responsibility for planning, directing and controlling the activities of the Company, and the employees related to the Executive Directors and controlling shareholders of the Company, and determines specific remuneration packages for each Executive Director. The review will cover all aspects of remuneration including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and other benefits-in-kind.

Annually, the Remuneration Committee will review the level and mix of remuneration and benefits policies and practices of the Company, including long-term incentives. When conducting such reviews, the Remuneration Committee will take into account the performance of the Company and that of individual employees. It will also review and approve the framework for salary reviews, performance bonus and incentives for key Management of the Group. The recommendations of the Remuneration Committee on remuneration of Directors will be submitted for endorsement by the entire Board.

Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package. The overriding principle is that no Director should be involved in deciding his own remuneration. The Remuneration Committee has met to consider and review the remuneration packages of the Executive Directors and key Executive Officers, including those employees related to the Executive Directors and controlling shareholders of the Company.

The Remuneration Committee may from time to time, and where necessary or required, engage independent external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Company to stay competitive in its remuneration packages. No independent external consultants have been engaged by the Company for this purpose for FY2013.

2.2. Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key Management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Remuneration Committee takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors.

The Independent Directors and Non-Executive Director receive a fixed Directors' fees plus a variable component, in accordance with their contribution, taking into account factors such as effort, time spent, responsibilities of each Director. The Remuneration Committee recognises the need to pay competitive fees to attract, motivate and retain such Independent Directors and Non-Executive Director, yet not over-compensate them to the extent that their independence may be compromised. Directors' fees are recommended by the Board for approval by the shareholders at the Company's annual general meeting.

The Company's Executive Directors, namely Mr Loh Yih and Mr Wong Kok Chye are remunerated based on their service agreements with the Company. The service agreements have a fixed term of three (3) years with a notice period of three (3) months. The remuneration comprises a fixed salary and performance bonuses linked to corporate and individual performances where appropriate, and is designed to align the interests of the Executive Directors with those of shareholders. Independent and Non-Executive Directors do not have service contracts with the Company.

The Group has also entered into letters of employment with all the Executive Officers. Such letters typically provide for the salaries payable to the Executive Officers, their working hours, medical benefits, grounds of termination and certain restrictive covenants.

The Company's compensation framework comprises fixed pay and short-term and long-term incentives. The Company subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests with the interests of shareholders to promote the long-term success of the Company. The Company's Share Plan (defined below) is administered by the Remuneration Committee with such discretion, powers and duties as are conferred on it by the Board. A member of the Remuneration Committee shall not be involved in the deliberations of the Remuneration Committee in respect of the grant of awards to him. The Company has not granted any shares under its Share Plan (defined below).

The recommendations of the Remuneration Committee will be submitted to the Board for endorsement. The Remuneration Committee 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.

2.3. Disclosure on Remuneration

Principle 9: Every Company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

The breakdown of remuneration of the Directors of the Company for FY2013 is as follows:

Directors/ Chief Executive Officers	Remuneration (S$)	Fees %	Salaries %	Bonus %	Other Benefits %	Total %
Loh Yih(1)	65,437	–	83	8	9	100
Wong Kok Chye	221,503	–	79	10	11	100
Tan Chee Meng William(2)	123,900	–	52	–	48	100
Ong Chin Lin	34,000	100	–	–	–	100
Ho Ta-Huang	30,000	100	–	–	–	100
Yeo Meng Hin(1)	–	–	–	–	–	100
Tan Hup Foi @ Tan Hup Hoi(3)	52,000	100	–	–	–	100
Leong Horn Kee(3)	34,000	100	–	–	–	100
See Yen Tarn(3)	28,000	100	–	–	–	100
Teo Beng Teck(3)	26,000	100	–	–	–	100

Notes:

(1) Mr Loh Yih and Mr Yeo Meng Hin were appointed to the Board on 30 September 2013.
(2) Mr Tan Chee Meng William resigned on 7 January 2013.
(3) Mr Tan Hup Foi @ Tan Hup Hoi, Mr Leong Horn Kee, Mr Teo Beng Teck and Mr See Yen Tarn have ceased to be Directors of the Company with effect from 30 September 2013.

Details of remuneration paid to key Executive Officers of the Group for FY2013 is as follows:

Key Executive Officers	Salaries %	Bonus %	Other Benefits %	Total %
Below S$250,000				
Goh Tcheng Hion	79	12	9	100
Lai Mun Yow	82	11	7	100
Lee Wee Beng	88	12	–	100

The aggregate total remuneration paid to the top three key Management personnel (who are not Directors or the CEO) for FY2013 is approximately S$385,508. Save for the three Executive Officers described in the table above, the Company does not have any other key Management personnel.

The aggregate amount of any termination and post-employment benefits that may be granted to Directors, the CEO and the top three key Management personnel (who are not Directors or the CEO) is S$160,215.

There were no employees during the financial period from 1 January 2013 to 31 December 2013 who were immediate family members of a Director and/or the CEO whose remuneration is in excess of $50,000 during the financial year ended 31 December 2013.

Linair Performance Bonus Share Plan

The Linair Performance Bonus Share Plan ("**Share Plan**") was approved by the shareholders of the Company on 27 November 2008, and has been renewed by the shareholders at the last annual general meeting held on 29 April 2013. The Share Plan was introduced to promote higher performance goals and recognise commendable exceptional achievement, and to encourage a sense of belonging in its employees. The Share Plan is designed to reward its participants by the issue and/or transfer of fully-paid shares in the Company according to the extent to which they achieve their performance targets over set performance periods.

Apart from the limitations set forth under the Catalist Listing Manual, the number of new ordinary shares of the Company to be granted to the following participants are also subject to the following limitations:

a) Group CEO – up to 350,000 shares each per year;

b) Business Unit CEOs – up to 180,000 shares each per year;

c) Senior Executive Officers – up to 120,000 shares each per year;

d) Non-Executive Directors – up to 120,000 shares each per year;

e) General Managers/Senior Managers – up to 60,000 shares each per year; and

f) Managers/Executives – up to 30,000 shares each per year.

As of the date of this Report, the Company has not granted any shares under its Share Plan.

The Company's staff remuneration policy is based on individual's rank and role, the individual performance, the Group's performance and industry benchmarking gathered from companies in comparable industries. The remuneration of Non-Executive Directors takes into account their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings. Non-Executive Directors who perform services through Board Committees will be paid additional basic and attendance fees for such services. No Director decides his own fees. Directors' fees will be reviewed periodically to benchmark such fees against the amounts paid by other major listed companies.

3. ACCOUNTABILITY AND AUDIT

3.1. Accountability

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

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Timely releases of the Group's financial results and all significant information to shareholders as well as the prompt fulfillment of statutory requirements are ways to maintain shareholder's confidence and trust in the Board's capability and integrity.

Currently, the Company is required to release half year and full year results announcements pursuant to the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Listing Manual**"). In this respect, the Board, with the assistance of the Management, strives to provide a balanced and understandable assessment of the Group's performance and position. The Board also undertakes such effort with respect to other price sensitive public reports and reports to regulators, where required. Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

The Management is responsible to the Board and the Board itself is accountable to the shareholders of the Company. The Board is provided with the management accounts of the Group's performance and position on a monthly basis.

The Board has also established written policies of the Company to ensure compliance of the Company with legislative and regulatory requirements, including requirements under the Catalist Listing Manual.

3.2. Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's asset, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks.

With the assistance of the internal audit function of the Company and through the Audit Committee, the Board reviews the adequacy and effectiveness of the Company's risk management policies and systems, and 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 Audit Committee independently.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, including financial, operational and compliance and information technology controls, and risk management systems, are adequate and effective.

The Board has also received assurances from the CEO and Chief Financial Officer of the Group whom relied upon the representation letters from senior management of key subsidiaries, that:

a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

b) the Company's risk management and internal control systems were adequate and effective as at 31 December 2013.

The Board understands that it may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the Company's risk management framework and policies. The Company currently does not have a separate board risk committee.

3.3. Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises Mr Ong Chin Lin (Chairman of Audit Committee), Mr Yeo Meng Hin, and Mr Ho Ta-Huang, of which the majority of whom, including the Chairman, are independent.

The Audit Committee members possess many years of experience in accounting, legal, business and financial management. The Board considers that the members of the Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

It functions under a set of written terms of reference which sets out its responsibilities as below. The Audit Committee also has explicit authority to investigate any matter within its terms of reference.

(a) review the scope and results of the audit and its cost effectiveness;

(b) review the independence and objectivity of the external auditors annually;

(c) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;

(d) review the half-yearly and full year financial results before submission to the Board for approval;

(e) review the adequacy of the Group's internal controls, as set out in the Code 2012;

(f) review the effectiveness of the Group's internal audit function;

(g) meet 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;

(h) consider and recommend to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;

(i) review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(j) review the external auditors' reports;

(k) review the co-operation given by the Group's officers to the external auditors;

(l) review and approve interested persons transactions, if any, falling within the scope of Chapter 9 of the Catalist Listing Manual;

(m) review the adequacy of the business risk management process;

(n) review potential conflicts of interest, if any, and ensuring procedures for resolving such conflicts are strictly adhered to;

(o) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;

(p) review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and

(q) generally undertake such other functions and duties as may be required by statute or the Catalist Listing Manual, or by such amendments made thereto from time to time.

In addition to reviewing the effectiveness of the Group's internal audit function, the internal auditor's primary line of reporting is the Chairman of the Audit Committee.

Apart from the above functions, the Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position. The Audit Committee is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Group. Each member of the Audit Committee will abstain from any deliberations and/or voting in respect of matters in which he is interested.

The Audit Committee has full access to the Management and also full discretion to invite any Director or key Management to attend its meetings, and has been given reasonable resources to enable it to discharge its function properly.

The Audit Committee has met with the external auditors and the internal auditors, without the presence of Management, at least once in FY2013.

The Audit Committee has recommended to the Board the nomination of PKF-CAP LLP for their re-appointment as external auditors of the Company at the forthcoming annual general meeting. The Company confirms that it complies with Rules 712 and 715 of the Catalist Listing Manual in relation to the proposed re-appointment of PKF-CAP LLP as the external auditors of the Company. The Audit Committee, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. An amount of $3,000 of non-audit fee was paid to the external auditors during the financial year. The aggregate amount of audit fees paid to the external auditors for the financial year is S$126,946.

The Group has established a whistle-blowing policy that seeks to provide a channel for the Group's employees to raise concerns in good faith and in confidence about possible improprieties in matters of financial reporting or other matters such as possible corruption, suspected fraud and other non-compliance issues. The Audit Committee will address the issues and/or concerns raised and ensure that necessary arrangements are in place for the independent investigation of issues and/or concerns raised by the employees and for appropriate follow-up actions. Details of the whistle-blowing policies and arrangements have been made available to the Group's employees.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have direct impact on financial statements, with training conducted by professional or external consultants.

3.4. Internal Audit

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

The Board recognises the importance of maintaining an internal audit function to maintain a sound system of internal control within the Group to safeguard shareholders' investments and the Company's assets. The Audit Committee has the responsibility to review annually the adequacy of the internal audit function, review the internal audit program and ensure co-ordination between internal auditor, external auditor and Management, and ensure that the internal auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies, in particular, the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Audit Committee will also approve the hiring, removal, evaluation and compensation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to.

The internal audit function of the Group has been outsourced to One e-Risk Services Pte Ltd and their primary line of reporting is to the Audit Committee. The objective of the internal audit function is to provide an independent review on the adequacy and effectiveness of the Group's internal controls and provide reasonable assurance to the Audit Committee on the Group's controls and governance processes. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. An annual internal audit plan which entails the review of the effectiveness of the Group's controls has been developed by the internal auditor. The Audit Committee is satisfied that the internal audit function has been adequately resourced and has the appropriate standing within the Group.

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

4.1 Shareholder Rights and Communication with Shareholders

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

In line with the continuous disclosure obligations of the Company pursuant to the Catalist Listing Manual and the Companies Act, Chapter 50 of Singapore, it is the Board's policy to ensure that all shareholders are informed regularly and on a timely basis of every significant development that has an impact on the Group.

Pertinent information is communicated to shareholders on a regular and timely basis via SGXNET announcements and news releases. 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.

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 Board establishes and maintains regular dialogue with its shareholders, to gather views or inputs and to address shareholders' concerns. The annual general meeting of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders of the Company will receive annual reports and are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. Save for nominee companies, any shareholder who is unable to attend is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Nominee shareholders are allowed to appoint more than two proxies to allow for shareholders who hold shares through such nominee companies to attend and participate in the meetings of the Company as proxies.

The Company does not have a fixed policy on payment of dividends; instead the issue of the payment of dividend is deliberated seriously and at length by the Board annually having regard to various factors. Where dividends are not paid, the Company discloses the reasons. The Company did not pay any dividends in respect of FY2013 in view of the challenging operating environment.

4.2. Conduct of Shareholder Meetings

Principle 16: 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.

At the annual general meeting, the shareholders of the Company will be given the opportunity to voice their views and direct to the Directors or the Management questions regarding the Company. At the Company's general meetings, each distinct issue is proposed as a separate resolution, and all resolutions will be voted on by poll.

The Chairman of each Board Committees is required to be present to address questions at the annual general meeting. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

After the annual general meeting, the Company will make an announcement of the details results showing the number of votes cast for and against each resolution and the respective percentage, and will prepare minutes of the annual general meeting. Such minutes are available to shareholders upon their request.

Having undertaken a cost/benefit analysis, the Company has decided not to undertake polling by means of electronic polling at this juncture.

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

In line with Rule 1204 (19) of the Catalist Listing Manual on Dealing in Securities, the Company issues circulars to its directors and employees, to remind them that (i) 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 (ii) 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.

Directors and officers are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period.

6. MATERIAL CONTRACTS

Save as disclosed above, there was no material contract entered into by the Company or any of its subsidiary companies involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2013 or if not then subsisting, entered into since the end of the previous financial year.

7. INTERESTED PERSONS TRANSACTIONS ("IPTs")

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that transactions are conducted on an arm's length basis that are not prejudicial to the interests of the shareholders. When a potential conflict of interest occurs, the Director concerned will be excluded from discussions and refrain from exercising any influence over other members of the Board. Besides the information disclosed below, there is no other IPTs conducted during the year, which exceeds S$100,000 in value.

Name of Interested Person	Aggregate value of all IPTs conducted during FY2013 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted during FY2013 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	$'000	$'000
Chern Dar Enterprise Co., Ltd*		
Purchases	575	NA

* Mr Ho Ta-Huang is deemed to be interested in the shares held by Chern Dar Enterprise Co.,Ltd.

* Chern Dar Enterprise Co.,Ltd's shares are held in the name of a nominee.

The Group wishes to advise that there is no general mandate obtained from shareholders for IPTs.

8. RISK MANAGEMENT

The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the Audit Committee.

9. NON-SPONSORS FEES

The Company has appointed CIMB Bank Berhad, Singapore Branch ("CIMB") as the Company's Continuing Sponsor with effect from 27 August 2009, and the appointment was renewed for a further two years till 26 August 2013. Most recently, the Company has further renewed the appointment for a further two years till 26 August 2015.

The Directors and Management of the Company would consult CIMB on all material matters relating to compliance with the Listing Rules, its listing and 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 CIMB during the financial year.

FINANCIAL CONTENTS

DIRECTORS' REPORT

For the financial year ended 31 December 2013

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Linair Technologies Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2013.

Directors

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

Loh Yih	(appointed on 30/9/2013)
Wong Kok Chye	(appointed on 7/1/2013)
Ong Chin Lin	
Yeo Meng Hin	(appointed on 30/9/2013)
Ho Ta-Huang	

Arrangements to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable directors to acquire benefits by means of 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:

	Holdings registered in the name of director		**Holdings in which a director is deemed to have an interest**	
	Number of ordinary shares fully paid			
Name of corporation: Linair Technologies Limited	At 1.1.2013	At 31.12.2013	At 1.1.2013	At 31.12.2013
Ho Ta-Huang	–	–	45,583,000	45,583,000
Ong Chin Lin	402,000	402,000	–	–
Wong Kok Chye	6,822,000	6,822,000	579,000	579,000
Loh Yih	2,900,000	2,900,000	–	63,380,000

The directors' interest in shares of the Company at 21 January 2014 were the same at 31 December 2013.

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
Yeo Meng Hin

The Audit Committee carried out its functions in accordance with Section 201B of the Singapore 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 2013 as well as the auditor's 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 2013. 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.

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

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, Audit Committee and the Board, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks are adequate.

Auditor

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

On behalf of the board of directors,

LOH YIH

WONG KOK CHYE

Dated: 14 March 2014

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying statements of financial position, consolidated statement of comprehensive income, statement of changes in equity and the consolidated statement of cash flows, together with the notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 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,

LOH YIH

WONG KOK CHYE

Dated: 14 March 2014

INDEPENDENT AUDITOR'S 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 37 to 89, which comprise the statements of financial position of the Company and the Group as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company 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 Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards ("FRSs"), 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and FRSs 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 2013 and the results, changes in equity and cash flows of the Group and changes in equity of the Company 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
Chartered Accountants

Singapore
14 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	2013 $	2012 $
Revenue	3	**28,665,437**	33,933,005
Cost of sales		**(25,819,458)**	(29,059,611)
Gross profit		**2,845,979**	4,873,394
Other operating income	4	**1,088,443**	241,644
Administrative expenses		**(3,772,430)**	(3,999,166)
Other operating expenses		**(2,550,757)**	(3,762,169)
Finance costs	5(a)	**(47,214)**	(3,927)
Loss before tax	5(b)	**(2,435,979)**	(2,650,224)
Taxation	7	**(20,320)**	31,236
Loss for the year		**(2,456,299)**	(2,618,988)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(483,918)**	(71,218)
Total comprehensive loss for the year		**(2,940,217)**	(2,690,206)
Loss attributable to:			
Shareholders of the Company		**(2,540,139)**	(2,618,988)
Non-controlling interests		**83,840**	–
		(2,456,299)	(2,618,988)
Total comprehensive loss attributable to:			
Shareholders of the Company		**(3,008,812)**	(2,690,206)
Non-controlling interests		**68,595**	–
		(2,940,217)	(2,690,206)
Loss per share attributable to shareholders of the Company (cents):			
Basic and diluted	8	**(0.73)**	(0.75)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	The Group 2013 $	The Group 2012 $	The Company 2013 $	The Company 2012 $
Assets					
Non-current assets					
Goodwill	9	–	708,184	–	–
Property, plant and equipment	10	**659,963**	1,051,422	**87,064**	72,712
Other intangible assets	11	**1,207,875**	1,610,500	–	–
Investment in subsidiaries	12	–	–	**7,682,921**	8,390,569
Investment in an associate	13	–	–	–	–
		1,867,838	3,370,106	**7,769,985**	8,463,281
Current assets					
Inventories	14	**1,610,703**	1,507,899	**160,816**	115,069
Gross amount due from customers for contract work-in-progress	15	**865,777**	1,357,722	**47,361**	183,999
Trade and other receivables	16	**7,053,101**	10,710,827	**14,576,430**	13,378,078
Prepaid operating expenses		**667,031**	348,399	**30,087**	21,822
Financial asset at fair value through profit or loss	17	**40,098**	29,484	–	–
Fixed deposits pledged	18	**1,170,490**	4,956,229	**109,885**	1,328,734
Cash and cash equivalents	19	**8,822,189**	4,214,550	**1,133,611**	484,042
		20,229,389	23,125,110	**16,058,190**	15,511,744
Total assets		**22,097,227**	26,495,216	**23,828,175**	23,975,025
Equity and liabilities					
Current liabilities					
Gross amount due to customers for contract work-in-progress	15	**652,074**	877,173	–	–
Trade and other payables	20	**7,460,300**	8,090,473	**16,488,269**	14,944,248
Tax payable		**13,960**	38,591	–	–
Bank borrowings	21	**191,965**	1,192,752	–	–
		8,318,299	10,198,989	**16,488,269**	14,944,248
Net current assets/(liabilities)		**11,911,090**	12,926,121	**(430,079)**	567,496
Non-current liabilities					
Deferred tax liabilities	22	**77,583**	125,183	–	–
Bank borrowings	21	**470,518**	–	–	–
		548,101	125,183	–	–
Total liabilities		**8,866,400**	10,324,172	**16,488,269**	14,944,248
Net assets		**13,230,827**	16,171,044	**7,339,906**	9,030,777

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

		The Group		The Company	
		2013	2012	**2013**	2012
	Note	**$**	$	**$**	$
Capital and reserves					
Share capital	23(a)	**17,580,594**	17,580,594	**17,580,594**	17,580,594
Accumulated losses		**(3,932,823)**	(1,392,684)	**(10,240,688)**	(8,549,817)
Foreign currency translation reserve	23(b)	**(485,539)**	(16,866)	**–**	–
Attributable to equity holders of the Company		**13,162,232**	16,171,044	**7,339,906**	9,030,777
Non-controlling interests		**68,595**	–	**–**	–
Total equity		**13,230,827**	16,171,044	**7,339,906**	9,030,777
Total equity and liabilities		**22,097,227**	26,495,216	**23,828,175**	23,975,025

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

Group

	Attributable to equity holders of the Company					
	Share capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
	$	$	$	$	$	$
Balance at 1 January 2012	17,580,594	54,352	1,226,304	18,861,250	–	18,861,250
Loss for the year	–	–	(2,618,988)	(2,618,988)	–	(2,618,988)
Other comprehensive loss						
Exchange difference on translation of foreign operations	–	(71,218)	–	(71,218)	–	(71,218)
Total comprehensive loss for the year	–	(71,218)	(2,618,988)	(2,690,206)	–	(2,690,206)
Balance at 31 December 2012	17,580,594	(16,866)	(1,392,684)	16,171,044	–	16,171,044
Balance at 1 January 2013	17,580,594	(16,866)	(1,392,684)	16,171,044	–	16,171,044
Loss for the year	**–**	**–**	**(2,540,139)**	**(2,540,139)**	**83,840**	**(2,456,299)**
Other comprehensive loss						
Exchange difference on translation of foreign operations	**–**	**(468,673)**	**–**	**(468,673)**	**(15,245)**	**(483,918)**
Total comprehensive loss for the year	**–**	**(468,673)**	**(2,540,139)**	**(3,008,812)**	**68,595**	**(2,940,217)**
Balance at 31 December 2013	**17,580,594**	**(485,539)**	**(3,932,823)**	**13,162,232**	**68,595**	**13,230,827**

Company	Share Capital	Accumulated losses	Total
	$	$	$
Balance at 1 January 2012	17,580,594	(3,990,700)	13,589,894
Loss for the year	–	(4,559,117)	(4,559,117)
Other comprehensive loss	–	–	–
Total comprehensive loss for the year	–	(4,559,117)	(4,559,117)
Balance at 31 December 2012	17,580,594	(8,549,817)	9,030,777
Balance at 1 January 2013	17,580,594	(8,549,817)	9,030,777
Loss for the year	**–**	**(1,690,871)**	**(1,690,871)**
Other comprehensive loss	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**(1,690,871)**	**(1,690,871)**
Balance at 31 December 2013	**17,580,594**	**(10,240,688)**	**7,339,906**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	2013 $	2012 $
Cash Flows from Operating Activities		
Loss before tax	**(2,435,979)**	(2,650,224)
Adjustments for:		
Allowance for impairment loss on trade receivables	**352,480**	311,058
Amortisation of intangible assets	**402,625**	402,625
Bad debt recovered	**(292,145)**	(111,466)
Bad debt written off	**52,830**	–
Depreciation of property, plant and equipment	**500,858**	556,040
Fair value adjustment on financial asset at fair value through profit or loss	**(10,614)**	(4,128)
Gain on disposal of property, plant and equipment	**(197,660)**	(14,557)
Impairment of goodwill	**708,184**	582,916
Impairment loss on property, plant and equipment	**–**	754,575
Interest expense	**47,214**	3,927
Interest income	**(14,450)**	(18,484)
Property, plant and equipment write off	**–**	12,697
Write down of slow-moving inventories	**124,371**	85,000
(Write-back)/ provision for warranty costs	**(201,801)**	196,600
Write-back of impairment loss on trade receivables	**(336,428)**	(97,977)
Write-back for slow-moving inventories	**(16,307)**	(82,241)
Operating cash flows before changes in working capital	**(1,316,822)**	(73,639)
Increase in inventories	**(210,868)**	(102,439)
Decrease/ (increase) in amount due from customers for contract work-in-progress	**266,846**	(3,071,809)
Decrease in trade and other receivables	**3,601,323**	3,360,630
Decrease in trade and other payables	**(428,372)**	(2,476,456)
Currency translation adjustments	**(465,377)**	(105,707)
Cash flows generated from/ (used in) operations	**1,446,730**	(2,469,420)
Interest received	**3,317**	14,557
Tax paid	**(92,551)**	(274,754)
Net cash generated from/ (used in) operating activities	**1,357,496**	(2,729,617)
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	**169,827**	32,858
Purchase of property, plant and equipment	**(127,940)**	(45,625)
Loan repayment from an associate	**–**	138,045
Net cash generated from investing activities	**41,887**	125,278
Cash Flows from Financing Activities		
Decrease in fixed deposits pledged	**3,785,739**	384,971
Bank borrowings repaid	**(1,330,269)**	(206,343)
Bank loan drawn down	**800,000**	1,192,752
Interest paid	**(47,214)**	–
Net cash generated from financing activities	**3,208,256**	1,371,380
Net increase/ (decrease) in cash and cash equivalents	**4,607,639**	(1,232,959)
Effects of currency translation on cash and cash equivalents	**–**	(1,482)
Cash and cash equivalents at the beginning of the year	**4,214,550**	5,448,991
Cash and cash equivalents at the end of the year (Note 19)	**8,822,189**	4,214,550

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

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 2013 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 Catalist Board of 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"). 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.

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

Significant accounting estimates and judgements (cont'd)

Amortisation and impairment of other intangible assets

The other intangible asset related to the BCA L6 licence with finite useful lives is amortised over the estimated useful lives of 9 years when it is first acquired. Disclosures on the remaining amortisation period are made in Note 11.

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. There is no indicator of impairment in the current and previous year.

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 10 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.

In prior 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 $754,575 was made in 2012 to reflect the recoverable amount of the machine.

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, the Company provided an impairment loss of $707,648 (2012: $4,061,083) to write-down the carrying amount of investment in a subsidiary as the subsidiary is undergoing voluntary liquidation. The liquidation is expected to be completed by June 2014.

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. There is no expected loss on the construction contract recognised in current and previous year.

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.

Allowance for impairment loss on trade and other receivables

The Group provides for allowance for impairment loss on trade and other receivables mainly based on the collectibility of the individual receivables at the end of the year. The balance of allowance for impairment loss on trade and other receivables as at 31 December 2013 amounted to $1,924,855 (2012: $1,939,094) (Note 27.1).

Write down for slow-moving inventories

The Group assesses the write down for slow-moving inventories when the related inventories are not saleable above their carrying amounts. A write down of $124,371 (2012: $85,000) is made and is recognised in "other operating expenses". The Group have recognised a reversal of write down of $16,307 (2012: $79,781) as the inventories were sold above the carrying amount.

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 claims made by the customer.

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 2013 is $587,500 (2012: $789,301) (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 2013. 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 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 27 (Revised 2013)	Separate Financial Statements	1 January 2014
FRS 28 (Revised 2013)	Investments in Associates and Joint Ventures	1 January 2014
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 Consolidation – Special Purpose Entities.

FRS 110 defines the principal of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after 1 January 2014, with retrospective application subject to transitional provisions.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied in 2014.

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

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 Company.

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 using straight-line method 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.

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
Computers and office equipment	3 -10 years

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

Property, plant and equipment (cont'd)

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 Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Associate

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.

The Group's investment in associate is accounted for using the equity method. Under the equity method, the investment in associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associate 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.

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

Associate (cont'd)

The profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised in other comprehensive income by the associate, 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 associate.

The Group's share of the profit or loss of its associate is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associate. 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 associate. 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 associate 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.

In the Company's separate financial statements, investment in associate is carried at cost less accumulated impairment loss. On disposal of investment in associate, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

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.

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

Related parties (cont'd)

(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.

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

Contract revenue and contract costs from engineering services 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.

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

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

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 end of the reporting period, 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.

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.

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

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.

(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.

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

Financial assets (cont'd)

(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.

(f) Impairment

The Group assesses at each reporting 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.

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

Financial assets (cont'd)

(f) Impairment (cont'd)

(i) Assets carried at amortised cost (cont'd)

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.

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 fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

The Company's and the Group's financial liabilities include trade and other payables (excluding provision for warranty costs) 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.

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

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.

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

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.

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.

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, and bank 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 27.

Employee benefits

<u>Defined contribution plans</u>

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 in respect of the current financial year.

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.

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 the period in which the services are rendered. Such services are normally short in duration.

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

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

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

(e) Other service income is recognised as revenue in the period in which the services are rendered which are normally within short duration.

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

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 grant 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 and statement of changes in equity 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 reporting 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 reporting date. The statement of comprehensive income of the foreign subsidiaries that include foreign operation 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.

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 29, 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:

The Group	**2013** **$**	2012 $
Engineering services	**23,189,476**	28,628,894
Manufacturing	**5,183,915**	5,064,950
Distribution & Services	**292,046**	239,161
	28,665,437	33,933,005

4 Other operating income

The Group	**2013** **$**	2012 $
Foreign exchange gain/ (loss)	**373,610**	(63,254)
Gain on disposal of property, plant and equipment	**197,660**	14,557
Grant received from government	**46,544**	42,158
Interest income	**14,450**	18,484
Inventories written off	**–**	(56,351)
Other service income	**170,162**	184,292
Write back provision for warranty	**201,801**	–
Other income	**84,216**	101,758
	1,088,443	241,644

5(a) Finance costs

The Group	**2013** **$**	2012 $
Interest expense on bank borrowings	**47,214**	3,927
	47,214	3,927

5(b) Loss before tax

The Group	2013 $	2012 $
Loss before tax has been arrived at after (crediting)/charging:		
Audit fees paid to the auditors of the Company	**119,000**	133,000
Audit fees paid to other auditors	**7,946**	8,094
Non-audit fees paid to the auditors of the Company	**3,000**	–
Allowance for impairment loss on trade receivables	**352,480**	311,058
Amortisation of intangible assets	**402,625**	402,625
Bad debt recovered	**(292,145)**	(111,466)
Depreciation of property, plant and equipment included in other operating expenses	**300,713**	340,299
Depreciation of property, plant and equipment included in cost of sales	**200,145**	215,741
Directors' fees	**204,000**	216,000
Director's remuneration	**238,747**	274,500
Employee benefits expense (Note 6)	**3,570,054**	4,475,854
Fair value adjustment on financial asset at fair value through profit or loss	**(10,614)**	(4,128)
Impairment loss on goodwill	**708,184**	582,916
Impairment loss on property, plant and equipment	**–**	754,575
Operating lease rentals included in other operating expenses	**608,181**	641,617
Operating lease rentals included in cost of sales	**129,201**	104,884
Provision for warranty costs	**–**	196,600
Transport and travelling expenses	**136,011**	160,411
Water and electricity	**84,643**	81,412
Write-back of allowance for slow-moving inventories	**(16,307)**	(79,781)
Write-back of impairment loss on trade receivables	**(336,428)**	(97,977)
Write-back of provision for warranty	**(201,801)**	–
Write down of slow-moving inventories	**124,371**	85,000
Write-off of property, plant and equipment	**–**	12,697

6 Employee benefits expense

The Group (including directors' remuneration)	2013 $	2012 $
Salary and related costs	**3,102,844**	4,150,159
Contributions to defined contribution plans	**256,362**	325,695
Termination benefits	**210,848**	–
	3,570,054	4,475,854

7 Taxation

The Group	2013 $	2012 $
Current tax	**113,914**	170,558
Deferred tax (Note 22)	**(43,842)**	(5,405)
	70,072	165,153
(Over)/ under provision in respect of prior years:		
Current tax	**(48,709)**	(200,278)
Deferred tax (Note 22)	**(1,043)**	3,889
	20,320	(31,236)

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 loss as a result of the following:

The Group	2013 $	2012 $
Loss before tax	**(2,435,979)**	(2,650,224)
Tax at statutory income tax rate of 17% (2012:17%)	**(414,116)**	(450,538)
Deferred tax benefits not recognised	**397,685**	292,737
Effect of different tax rates of overseas operations	**6,521**	(108,136)
Tax effect on non-deductible expenses	**182,089**	472,113
Tax effect on non-taxable income	**(94,460)**	(6,780)
Statutory stepped income exemption	**–**	(25,925)
Overprovision of current tax in prior years	**(48,709)**	(200,278)
(Over)/under provision of deferred tax in prior years	**(1,043)**	3,889
Others	**(7,647)**	(8,318)
Income tax expense/ (credit)	**20,320**	(31,236)

The Group

As at the statement of financial position date, the Company and its Singapore subsidiaries have unutilised tax losses of approximately $1,903,000 (2012: $621,000) and unabsorbed capital allowance of $364,000 (2012: $355,000) available for offset against future taxable profits. In addition, certain overseas subsidiaries have unutilised tax losses of approximately $1,177,000 (2012: $6,092,000) which may be carried forward for a period of up to five years, subsequent to the year of the loss incurred. 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.

8 Loss per share

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

	2013		2012	
	Basic	**Diluted**	Basic	Diluted
	$	**$**	$	$
Net loss attributable to owners of the Company	**(2,540,139)**	**(2,540,139)**	(2,618,988)	(2,618,988)
	Number of shares		Number of shares	
Weighted average number of ordinary shares used to compute losses per share	**348,783,140**	**348,783,140**	348,783,140	348,783,140
Loss per share (cents)	**(0.73)**	**(0.73)**	(0.75)	(0.75)

9 Goodwill

	2013	2012
The Group	**$**	$
Gross balance	**1,291,100**	1,291,100
Accumulated impairment loss	**(1,291,100)**	(582,916)
Carrying amount	**–**	708,184

The goodwill represents the excess of the cost of acquisition 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"), categorised 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 five-year period.

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

	2013	2012
Growth rate	**2.5%**	3%
Pre-tax discount rate	**10.81%**	10.81%

9 Goodwill (cont'd)

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

Budgeted gross margin – Gross margin are based on past history records. Gross margin used remains constant in the projected cash flow as a result of market competition.

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 – Discount rates represent the current market assessment of the risk specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

An impairment loss of $708,184 (2012: $582,916) was recognised in current year and recorded in "Other operating expenses". The change in assumptions in growth rate arose from the revision in management's outlook.

10 Property, plant and equipment

The Group	Furniture and fittings $	Plant and machinery $	Renovations $	Motor vehicles $	Computers and office equipment $	Total $
Cost						
At 1.1.2012	175,756	8,467,471	632,691	449,548	490,897	10,216,363
Additions	1,642	7,926	3,419	–	32,637	45,624
Disposals	–	–	–	(50,000)	(858)	(50,858)
Write-off	(1,772)	(42,390)	(1,628)	–	(25,313)	(71,103)
Foreign exchange difference	(552)	(213,462)	(17,472)	(10,502)	(8,940)	(250,928)
At 31.12.2012	175,074	8,219,545	617,010	389,046	488,423	9,889,098
Additions	900	86,207	–	–	40,833	127,940
Disposals	–	(1,391,420)	(288,834)	(198,738)	(107,916)	(1,986,908)
Write-off	(731)	(3,288)	–	–	(2,073)	(6,092)
Foreign exchange difference	(756)	87,258	4,505	5,186	6,963	103,156
At 31.12.2013	**174,487**	**6,998,302**	**332,681**	**195,494**	**426,230**	**8,127,194**

10 Property, plant and equipment (cont'd)

The Group	Furniture and fittings $	Plant and machinery $	Renovations $	Motor vehicles $	Computers and office equipment $	Total $
Accumulated depreciation and impairment loss						
At 1.1.2012	121,890	6,500,517	417,645	324,492	440,027	7,804,571
Depreciation for the year	3,901	362,799	90,072	50,397	48,871	556,040
Impairment loss	–	754,575	–	–	–	754,575
Disposals	–	–	–	(32,500)	(57)	(32,557)
Write-off	(1,719)	(34,629)	(1,598)	–	(20,460)	(58,406)
Foreign exchange difference	(424)	(155,403)	(16,614)	(6,609)	(7,497)	(186,547)
At 31.12.2012	123,648	7,427,859	489,505	335,780	460,884	8,837,676
Depreciation for the year	3,152	329,217	87,020	22,912	58,557	500,858
Disposals	–	(1,391,420)	(280,389)	(141,086)	(100,437)	(1,913,332)
Write-off	(731)	(3,288)	–	–	(2,073)	(6,092)
Foreign exchange difference	(637)	99,103	(12,274)	(43,022)	4,951	48,121
At 31.12.2013	**125,432**	**6,461,471**	**283,862**	**174,584**	**421,882**	**7,467,231**
Net carrying amount						
At 31.12.2012	51,426	791,686	127,505	53,266	27,539	1,051,422
At 31.12.2013	**49,055**	**536,831**	**48,819**	**20,910**	**4,348**	**659,963**

In prior 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 $754,575 was made in 2012 to reflect the recoverable amount of the machine.

10 Property, plant and equipment (cont'd)

The Company	Furniture and fittings $	Plant and machinery $	Renovations $	Motor vehicles $	Computers and office equipment $	Total $
Cost						
At 1.1.2012	29,311	1,273,254	97,457	52,150	176,103	1,628,275
Additions	–	4,050	–	–	11,374	15,424
Write-off	–	–	–	–	(9,317)	(9,317)
At 31.12.2012	29,311	1,277,304	97,457	52,150	178,160	1,634,382
Additions	–	76,800	–	–	3,824	80,624
Write-off	(731)	(3,288)	–	–	(2,073)	(6,092)
At 31.12.2013	**28,580**	**1,350,816**	**97,457**	**52,150**	**179,911**	**1,708,914**
Accumulated depreciation						
At 1.1.2012	29,311	1,270,624	20,136	52,150	149,173	1,521,394
Depreciation for the year	–	3,980	25,728	–	16,779	46,487
Write-off	–	–	–	–	(6,211)	(6,211)
At 31.12.2012	29,311	1,274,604	45,864	52,150	159,741	1,561,670
Depreciation for the year	–	26,950	25,729	–	13,593	66,272
Write-off	(731)	(3,288)	–	–	(2,073)	(6,092)
At 31.12.2013	**28,580**	**1,298,266**	**71,593**	**52,150**	**171,261**	**1,621,850**
Net carrying amount						
At 31.12.2012	–	2,700	51,593	–	18,419	72,712
At 31.12.2013	**–**	**52,550**	**25,864**	**–**	**8,650**	**87,064**

11 Other intangible assets

The Group	2013 $	2012 $
Cost:		
Balance at beginning/end of the year	**3,221,000**	3,221,000
Amortisation:		
Balance at beginning of year	**1,610,500**	1,207,875
Additions	**402,625**	402,625
Balance at end of year	**2,013,125**	1,610,500
Net carrying amount	**1,207,875**	1,610,500

The other intangible assets relate to the BCA L6 licence obtained and expected to be renewed with a remaining amortisation period of three years (2012: four years).

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

12 Investment in subsidiaries

The Company	2013 $	2012 $
Unquoted equity investments, at cost	**17,318,012**	17,318,012
Allowance for impairment loss	**(9,635,091)**	(8,927,443)
	7,682,921	8,390,569

The movement of allowance for impairment loss is as follows:

	2013 $	2012 $
Balance at beginning of the year	**8,927,443**	4,866,360
Impairment loss during the year	**707,648**	4,061,083
Balance at end of the year	**9,635,091**	8,927,443

12 Investment in subsidiaries (cont'd)

The subsidiaries as at 31 December 2013 are:

Name of subsidiary	Country of incorporation/ Place of business	Cost of investment		Percentage of equity held		Principal activities
		2013	2012	2013	2012	
		$	$			
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%	Inactive, in liquidation
Shanghai XianDa Industry Equipment Installation Co., Ltd (3)	People's Republic of China	**750,750**	750,750	**70%**	70%	Dormant
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	17,318,012			

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

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 and Shanghai Xianda Industry Equipment Installation Co., Ltd as these subsidiaries had been making losses. An impairment loss of $1,381,630 was made to write-down the carrying amount to its recoverable amount. The recoverable amount of the investment has been determined on the basis of their net asset values 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 recoverable amounts.

During the current financial year, an impairment loss of $707,648 (2012: $4,061,083) was made to write-down the carrying amount as the subsidiary is undergoing voluntary liquidation. The liquidation is expected to be completed by June 2014.

13 Investment in an associate

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Cost				
Cost of investment – unquoted shares	**–**	161,688	**–**	161,688
Write off of associated company	**–**	(161,688)	**–**	(161,688)
Balance at end	**–**	–	**–**	–
Allowance for impairment loss:				
Balance at beginning	**–**	(74,193)	**–**	(161,688)
Write off	**–**	74,193	**–**	161,688
Balance at end	**–**	–	**–**	–
Share of post-acquisition loss:				
Balance at beginning	**–**	(87,495)	**–**	–
Write off of associated company	**–**	87,495	**–**	–
Balance at end	**–**	–	**–**	–
Net carrying amount	**–**	–	**–**	–

The associate, Metal Technologies LLC, incorporated in Emirates of Ajman is in the process of liquidation and clearing of all formalities with the authorities.

14 Inventories

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Raw materials	**912,336**	862,611	**52,653**	42,486
Work-in-progress	**1,001**	93,290	**–**	–
Finished goods	**697,366**	551,998	**108,163**	72,583
	1,610,703	1,507,899	**160,816**	115,069

The cost of inventories recognised as an expense and included in "Cost of sales" in the profit or loss amounted to $2,922,378 (2012: $1,770,515).

Due to obsolescence of inventories and decline in net realisable value below cost, the Company and the Group tested the inventories for impairment. Consequently, write down of inventories of the Company and the Group amounting to $5,001 (2012: $5,001) and $124,371 (2012: $85,000) respectively were made.

The Company and the Group have recognised a reversal of write down of $6,510 (2012: $20,157) and $16,307 (2012: $79,781) respectively as the inventories were sold above the carrying amount.

In 2012, the Group wrote off damaged inventory of $56,351.

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

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Aggregate costs incurred to date	**24,047,872**	70,448,175	**2,788,958**	3,239,793
Attributable profit recognised to date	**2,056,297**	10,842,808	**818,403**	927,911
	26,104,169	81,290,983	**3,607,361**	4,167,704
Progress billings	**(25,890,466)**	(80,810,434)	**(3,560,000)**	(3,983,705)
Gross amount due from customers for contract work-in-progress	**213,703**	480,549	**47,361**	183,999

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

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Gross amount due from customers for contract work-in-progress	**865,777**	1,357,722	**47,361**	183,999
Gross amount due to customers for contract work-in-progress	**(652,074)**	(877,173)	**–**	–
	213,703	480,549	**47,361**	183,999
Advance payments received on construction contracts (Note 20)	**–**	26,400	**–**	–
Retention sums receivable on construction contracts (Note 16)	**2,849,974**	4,417,699	**186,437**	315,504

16 Trade and other receivables

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Trade receivables				
- Third parties	**5,653,961**	7,495,742	**1,815,038**	1,324,629
- Subsidiaries	**–**	–	**922,561**	736,701
	5,653,961	7,495,742	**2,737,599**	2,061,330
Allowance for impairment loss (trade) (Note 27.1 (iii))	**(1,924,855)**	(1,844,954)	**(1,066,709)**	(851,789)
Trade receivables, net	**3,729,106**	5,650,788	**1,670,890**	1,209,541
Amount owing by subsidiaries, non-trade	**–**	–	**16,165,712**	15,058,842
Deposits	**292,426**	686,470	**90,216**	82,358
Interest receivable	**281**	765	**160,181**	160,665
Retention sums receivable (Note 15)	**2,849,974**	4,417,699	**186,437**	315,504
Other receivables	**181,314**	49,245	**56,013**	22,000
Allowance for impairment loss (non- trade) (Note 27.1 (iii))	**–**	(94,140)	**(3,753,019)**	(3,470,832)
Total trade and other receivables	**7,053,101**	10,710,827	**14,576,430**	13,378,078

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.

The trade and other receivables denominated in foreign currencies are as follows:

16 Trade and other receivables

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Euro	**–**	–	**–**	2,723
Malaysia Ringgit	41,890	30,067	41,890	30,067

The non-trade amount owing by subsidiaries are unsecured and interest-free.

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.

17 Financial asset at fair value through profit or loss

	2013	2012
The Group	**$**	$
Quoted investment, at market value		
Balance at beginning of the year	**29,484**	25,356
Fair value gain	**10,614**	4,128
Balance at end of the year	**40,098**	29,484

The quoted investment has been pledged to a bank for a banking facility granted to a subsidiary (Note 26).

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 (Note 30).

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

18 Fixed deposits pledged

The Company

The fixed deposits earn interest at the rates of 0.25% - 0.45% (2012: 0.25% - 0.45%) per annum and have been pledged to various banks for banking facilities granted to the Company (Note 26).

The Group

The fixed deposits earn interest at the rates of 0.1% - 3.1% (2012: 0.1% - 0.875%) per annum and have been pledged to various banks for banking facilities granted to the Group (Note 26).

Fixed deposits pledged are denominated in the functional currency of the respective group entities.

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

19 Cash and cash equivalents

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Fixed deposits	**2,751,906**	–	**113,786**	–
Cash and bank balances	**6,070,283**	4,214,550	**1,019,825**	484,042
	8,822,189	4,214,550	**1,133,611**	484,042

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

Cash and cash equivalents denominated in foreign currencies are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
United States dollars	**198,535**	279,907	**50,928**	132,810

20 Trade and other payables

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Trade payables	**3,244,213**	3,967,894	**304,713**	180,808
Retention sums payable	**1,289,260**	1,914,614	**40,000**	40,000
Amount owing to a related party, trade	**1,206,689**	396,851	**696,776**	112,352
Amount owing to subsidiaries, trade	**–**	–	**13,935,201**	13,065,941
Amount owing to subsidiaries, non-trade	**–**	–	**1,088,634**	1,052,307
Advance payments received	**317**	26,717	**317**	317
Accruals – directors' fees	**216,000**	216,000	**216,000**	216,000
Accrued operating expenses	**780,782**	708,069	**184,484**	211,688
Provision for warranty costs	**587,500**	789,301	**4,238**	51,227
Other payables	**135,539**	71,027	**17,906**	13,608
	7,460,300	8,090,473	**16,488,269**	14,944,248

Included in the Group's advance payments received are advances received on construction contracts of $Nil (2012:$ 26,400) (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 Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Balance at beginning of the year	**789,301**	592,701	**51,227**	59,728
Provision made for the year	**182,129**	272,489	**1,723**	47,069
Reversal in the year	**(383,930)**	(75,889)	**(48,712)**	(55,570)
Balance at end of the year	**587,500**	789,301	**4,238**	51,227

20 Trade and other payables (cont'd)

Trade and other payables denominated in foreign currencies are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Taiwan dollars	**1,218,060**	396,851	**708,147**	112,352
United States dollars	**–**	1,589	**–**	1,589
Others	**–**	2,302	**–**	2,302

21 Bank borrowings

	2013	2012
The Group	**$**	$
Current:		
Bills payable	**–**	926,157
Short term loan	**–**	266,595
Term loan	**191,965**	–
	191,965	1,192,752
Non-current:		
Term loan	**470,518**	–
Total bank borrowings	**662,483**	1,192,752

Bank borrowings comprise the following:

- Bills payable denominated in Singapore dollars amounting to $926,157 was fully repaid during the year, and bore interest rate of 4.0958% per annum. It was secured by a subsidiary's fixed deposits of $1,607,943.
- Short term loan denominated in Renminbi amounting to $266,595 bore interest rate of 7.2% per annum and was secured by the Company's fixed deposits of $1,122,618. The loan was fully repaid during the year.
- The term loan is denominated in Singapore dollars, repayable in 48 monthly instalments of $18,514 and bears fixed interest rate of 5.25% per annum. It is secured by a subsidiary's fixed deposit of $609,490 and corporate guarantee of the Company.

22 Deferred tax liabilities

The Group	2013 $	2012 $
Balance at beginning	**125,183**	129,741
Adjustment to profit or loss (Note 7)	**(44,885)**	(1,516)
Exchange differences	**(2,715)**	(3,042)
Balance at end	**77,583**	125,183

The balance comprises tax on:

Excess of net carrying amount over tax written down value of property, plant and equipment	**77,583**	125,183

23 (a) Share capital and reserves

Share capital

	2013 $	2012 $
Issued and fully paid:		
348,783,140 ordinary shares	**17,580,594**	17,580,594

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.

23 (b) 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.

24 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:

	2013	2012
The Company	$	$
Purchases from subsidiaries	**(2,279,840)**	(2,198,072)
Sales to subsidiaries	**524,251**	2,780
Management fees received/ receivable from subsidiaries	**708,293**	822,352
Impairment loss on investment in subsidiary	**(707,648)**	(4,061,083)
Allowance for impairment loss on amount owing by subsidiaries	**(785,925)**	–
Write-back of impairment loss on amount owing by subsidiaries	**549,572**	127,585
Purchases from a related party, a substantial shareholder of the Company	**(879,071)**	(391,216)
The Group		
Purchases from a related party, a substantial shareholder of the Company	**(1,179,018)**	(672,532)

(b) Compensation of key management personnel

	2013	2012
The Group	$	$
Short-term employee benefits	**895,748**	1,036,158
Central provident fund contributions	**52,700**	60,010
Termination benefit	**51,900**	–
	1,000,348	1,096,168
Comprise amounts paid to:		
Directors of the Company	**614,840**	485,833
Other key management personnel	**385,508**	610,335
	1,000,348	1,096,168

25 Operating commitments (non-cancellable)

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 payments under non-cancellable operating leases:

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Not later than one year	**347,271**	470,989	**216,339**	206,990
More than one year but less than five years	**66,843**	–	**36,720**	–
	414,114	470,989	**253,059**	206,990

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

26 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 of 20%, 20%, 30% and 30% straddling over four financial years respectively commencing 2011.

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 is unlikely. Accordingly, the amount owing to the group of suppliers have been offsetted against amount owing by customers.

The remaining amount due to these suppliers as at the end of reporting period is approximately $222,000 is disclosed in this note as contingent liabilities.

Apart from the suppliers mentioned above, there were other creditors who did not enter into any 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.

26 Contingent liabilities (cont'd)

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 going concerns and to meet their respective obligations as and when they fall due.

The Company has issued corporate guarantees to banks and financial institutions amounting to $4,300,000 (2012: $8,566,200) for banking facilities granted to the subsidiaries. A subsidiary has utilised the banking facilities with bank borrowings of $662,483 (2012: $266,595) as at 31 December 2013. No liability is expected to arise from the guarantees given. The fair value of the above financial guarantees is not recognised as it is considered not material.

A subsidiary has provided bankers' guarantees amounting to $583,018 (2012: $1,592,054) to third parties for performance of contracts at reporting date. No liability is expected to arise from the guarantees given.

The above facilities are secured by fixed deposits (Note 18) and quoted investment (Note 17).

27 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.

27.1 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 deposits or bankers' guarantees, where appropriate, to mitigate credit risk. In addition, these receivables are monitored closely on an on-going basis. Approximately 45% (2012: 35.6%) of the Group's trade receivables were due from 4 major customers who are located in Singapore at reporting date.

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

27 Financial risk management (cont'd)

27.1 Credit risk (cont'd)

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 impairment) at reporting date is as follows:

The Group	**2013** **$**	**2013** **%**	2012 $	2012 %
By country:				
Singapore	**3,708,177**	**99%**	5,420,514	96%
People's Republic of China	**20,929**	**1%**	230,274	4%
	3,729,106	**100%**	5,650,788	100%
By segment:				
Manufacturing	**1,526,237**	**41%**	1,432,360	25%
Engineering services	**2,016,012**	**54%**	4,104,853	73%
Distribution & services	**186,857**	**5%**	113,575	2%
	3,729,106	**100%**	5,650,788	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.

(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 are on-going customers.

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

	The Group		**The Company**	
	2013 **$**	2012 $	**2013** **$**	2012 $
Trade receivables past due:				
One month or less	**678,137**	544,724	**411,072**	187,742
More than one but less than two months	**800,509**	434,434	**480,789**	308,695
More than two but less than three months	**276,358**	97,263	**122,604**	57,208
More than three months but less than one year	**246,932**	1,455,989	**289,019**	319,764
More than one year	**229,689**	16,274	**–**	–

These receivables are unsecured.

27 Financial risk management (cont'd)

27.1 Credit risk (cont'd)

(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 Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Gross amount	**1,968,635**	2,190,581	**4,819,728**	4,445,164
Less: Allowance for impairment	**(1,924,855)**	(1,939,094)	**(4,819,728)**	(4,322,621)
	43,780	251,487	**–**	122,543
Movement in allowance for impairment:				
At beginning of the year	**1,939,094**	2,124,291	**4,322,621**	4,327,663
Current year allowance	**352,480**	311,058	**1,166,679**	122,543
Allowance written back	**(336,428)**	(97,977)	**(549,572)**	(127,585)
Written off	**(131,740)**	(308,298)	**(120,000)**	–
Exchange differences	**101,449**	(89,980)	**–**	–
At end of year	**1,924,855**	1,939,094	**4,819,728**	4,322,621

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 $549,572 (2012: $127,585) and $336,428 (2012: $97,977) respectively as the amount due was collected from the debtors subsequently.

27.2 Foreign exchange risk

The Group transacts business in various foreign currencies, including United States dollar, Malaysia Ringgit and New Taiwan dollar. Therefore the Group 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"), New Taiwan dollar ("NTD") and Malaysia Ringgit ("RM") exchange rates against the respective functional currencies of the Company and the Group entities, with all other variables held constant.

27 Financial risk management (cont'd)

27.2 Foreign exchange risk (cont'd)

The Group		2013 $ Profit	2012 $ Profit
USD/SGD	– strengthened 5% (2012: 5%)	**8,239**	11,550
	– weakened 5% (2012: 5%)	**(8,239)**	(11,550)
NTD/SGD	– strengthened 5% (2012: 5%)	**(50,549)**	(16,469)
	– weakened 5% (2012: 5%)	**50,549**	16,469
RM/SGD	– strengthened 5% (2012: 5%)	**1,738**	1,248
	– weakened 5% (2012: 5%)	**(1,738)**	(1,248)
The Company			
USD/SGD	– strengthened 5% (2012: 5%)	**2,114**	5,446
	– weakened 5% (2012: 5%)	**(2,114)**	(5,446)
NTD/SGD	– strengthened 5% (2012: 5%)	**(29,388)**	(4,662)
	– weakened 5% (2012: 5%)	**29,388**	4,662
RM/SGD	– strengthened 5% (2012: 5%)	**1,738**	1,248
	– weakened 5% (2012: 5%)	**(1,738)**	(1,248)

27.3 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.

27 Financial risk management (cont'd)

27.3 Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The following table demonstrates the impact of the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, on the Group's profit net of tax.

If the market interest rate strengthen/ (weakened) by 100 basis point (2012: 100 basis point), the impact to the statement of comprehensive income are as follows:-

		Group	
		2013	2012
		$	$
Financial asset			
Fixed deposits	– strengthened 100 basis point	**39,224**	41,137
	– weakened 100 basis point	**(39,224)**	(41,137)
Financial liability			
Bank borrowings	– strengthened 100 basis point	**(6,625)**	(9,900)
	– weakened 100 basis point	**6,625**	9,900

27.4 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.

27.5 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 monitor 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.

27 Financial risk management (cont'd)

27.5 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 1 and 5 years $	Total $
As at 31 December 2013			
Financial assets:			
Trade and other receivables	**7,053,101**	**–**	**7,053,101**
Financial asset at fair value through profit or loss	**40,098**	**–**	**40,098**
Fixed deposits pledged	**1,170,490**	**–**	**1,170,490**
Cash and bank balances	**8,822,189**	**–**	**8,822,189**
Total undiscounted financial assets	**17,085,878**	**–**	**17,085,878**
Financial liabilities:			
Trade and other payables	**6,872,800**	**–**	**6,872,800**
Bank borrowings	**202,043**	**526,098**	**728,141**
Total undiscounted financial liabilities	**7,074,843**	**526,098**	**7,600,941**
Total net undiscounted financial assets/(liabilities)	**10,011,035**	**(526,098)**	**9,484,937**
As at 31 December 2012			
Financial assets:			
Trade and other receivables	10,710,827	–	10,710,827
Financial asset at fair value through profit or loss	29,484	–	29,484
Fixed deposits pledged	4,956,229	–	4,956,229
Cash and bank balances	4,214,550	–	4,214,550
Total undiscounted financial assets	19,911,090	–	19,911,090
Financial liabilities:			
Trade and other payables	7,301,172	–	7,301,172
Bank borrowings	1,206,005	–	1,206,005
Total undiscounted financial liabilities	8,507,177	–	8,507,177
Total net undiscounted financial assets	11,403,913	–	11,403,913

27 Financial risk management (cont'd)

27.5 Liquidity risk (cont'd)

The Company	Less than 1 year $	Between 1 and 5 years $	Total $
As at 31 December 2013			
Financial assets:			
Trade and other receivables	**14,576,430**	**–**	**14,576,430**
Fixed deposits pledged	**109,885**	**–**	**109,885**
Cash and bank balances	**1,133,611**	**–**	**1,133,611**
Total undiscounted financial assets	**15,819,926**	**–**	**15,819,926**
Financial liability:			
Trade and other payables	**16,484,031**	**–**	**16,484,031**
Total undiscounted financial liabilities	**16,484,031**	**–**	**16,484,031**
Total net undiscounted financial liabilities	**(664,105)**	**–**	**(664,105)**
As at 31 December 2012			
Financial assets:			
Trade and other receivables	13,378,078	–	13,378,078
Fixed deposits pledged	1,328,743	–	1,328,743
Cash and bank balances	484,042	–	484,042
Total undiscounted financial assets	15,190,863	–	15,190,863
Financial liability:			
Trade and other payables	14,893,021	–	14,893,021
Total undiscounted financial liability	14,893,021	–	14,893,021
Total net undiscounted financial assets	297,842	–	297,842

28 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%.

28 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 (including fixed deposits pledged). Total capital is calculated as equity plus net debt.

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
Net (asset)/debt	**(1,869,896)**	112,476	**15,244,773**	13,131,472
Total equity	**13,162,232**	16,171,044	**7,739,906**	9,030,777
Total Capital	**11,292,336**	16,283,520	**22,984,679**	22,162,249
Gearing ratio	**N.M**	0.7%	**66%**	59%

The Group and Company are in compliance with all loan covenants for the financial year ended 31 December 2013.

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

Distribution & Services

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

29 (a) Business segments

Financial year ended 31 December 2013

	Manufacturing $	Engineering services $	Distribution & Services $	Total $
REVENUE				
Total Segment	7,989,205	23,189,476	479,768	31,658,449
Less: Inter-segment	(2,805,290)	–	(187,722)	(2,993,012)
External sales	5,183,915	23,189,476	292,046	28,665,437
RESULTS				
Segment results	(2,249,532)	521,950	(27,133)	(1,754,715)
Impairment of goodwill		(708,184)		(708,184)
Tax				(20,320)
Non-controlling interest				(83,840)
Other non-cash item				26,920
Net loss attributable to shareholders				(2,540,139)
ASSETS				
Segment assets	6,530,729	14,372,537	1,193,961	22,097,227
Unallocated corporate assets				–
Total assets				22,097,227
LIABILITIES				
Segment liabilities	2,675,677	5,544,274	554,906	8,774,857
Unallocated corporate liabilities				91,543
Total liabilities				8,866,400
OTHER INFORMATION				
Capital expenditure	95,909	30,731	1,300	127,940
Depreciation	413,307	85,758	1,793	500,858
Gain on disposal of property, plant and equipment	197,660	–	–	197,660
Allowance for impairment loss on trade receivables	352,480	–	–	352,480
Bad debt written off/(recovered)	52,830	(292,145)	–	(239,315)

29 (a) Business segments (cont'd)

Financial year ended 31 December 2012

	Manufacturing	Engineering services	Distribution & Services	Total
	$	$	$	$
REVENUE				
Total Segment	7,265,803	28,628,894	239,161	36,133,858
Less: Inter-segment	(2,200,853)	–	–	(2,200,853)
External sales	5,064,950	28,628,894	239,161	33,933,005
RESULTS				
Segment results	(3,086,637)	1,000,394	18,935	(2,067,308)
Impairment of goodwill		(582,916)		(582,916)
Tax				31,236
Net loss attributable to shareholders				(2,618,988)
ASSETS				
Segment assets	8,896,333	16,345,102	1,253,781	26,495,216
Unallocated corporate assets				–
Total assets				26,495,216
LIABILITIES				
Segment liabilities	2,035,884	7,634,658	489,856	10,160,398
Unallocated corporate liabilities				163,774
Total liabilities				10,324,172
OTHER INFORMATION				
Capital expenditure	28,373	16,501	750	45,624
Depreciation	462,753	90,702	2,585	556,040
Gain on disposal of property, plant and equipment	–	(14,557)	–	(14,557)
Allowance for impairment loss on trade receivables	216,918	94,140	–	311,058
Impairment loss on property, plant and equipment	754,575	–	–	754,575

29 (b) Geographical segments

	2013 $	2012 $
Revenue		
Singapore	**28,155,808**	33,592,505
People's Republic of China	**509,629**	340,500
	28,665,437	33,933,005

The following table shows the assets by geographical area as at 31 December 2013:

	2013 $	2012 $
Total assets		
Singapore	**19,941,324**	23,501,183
Malaysia	**1,730,313**	1,659,903
People's Republic of China	**425,590**	1,334,130
	22,097,227	26,495,216

Information about major customers

In the current year, the Group has one major customer from the engineering services segment that contributes $8,877,925 of the Group's revenue.

In 2012, the Group has one major customer from the engineering services segment that contributed $11,114,620 of the Group's revenue.

30 Fair value of financial instruments

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables together with bank borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments or that the interest rates are at market rate, where applicable. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

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

(b) Level 2- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3- unobservable inputs for the asset or liability.

The Group does not have financial instruments recorded at fair value except for financial asset at fair value through profit or loss amounting to $40,098 (2012: $29,484) (Note 17).

31 Categories of Financial Instruments

The categories of financial instruments as at the reporting date are as follows:-

	The Group		The Company	
	2013	2012	**2013**	2012
	$	$	**$**	$
<u>Financial assets</u>				
<u>*Financial asset at fair value through profit or loss*</u>				
Quoted investment	**40,098**	29,484	**–**	–
<u>*Loans and receivables*</u>				
Trade and other receivables	**7,053,101**	10,710,827	**14,576,430**	13,378,078
Fixed deposit pledged	**1,170,490**	4,956,229	**109,885**	1,328,734
Cash and cash equivalents	**8,822,189**	4,214,550	**1,133,611**	484,042
	17,085,878	19,911,090	**15,819,926**	15,190,854
<u>Financial liabilities</u>				
<u>*At amortised cost*</u>				
Trade and other payables	6,872,800	7,301,172	16,484,031	14,893,021
Bank borrowings	662,483	1,192,752	–	–
	7,535,283	8,493,924	16,484,031	14,893,021

32 Authorisation of Financial Statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 14 March 2014.

SHAREHOLDINGS STATISTICS

As at 20 March 2014

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	18	2.81	1,798	0.00
1,000 - 10,000	176	27.46	1,078,675	0.31
10,001 - 1,000,000	410	63.96	52,240,658	14.98
1,000,001 and above	37	5.77	295,462,009	84.71
Total	641	100.00	348,783,140	100.00

LIST OF 20 LARGEST SHAREHOLDERS AS AT 20 MARCH 2014

NO.	NAME	NO OF SHARES	PERCENTAGE
1	CAVANGH GROUP PTE LTD	63,380,000	18.17
2	DMG & PARTNERS SECURITIES P L	48,190,000	13.82
3	HILLS HOLDINGS PTE LTD	20,000,000	5.73
4	OH BOON SHI @ HU WENSHI	17,806,541	5.11
5	LOH TOH YONG	15,000,000	4.30
6	SENG SOON HIANG	11,510,000	3.30
7	TAT HONG CAPITAL PTE LTD	11,120,000	3.19
8	PHILLIP SECURITIES PTE LTD	9,674,968	2.77
9	OCBC SECURITIES PRIVATE LTD	7,327,000	2.10
10	WONG KOK CHYE	6,822,000	1.96
11	CHANG CHEN YU	6,698,000	1.92
12	YUEN CHEE KIN	6,469,000	1.85
13	TAN CHOW KHONG	6,400,000	1.83
14	MAYBANK KIM ENG SECS PTE LTD	6,219,000	1.78
15	SEE LOP FU JAMES @ SHI LAP FU JAMES	6,000,000	1.72
16	HUANG LING JUNG	5,960,000	1.71
17	NG KAH HOCK	5,767,000	1.65
18	LAW CHWEE KIAT	5,035,500	1.44
19	CHUA MAISIE	3,900,000	1.12
20	GAY SOON WATT	3,124,000	0.90
	TOTAL:	**266,403,009**	**76.38**

SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2014

	Number of Shares fully paid			
Name of Substantial Shareholders	**Direct Interest**	**%**	**Deemed Interest**	**%**
Loh Yih[(1)]	2,900,000	0.83	63,380,000	18.17
Cavangh Group Pte Ltd	63,380,000	18.17	–	–
Ho Ta Huang[(2)]	–	–	45,583,000	13.07
Chern Dar Enterprise Co. Ltd[(3)]	–	–	45,583,000	13.07
Ong Tiow Seng[(4)]	–	–	20,000,000	5.73
Hills Holdings Pte Ltd	20,000,000	5.73	–	–
Oh Boon Shi	17,806,541	5.11	–	–
Huang Hong Hee[(5)]	–	–	24,325,000	6.97

Notes:

(1) Mr Loh Yih is deemed to be interested in the 63,380,000 held by Cavangh Group Pte. Ltd.

(2) Mr Ho Ta-Huang is deemed to be interested in the 45,583,000 held by Chern Dar Enterprise Co. Ltd.

(3) Chern Dar Enterprise Co. Ltd's shares are held in the name of a nominee.

(4) Mr Ong Tiow Seng is a 50% shareholder of Hills Holdings Pte. Ltd and is deemed to be interested in the 20,000,000 shares held by Hills Holdings Pte. Ltd.

(5) Mr Huang Hong Hee is a 50% shareholder of Hills Holdings Pte. Ltd and is deemed to be interested in the 20,000,000 shares acquired by Hills Holdings Pte. Ltd. and 4,325,000 held through an OCBC nominee

PUBLIC FLOAT

Based on information available to the Company as at 20 March 2014, approximately 53.61% 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 ("**AGM**") of **Linair Technologies Limited** (the "**Company**") will be held at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082 on Wednesday, 30th day of April 2014 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and, if approved, adopt the Audited Accounts for the financial year ended 31 December 2013 together with the Directors' Report and Auditors' Report thereon. (Resolution 1)

2. To approve the payment of Directors' Fees of S$177,000.00 for the financial year ended 31 December 2013 (2012: S$204,000.00). (Resolution 2)

3. To re-elect Mr Loh Yih who is retiring under Article 88 of the Articles of Association, as Director of the Company. (Resolution 3)

4. To re-elect Mr Yeo Meng Hin who is retiring under Article 88 of the Articles of Association, as Director of the Company. (Resolution 4)
[See Explanatory Note (i)]

5. To re-elect Mr Ong Chin Lin who is retiring under Article 89 of the Articles of Association, as Director of the Company. (Resolution 5)
[See Explanatory Note (ii)]

6. To re-appoint PKF-CAP LLP, as the Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

7. To transact any other ordinary business which may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:-

8. General mandate to allot and issue new shares in the capital of the Company

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual under Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**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 ("**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 or exchangeable into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have been ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was 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 hundred per cent (100%) of the total issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution passed (as calculated in accordance with sub-paragraph (ii) below); and

(ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

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

(b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share 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;

(iii) 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 of Singapore or the Sponsor of the Company), all applicable legal requirements under the Act and Articles of Association for the time being of the Company; and

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

[See Explanatory Note (iii)]

9. Renewal of the Share Buy Back Mandate

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**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 Act,

and otherwise in accordance with all other provisions of the Act and the Rules of Catalist as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (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 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 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 this Share Buy Back Mandate is varied or revoked;

(d) for purposes of this Resolution:

"**Prescribed Limit**" means ten per cent. (10%) of the Shares of the Company as at the date of passing of this Ordinary Resolution unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding any Shares which are held as treasury shares as at that date);

"**Relevant Period**" means the period commencing from the date of the Annual General Meeting at which the Share Buy Back Mandate is approved and thereafter, expiring on the date on which the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid for the Shares not exceeding:-

(i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (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 on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Share Buy Back by the Company, pursuant to the Share Buy Back Mandate in any manner as they think fit, which is permissible under the Act; and

(f) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

(Resolution 8)
[See Explanatory Note (iv)]

10. 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 (v)]

BY ORDER OF THE BOARD

WONG KOK CHYE
EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER

14 April 2014

SINGAPORE

Explanatory Notes:

(i) If re-elected under Resolution 4, Mr Yeo Meng Hin will remain as Chairman of the Nominating Committee and Remuneration Committee, and member of the Audit Committee, and will be considered an Independent Director of the Company.

(ii) If re-elected under Resolution 5, Mr Ong Chin Lin will remain as Chairman of the Audit Committee, and member of the Nominating Committee and Remuneration Committee, and will be considered an Independent Director of the Company.

(iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of hundred per cent (100%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed fifty per cent (50%) of the issued share capital of the Company) for the purposes as they consider would be in the interest of the Company. This authority will continue in force until the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

(iv) 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 required by law to be held, whichever is earlier, to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company up to 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 ordinary shares by the Company pursuant to the Share Buy Back Mandate are set out in greater detail in the Addendum accompanying this Notice.

(v) 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:-

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

(ii) A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead.

(iii) A member of the Company, which is a corporation, is entitled to appoint its authorized representative or proxy to vote on its behalf. A proxy need not be a member of the Company

(iv) The instrument appointing a proxy must be deposited at the Company's registered office at 33 Mactaggart Road, #04-00 Singapore 368082, at least 48 hours before the time of the Annual General Meeting.

(v) Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

This notice 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 notice.

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

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

LINAIR TECHNOLOGIES LIMITED

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

IMPORTANT

1. For investors who have used their CPF monies to buy Linair Technologies Limited's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is 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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We ______________________________ *(Name)* NRIC/Passport No.______________

of ____ *(Address)*

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

Name	NRIC/PassportNumber	Proportion of Shareholdings (%)	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/PassportNumber	Proportion of Shareholdings (%)	
		No. of Shares	%
Address			

or failing him/her/them, the Chairman of the Annual General Meeting of the Company (the "Meeting") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Meeting to be held at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082, on Wednesday, 30th day of April 2014 at 10.00 a.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 or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided)

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Adoption of Audited Accounts, Directors' Report and Auditors' Report for financial year ended 31 December 2013		
2.	Payment of Directors' Fees amounting to S$177,000.00 for financial year ended 31 December 2013.		
3.	Re-election of Mr Loh Yih as a Director of the Company		
4.	Re-election of Mr Yeo Meng Hin as a Director of the Company		
5.	Re-election of Mr Ong Chin Lin as a Director of the Company		
6.	Re-appointment of PKF-CAP LLP as Auditors of the Company		
	Special Business		
7.	Authority to Directors to allot and issue new 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		

Dated this __________ Day of _________________ 2014.

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

____

Signature(s) of Shareholder(s)
Or Common Seal of Coorporate Shareholder

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

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

3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 percent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

4. A proxy need not be a member of the Company.

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

6. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 33 Mactaggart Road #04-00, Lee Kay Huan Building, Singapore 368082, not less than 48 hours before the time appointed for the Meeting.

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

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

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

10 In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

LINAIR

Linair Technologies Limited

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Singapore 368082

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