



Focused **Strategy** Focused **Growth**



**Linair Technologies Limited**

Annual Report 2010

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## CORPORATE PROFILE

Founded in 1998, Linair Technologies Limited (Linair) is a multi-disciplinary company providing one-stop environmental-solutions and integrated services to semiconductor, wastewater treatment, pharmaceutical and biotechnological industries.

Linair is also a leading building services and engineering solutions provider which specialises in design, installation, testing and commissioning of Air-Conditioning and Mechanical Ventilation (ACMV) and Electrical Systems.

The company was listed in the SGX Sesdaq (now known as Catalyst) on February 2005.

### **Linair Technologies Limited has 3 major pillars of businesses:**

- (i) The Manufacturing division manufactures and installs high quality ducts and air tight dampers used in critical air-flow control solutions;
- (ii) The Distribution division distributes critical air-flow systems, Individual Ventilated Cages (IVC) and established international industrial and biotechnology products; and
- (iii) The Engineering and Services division provides turnkey facility construction management and specialist engineering, Mechanical, Electrical and Plumbing (MEP) services for commercial, residential and industrial buildings. This division also specialises in live-firing ranges and building maintenance services.

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

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

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

## CORPORATE STRUCTURE

**AIR SYSTEM TECHNOLOGY (S)  
PTE LTD 100%**

**LINAIR BIO-SCIENCE  
PTE LTD 100%**

**LINAIR ENGINEERING  
PTE LTD 100%**

**LINAIR TECHNOLOGIES  
(SUZHOU) CO., LTD 100%**

**LINAIR TECHNOLOGIES  
(M) SDN BHD 100%**

**SHANGHAI XIANDA INDUSTRY  
EQUIPMENT INSTALLATION  
CO., LTD 70%**

**METAL TECHNOLOGIES LLC 24%**

**LINAIR TECHNOLOGIES LIMITED**





**Rise to Challenges**, adaptive and reliable,  
we continue to raise the  
standards for quality and performance.

## CHAIRMAN'S MESSAGE



**BG (RET) LAW CHWEE KIAT**  
Independent Director and  
Non-Executive Chairman

On the plus side, economic growth is expected to be made by China, India and countries in South East Asia. During crisis, there will also be risks and opportunities. The Group should seize the opportunities.

### DEAR SHAREHOLDERS,

There were four important developments in Financial Year 2010.

The first most immediate development was the financial turnaround made by the Group. While revenue dipped 3.28% from \$43.963m in FY 2009 to \$42.521m in FY 2010, the Group made a humble profit of \$1.063m in FY 2010 hence reversing the trend of losses of \$8.635m in FY 2009. This significant turnaround was attributed to the profit brought in by the Engineering Services Segment as well as the pickup in the ductworks manufacturing business in the second half of FY 2010. Borrowings were low and cash flow remained healthy.

The second critical development saw the Group's decision to do away with its non-performing entities. The Group's stake in Linair-Yingta Technologies (Beijing) Co. Ltd, an associate company, was disposed off in late FY 2010. The Group has also decided to proceed with the closure of Linair Technologies Taiwan Co. Ltd in

December 2010. Both these moves were aimed at lowering costs, focusing on our core businesses and growing the Group.

The third development was the change in top management personnel at the corporate HQ level. Mr William Tan joined the Group as its Chief Executive Officer in August 2010. Mr Tan was subsequently joined by Mr Goh Tcheng Hion, Chief Financial Officer and Company Secretary, in December 2010. An ongoing challenge for the corporate top management would be to source for new businesses and grow the Group.

Finally, FY 2010 saw the strengthening of the Board of Directors at Linair. The Group was fortunate to have Mr See Yen Tarn and Mr Teo Beng Teck join the Board in the second half of FY 2010. With Mr See and Mr Teo coming onboard, the Board of Directors now comprises of 4 Independent Directors, 3 Non-Executive Directors and 1 Executive Director (CEO). I am confident that the Board possesses the necessary business expertise and experience to bring the Group forward.

The business environment for the Group in FY 2011 will be challenging. The American and European economic recovery is still uncertain. The economic impact of the earthquake/tsunami and possible nuclear radiation fallout of Japan is also uncertain. Added to this is the political unrest in the Middle East. On the plus side, economic growth is expected to be made by China, India and countries in South East Asia. During crisis, there will also be risks and opportunities. The Group should seize the opportunities.

Based on the recommended tenure of Independent Directors to serve no more than three terms, I have decided not to be available for re-election at this coming Annual General Meeting. I have completed three two-year terms as Independent Director and close to six years as Non- Executive Chairman. I wish to take this opportunity to thank all our shareholders, customers, clients, and employees for their help and loyal support. Finally, I wish to thank my fellow Directors for their support and wise counsel.

**BG (RET) LAW CHWEE KIAT**  
Independent Director and  
Non-Executive Chairman

## CEO'S MESSAGE / OPERATIONS REVIEW



**MR WILLIAM C M TAN**  
Group Chief Executive Officer

We intend to manage our exposure, and strengthen our competitive edge, by procuring key materials at fixed prices upon securing contracts, diversifying our customer base and by continually improving our operations.

### FY 2010 FINANCIAL REVIEW

Linair Group of Companies ("Group") started FY10 with a challenging first half with project delays and a more competitive environment. However the Group was able to secure more projects in the second half of the financial year to end the year with revenue of \$42.5 million, a decline of 3.3% from \$44.0 million attained in FY09.

Gross profit and gross profit margin in FY10 was \$9.6 million and 22.5% compared to \$5.7 million and 12.9% in FY09. This is due to the higher proportion of the manufacturing segment, which has a higher gross profit margin, compared to the engineering segment in the revenue mix in FY10 compared to FY09. Administrative and other operating expenses in FY10 were \$4.6 million and \$3.8 million respectively, compared to \$5.7 million and \$8.3 million in FY09. The reduction in these expenses were due to tighter controls over costs, receivables and inventory.

The Group's FY10 after tax profit was \$1.1 million, against a loss of \$8.6 million in FY09. Earnings per share were 0.30 cents per share in FY10 compared to a loss of 6.04 cents per share in the previous corresponding period.

Following a profitable performance for FY10, the Group's balance sheet was much stronger, ending the year with a net asset value of 5.09 cents per share, compared to 4.79 cents per share at end FY09.

At the close of FY10, cash and cash equivalents excluding pledged bank deposits, stood at \$6.5 million, an increase of \$1.3 million compared to \$5.2 million at close of FY09.

### FY 2010 PERFORMANCE REVIEW

During the financial year, our focus was very much on diversifying our customer base to create new revenue streams, while simultaneously improving operational and cost efficiencies.

Our diversification into the Liquid Crystal Display (LCD) market and into the medical sector brought tangible results. In the latter part of FY10, we secured projects in Beijing and Nanjing for FM-approved ETFE-coated ductworks and biotech laboratory projects at the National University of Singapore (NUS) for stainless steel ductworks.

The Group's continual investment in upgrading was rewarded when Air System Technology (S) Pte Ltd ("AST") was awarded the BCA L4 (tenders up to \$6.5 million) licence for Electrical Works. This, combined with its existing L6 licences (no limit to tender) for Air-conditioning, Refrigeration and Ventilation Works and for Integrated Building Services, puts AST in a strong position to undertake more integrated M&E projects such as a turnkey Bio Safety Laboratory project at Biopolis and the upgrading of the entire M&E services for Lido Cinema in Shaw House.

Our long-term strategy to take the lead with advanced green and energy conservation



solutions took a step forward when the Group secured and completed projects that attained the Green Mark Platinum and the Green Mark Gold Plus Awards.

While expanding our business in areas that present new growth potential, the Group also reviewed areas in which business processes and operations could be streamlined, and non-performing investments and businesses disposed of. During the financial year under review, the Group disposed of its stake in an associate company, Linair-Yingta Technologies (Beijing) Co. Ltd, and took a strategic step to close Linair Technologies Taiwan Co. Ltd.

We continue to acknowledge the importance of maintaining the highest level of corporate governance and risk management and have put in much serious thought and action to enhance our corporate governance and risk management. During FY10, we reviewed our policies, practices and control systems to enhance the effectiveness and integrity of our corporate governance and risk management.

#### OUTLOOK FOR FY 2011

Rising material and labour costs and increasing competition remain challenges we need to carefully manage as we move forward. We intend to manage our exposure, and strengthen our competitive edge, by procuring key materials at fixed prices upon securing contracts, diversifying our customer base and by continually improving our operations.

With the enhanced BCA licences awarded to AST, as well as more integrated design and project management capabilities, the Group is poised to be an integrated solutions provider for larger M&E and more Green Mark projects. We will continue to explore overseas opportunities, particularly in the healthcare and infrastructure sectors for our engineering services. At the same time, we are looking to strengthen and extend our maintenance services to include non-M&E solutions, as well as develop facilities management capabilities.

Amid our diversification efforts, we will retain our focus on semiconductor foundries for our premium quality ductworks and accessories. Our Suzhou operation is strategically positioned to capitalize on the increased pace of development of semiconductor foundries and LCD plants in China, while our Senai operation will continue to support opportunities in South East Asia. We will also be assessing the potential to broaden our ductworks business with complementary accessories and services.

#### APPRECIATION

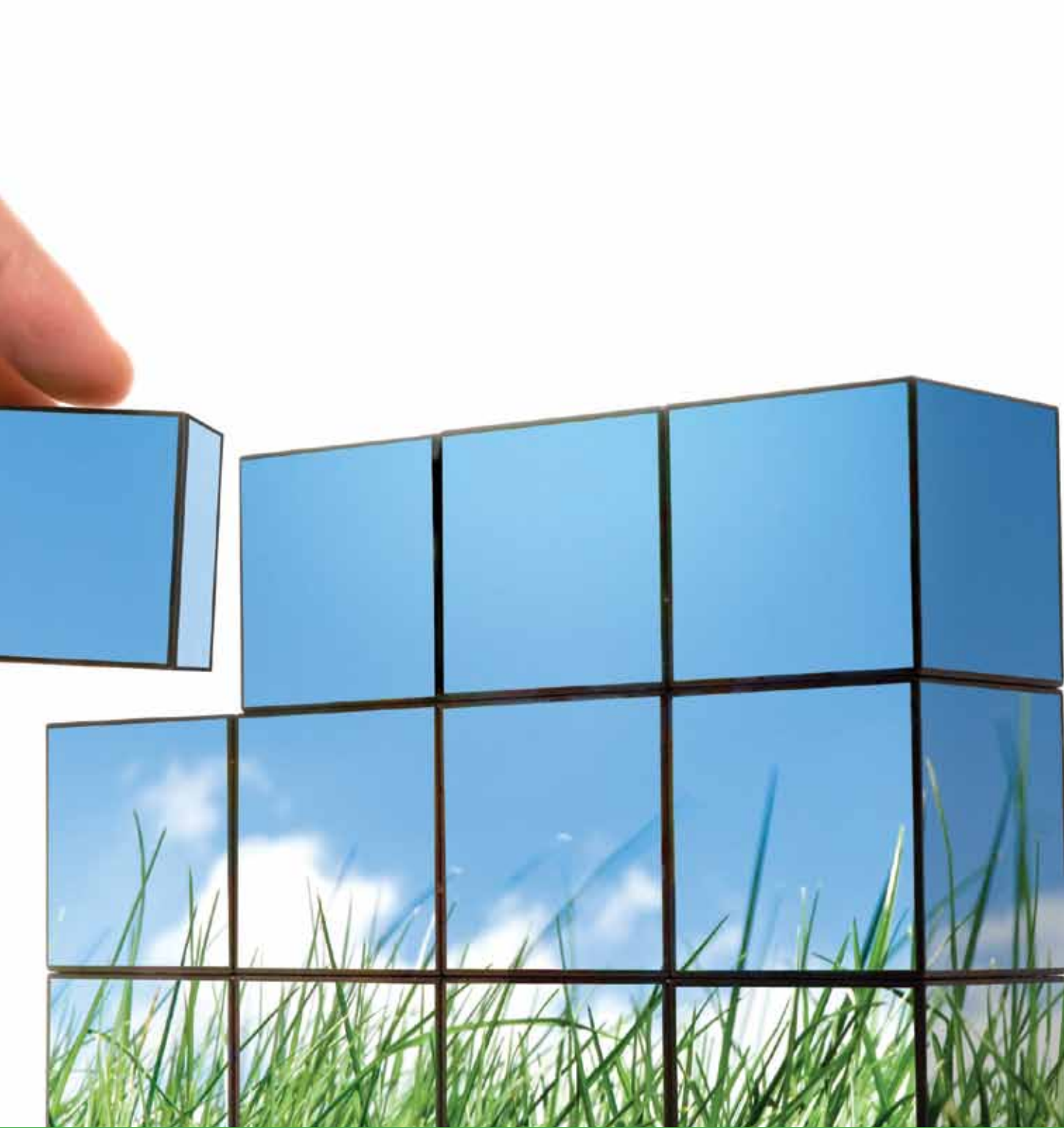
Since I joined the Group in mid 2010, my colleagues, our bankers, customers and business partners, as well as my fellow Directors, have been extraordinarily supportive. I thank you all for your time, support and commitment.

Together with the Board, management and staff, we will make the Linair Group even stronger, focused on meeting and exceeding customers' needs and creating sustained shareholder value. With the support of all our shareholders, we will meet and overcome the challenges that lie ahead and emerge stronger.

I note with regret that our Chairman, BG(Ret) Law Chwee Kiat, has decided not to seek re-election to the Board. I will miss his counsel and support. On behalf of the management and staff of Linair Group, I would like to express our sincere thanks and wish him all the best.

**MR WILLIAM C M TAN**  
Group Chief Executive Officer





**Deliver Growth**, looking forward,  
while streamlining operations.  
We are positioned to create value  
and growth to our shareholders.

## BOARD OF DIRECTORS



### **BG (RET) LAW CHWEE KIAT**

Independent Director and Non-Executive Chairman

BG (Ret) Law Chwee Kiat brings with him over 30 years of service with the SAF and held several senior command and staff appointments, including Commander TRADOC, Commander of 9th Division, ACGS (Trg), Head Combat Intelligence Department and Acting ACGS (Intelligence). BG (Ret) Law has also served on the boards of two government linked companies.

Following his retirement from the SAF in 2000, BG (Ret) Law joined the Institute of Defence and Strategic Studies, NTU, Singapore as a Senior Research Fellow. Concurrently he held the appointment of Head Operational Art Development Group in the SAF. He left NTU in 2003.



Besides being Non-Executive Chairman, he also chairs the Nominating and Remuneration Committees. He is also a member of the Audit Committee. He holds a Bachelor of Arts (Political Science/History) from the National University of Singapore.

### **MR WILLIAM C M TAN**

Group Chief Executive Officer

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

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



### **MR. TAN HUP FOI @ TAN HUP HOI**

Independent Non-Executive Director

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

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



### **MR SEE YEN TARN**

Non-Executive & Non-Independent Director

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

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



**MR TEO BENG TECK**

Non-Executive & Non-Independent Director

Mr Teo joined the Board as a Non-Executive & Non-Independent Director in August 2010. He is a member of the Nominating Committee. Mr Teo has more than 30 years of experience in engineering and construction in both public and private sectors.

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



**MR. HO TA-HUANG**

Non-Executive & Non-Independent Director

Mr. Ho Ta-Huang is the founder and Chairman of Chern Dar Enterprise Co Ltd. He is a member of the Audit Committee and the Remuneration Committee. Mr. Ho has over 30 years of experience in the business of manufacturing and installation of stainless steel and galvanised steel ductworks in Taiwan.

He is the honorary Chairman of the Taiwan Hardware Association and an inspector with the Taiwan Ventilation Equipment Association.



**MR. ONG CHIN LIN**

Independent Non-Executive Director

Mr. Ong Chin Lin is an Independent Non-Executive Director at Linair. He is the Chairman of the Audit Committee, and a member of the Nominating Committee and the Remuneration 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 fellow of the Institute of Chartered Accountants in England & Wales, and a member of the Malaysia Institute of Accountants.



**MR. LEONG HORN KEE**

Independent Non-Executive Director

Mr. Leong is an Independent Non-Executive Director, and is a member of the Remuneration Committee. He is the Chairman and CEO of CapitalCorp Partners Pte Ltd. Mr Leong has wide experience in both the public and private sectors. He has served in the Singapore Government's Administrative Service in the Ministry of Finance and Ministry of Trade and Industry, and has worked in various industries such as investments, venture capital, merchant banking, hotels, food and beverage, and property development. Mr Leong was a Member of Parliament for 22 years from 1984 to 2006. He is currently Singapore's Non-resident Ambassador to Mexico and a member of the Securities Industry Council.

Mr Leong holds a First Class Honours degree in Production Engineering and Management from Loughborough University, UK; a Honours degree in Economics from the University of London, UK; a BA degree in Chinese Language and Literature from Beijing Normal University, China; an MBA from INSEAD, France; and a Master in Business Research (MBR) from the University of Western Australia.



## SENIOR MANAGEMENT



### MR. GOH TCHENG HION

Group Chief Financial Officer

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

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

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



### MS JENNY LIM SOO KEOW

Human Resources Manager

Ms Jenny Lim joined Linair as HR Manager in November 2010. She is responsible for the Group's Human Resource program development and implementation. Ms Lim also oversees the Group's administration function.

Ms Lim's career spans more than 20 years with MNCs and large companies, where she was exposed to process improvements, Industrial Relations and HR Management.

Ms Lim obtained a Bachelor degree from La Trobe University, Australia majoring in Human Resource Management.



### MR. WONG KOK CHYE

Chief Executive Officer, Environmental Products

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

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



### MR. LAI MUN YOW

Director, Air System Technology

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

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

# STATEMENT OF CORPORATE GOVERNANCE

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

## BOARD MATTERS

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

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

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

The responsibilities of the Board include:

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

Newly appointed directors will be given an orientation program to familiarise themselves with the Company's operations. Where necessary, the company will arrange for the Directors to attend any training programme in connection with their duties as Directors.

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

## STATEMENT OF CORPORATE GOVERNANCE

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

	BOARD	AUDIT COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE
<b>Number of meetings held</b>	6	3	1	1
Ong Peng Kwang Jemme <sup>(1)</sup>	4	NA	1	NA
Tan Chee Meng William <sup>(2)</sup>	2	NA	NA	NA
See Yen Tarn <sup>(2)</sup>	2	2	NA	NA
Teo Beng Teck <sup>(2)</sup>	2	NA	NA	NA
Ho Ta-Huang	3	1	NA	0
BG (Ret) Law Chwee Kiat	6	3	1	1
Ong Chin Lin	6	3	1	1
Leong Horn Kee	6	NA	NA	1
Tan Hup Foi @ Tan Hup Hoi	6	3	NA	NA
Wong Kok Chye <sup>(3)</sup>	4	NA	NA	NA

<sup>(1)</sup> Resigned on 31 July 2010

<sup>(2)</sup> Appointed on 1 August 2010

<sup>(3)</sup> Resigned on 1 August 2010

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

### BOARD COMPOSITION AND BALANCE

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

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

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

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

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



# STATEMENT OF CORPORATE GOVERNANCE

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

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

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

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

As the Company's CEO, Mr Tan Chee Meng William is responsible for the day-to-day management affairs of the Group. He reports directly to the Board 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.

BG (Ret) Law Chwee Kiat who is due to retire by rotation has given notice to the Company that he wishes to retire from the Group as Director and non-executive Chairman of the Board and hence will not stand for re-election at the forthcoming annual general meeting. He will also relinquish his duties from all Board committees.

## BOARD MEMBERSHIP

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

### Nominating Committee ("NC")

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

BG (Ret) Law Chwee Kiat (Chairman)	Independent Non-Executive Director
Mr Teo Beng Teck	Non-Independent Non-Executive Director
Mr Ong Chin Lin	Independent Non-Executive Director

## STATEMENT OF CORPORATE GOVERNANCE

The primary function of the NC is to determine the criteria for identifying candidates and to 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 (eg. attendance, preparedness, participation, candour and any other salient factors);
- b. to ensure that all directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
- c. to determine annually whether a director is independent, in accordance with the guidelines contained in the Code;
- d. to decide whether a director is able to and has adequately carried out his duties as a director of the Company, in particular cases, which the director has multiple board representations; and
- e. to decide how the Board's performance may be evaluated and to propose objective performance criteria.

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

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

### BOARD PERFORMANCE

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

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

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

### ACCESS TO INFORMATION

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

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

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

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

# STATEMENT OF CORPORATE GOVERNANCE

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

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

## REMUNERATION MATTERS

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

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

BG (Ret) Law Chwee Kiat (Chairman)	Independent Non-Executive Director
Mr Ho Ta-Huang	Non-Independent Non-Executive Director
Mr Ong Chin Lin	Independent Non-Executive Director
Mr Leong Horn Kee	Independent Non-Executive Director

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

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

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

## LEVEL AND MIX OF REMUNERATION

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

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

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

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

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

## STATEMENT OF CORPORATE GOVERNANCE

### DISCLOSURE OF REMUNERATION

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

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

A breakdown showing the level and mix of each director's remuneration for the financial year ended 31 December 2010 is as follows:

Remuneration Band & Name of Director	Salary %	Bonus %	Other Benefits %	Directors' Fees %	Total %
<b>Below \$250,000</b>					
Tan Chee Meng William	81	7	12	–	100
Ong Peng Kwang Jemme	79	14	7	–	100
BG (Ret) Law Chwee Kiat	–	–	–	100	100
Ho Ta-Huang	–	–	–	100	100
Ong Chin Lin	–	–	–	100	100
See Yen Tarn	–	–	–	100	100
Leong Horn Kee	–	–	–	100	100
Teo Beng Teck	–	–	–	100	100
Tan Hup Foi @ Tan Hup Hoi	–	–	–	100	100

Remuneration of key executives (who are not directors) for the financial year ended 31 December 2010

Remuneration Band & Name of key executive	Salary %	Bonus %	Other Benefits %	Total %
<b>Below \$250,000</b>				
Goh Tcheng Hion	89	–	11	100
Wong Siew Hong	100	–	–	100
Wong Kok Chye	88	8	4	100
Lai Mun Yow	65	27	8	100
Lim Soo Keow Jenny	100	–	–	100

There were no employees during the financial period from 1 January 2010 to 31 December 2010 who were immediate family members of a Director and/or a Substantial Shareholder whose remuneration exceeded \$150,000 during the financial year ended 31 December 2010.

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

### ACCOUNTABILITY AND AUDIT

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

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

# STATEMENT OF CORPORATE GOVERNANCE

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

Management provides directors with the management accounts on a periodic basis

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

## Audit Committee

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

Mr Ong Chin Lin (Chairman)	Independent Non-Executive Director
BG (Ret) Law Chwee Kiat	Independent Non Executive Director
Mr Tan Hup Foi @ Tan Hup Hoi	Independent Non-executive Director
Mr Ho Ta-Huang	Non-Independent Non-Executive Director
Mr See Yen Tarn	Non-Independent Non-Executive Director

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

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

The AC had reviewed the financial statements of the Group for the year ended 31 December 2010 as well as the auditor's report thereon and the announcements for half-year and annual results before they are submitted to the Board for approval. The AC also reviewed the interested person transactions of the Group.

The financial statements, accounting policies and system of internal accounting controls are the responsibilities of the Board of Directors acting through the AC. In performing its functions set out in Section 201B (5) of the Companies Act, Cap. 50, the AC reviewed the scope of work of both internal and external auditors and the assistance given by the Group's officers to the audits. The AC met periodically with the Company's internal and external auditors to review their audit plan and discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting controls without the presence of the Company's management. The AC has separate and independent access to the external auditors and the internal audit function. The AC has also reviewed the appointment of the external auditors for the Company and its subsidiaries and is satisfied with the standard and effectiveness of the audit. The Company has complied with Rule 716 of the Listing Manual.

The Company has in place a whistle-blowing framework where staff of the Company can have access to the AC's Chairman. All concerns about improprieties would be channelled to the Head of human resources who would investigate and report to the AC's Chairman.

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

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

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

# STATEMENT OF CORPORATE GOVERNANCE

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

## INTERNAL CONTROLS

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

## INTERNAL AUDIT

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

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

### Internal Audit and internal controls

The Group maintains a system of internal controls for all companies within the Group. The controls are to provide reasonable assurance (but not absolute guarantee) that assets are adequately safeguarded, operational controls are in place, business risks are suitably protected and proper accounting records are maintained.

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

### Risk Management

The Group's systems of internal control play a key role in the identification and management of risks that are significant to affect the achievement of its business objectives. The process of business risk management has been integrated throughout the Group with the business planning and monitoring processes. The results are reviewed by key senior executives on an on-going basis. The overall risk management process and results are reviewed by the Board.

In addition, a comprehensive exercise to assess the risk of each operating division was conducted by the internal audit function with the participation from the Board and the Group's senior management. This provided the Board and its senior management with another opportunity to reassess risk management issues.

Significant macro-level risk factors relevant to the Group's operations and the associated mitigating factors are discussed as follows:

#### Corporate Level

##### **Financial risk**

Such risks include interest rate risk, foreign currency risks from foreign currency denominated assets and liabilities as well as foreign investments and credit risks arising from payment default by customers or tenants. We manage risks mainly by monitoring the rate movements in the financial market closely, hedging the fluctuation risks by use of the appropriate hedge instruments and putting a formal credit evaluation and collection system in place.

##### **Operational risks that may result in fraud and error**

The sheer diversity and scale of our operations subject us to such risks. We address these risks by instituting standards on corporate governance, promoting control consciousness, implementing proper system of internal controls and maintaining an internal audit function.

# STATEMENT OF CORPORATE GOVERNANCE

## COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

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

## INTERESTED PERSON TRANSACTIONS

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

In FY2010, the Company has made purchases amounting to S\$231,705 from Chern Dar Enterprise Co., Ltd.

Name of interested person	Aggregate value of all interested transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Chern Dar Enterprise Co. Ltd				
<b>Interest Payment</b>	-	150	-	-
<b>Purchases</b>	<b>232</b>	-	-	-

## DEALINGS IN SECURITIES

In line with Rule 1204(18) of the Listing Manual on Dealing in Securities, the Company issues circulars to its directors and employees, to remind them that (1) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in shares of the Company. The directors and employees are also reminded of the prohibition in dealing in shares of the Company one month before the release of the half year and year-end financial results and ending on the date of the announcement of the relevant results. The Company has complied with the said Rule during the financial year.

## STATEMENT OF CORPORATE GOVERNANCE

### **MATERIAL CONTRACTS**

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

### **SPONSORSHIP**

The Company has appointed CIMB Bank Berhad, Singapore Branch ("CIMB") as the Company's Continuing Sponsor with effect from 27 August 2009.

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

There is no non-sponsor fees paid by the Company to the sponsor during the financial year.



# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited statement of financial position of the Company and consolidated financial statements of the Group for the financial year ended 31 December 2010.

### DIRECTORS

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

BG (Ret) Law Chwee Kiat  
Ho Ta-Huang  
Ong Chin Lin  
Leong Horn Kee  
Tan Hup Foi @ Tan Hup Hoi  
Tan Chee Meng William (appointed on 01.08.2010)  
Teo Beng Teck (appointed on 01.08.2010)  
See Yen Tarn (appointed on 01.08.2010)

### ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

### DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

Name of corporation: Linair Technologies Limited	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	Number of ordinary shares fully paid					
	At 1.1.2010/ date of appointment	At 31.12.2010	At 21.1.2011	At 1.1.2010	At 31.12.2010	At 21.1.2011
BG (Ret) Law Chwee Kiat	5,035,500	5,035,500	5,035,500	1,124,000	1,124,000	1,124,000
Ho Ta-Huang	-	-	-	44,283,000	45,583,000	45,583,000
Ong Chin Lin	402,000	402,000	402,000	-	-	-
Teo Beng Teck (appointed on 01.08.2010)	354,000	354,000	354,000	-	-	-
<b>Interests in warrants in the Company</b>						
BG (Ret) Law Chwee Kiat	-	-	-	123,256	-	-
Ho Ta-Huang	-	-	-	3,582,188	-	-
Ong Chin Lin	32,999	-	-	-	-	-

\* The warrants had expired on 18 January 2010.

# DIRECTORS' REPORT

## DIRECTORS' CONTRACTUAL BENEFITS

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

## WARRANTS

On 19 July 2007, the Company allotted 14,397,767 warrants at an issue price of \$0.13 for each warrant. Each warrant entitles the warrant holder to subscribe for one (1) new ordinary share. The warrants have an exercise period of 3 years from 19 January 2007 to 18 January 2010. In addition, pursuant to the rights issue in year 2009, the number of warrants was adjusted in accordance with the terms of the deed poll and the number of warrant increased from 13,330,767 to 25,877,257 and at an issue price of S\$0.09. The number of outstanding warrants as of 31 December 2009 and 18 January 2010 is 25,877,257 and nil respectively. During the financial year, 34,940 warrants were exercised at an issue price of S\$0.09. The warrants expired on 18 January 2010.

## 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)  
BG (Ret) Law Chwee Kiat  
Ho Ta-Huang  
Tan Hup Foi @ Tan Hup Hoi  
See Yen Tarn (appointed on 01.08.2010)

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

In performing its functions, the Audit Committee reviewed the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's and the Group's system of internal accounting controls. The Audit Committee also reviewed the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2010 as well as the auditors' report thereon. The Audit Committee has full access to and co-operation of the Management and has been given the resources required for it to discharge its functions properly. It also has discretion to invite any Director and executive officer to attend its meetings.

The Audit Committee has also conducted a review of the fees paid or payable to the auditors for non-audit services for financial year ended 31 December 2010. 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 auditors of the Company at the forthcoming Annual General Meeting.

# DIRECTORS' REPORT

## AUDITORS

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

On behalf of the board of directors

**BG (RET) LAW CHWEE KIAT**

**TAN CHEE MENG WILLIAM**

Dated: 15 March 2011

## STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 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

**BG (RET) LAW CHWEE KIAT**

**TAN CHEE MENG WILLIAM**

Dated: 15 March 2011

# INDEPENDENT AUDITORS' REPORT

To the members of Linair Technologies Limited

We have audited the accompanying financial statements of Linair Technologies Limited ("the Company") and its subsidiaries (collectively, "the Group"), set out on pages 29 to 79, which comprise the statements of financial position of the Company and the Group as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

## 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, Cap. 50 ("the Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transaction are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statement of financial position and to maintain accountability of assets.

## Auditors' responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

## PKF-CAP LLP

Public Accountants and Certified Public Accountants  
Singapore, 15 March 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2010

	Note	Year ended 31 December 2010 \$	Year ended 31 December 2009 \$
Revenue	3	42,521,470	43,963,978
Cost of sales		(32,959,984)	(38,306,035)
Gross profit		9,561,486	5,657,943
Other operating income	4	387,262	474,946
Administrative expenses		(4,600,109)	(5,673,551)
Other operating expenses	5(b)	(3,799,472)	(8,318,702)
Finance costs	5(c)	(107,904)	(431,214)
Share of associated companies' results	13	(73,465)	2,894
Profit/(loss) before taxation	5(d)	1,367,798	(8,287,684)
Income tax expense	7	(304,963)	(347,414)
Profit/(loss) for the year		1,062,835	(8,635,098)
Other comprehensive income			
Exchange differences on translating foreign operations		6,957	(4,297)
Total comprehensive income/(loss) for the year		1,069,792	(8,639,395)
Profit/(loss) attributable to:			
Shareholders of the Company		1,062,835	(8,507,043)
Non controlling interests		-	(128,055)
		1,062,835	(8,635,098)
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		1,069,792	(8,546,549)
Non controlling interests		-	(92,846)
		1,069,792	(8,639,395)
Earnings/(loss) per share attributable to Shareholders of the Company (cents)			
Basic	8	0.30	(6.04)
Diluted	8	0.30	(6.04)

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 2010

	The Company		The Group		
	31 December	31 December	31 December	31 December	
	2010	2009	2010	2009	
Note	\$	\$	\$	\$	
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	9	-	-	1,291,100	1,291,100
Property, plant and equipment	10	525,895	1,053,929	4,152,295	6,026,140
Other intangible assets	11	-	-	2,415,750	2,818,375
Investment in subsidiaries	12	15,936,382	15,936,382	-	-
Investment in associated companies	13	138,045	508,511	138,045	285,703
		<b>16,600,322</b>	<b>17,498,822</b>	<b>7,997,190</b>	<b>10,421,318</b>
<b>Current assets</b>					
Inventories	14	24,334	479,826	1,854,409	2,954,880
Gross amount due from customers for contract work-in-progress	15	-	-	1,019,660	1,144,950
Trade and other receivables	16	9,750,076	11,416,968	14,807,990	12,283,247
Fixed deposits pledged	17	725,583	723,335	2,637,724	2,944,300
Financial asset, fair value through profit or loss	18	-	-	33,415	33,022
Prepaid operating expenses		25,407	47,933	166,851	192,479
Cash and bank balances	19	1,161,365	945,215	6,462,185	5,203,383
		<b>11,686,765</b>	<b>13,613,277</b>	<b>26,982,234</b>	<b>24,756,261</b>
<b>Total assets</b>		<b>28,287,087</b>	<b>31,112,099</b>	<b>34,979,424</b>	<b>35,177,579</b>
<b>Equity and liabilities</b>					
<b>Current liabilities</b>					
Gross amount due to customers for contract work-in-progress	15	204,793	-	3,323,386	3,395,269
Trade and other payables	20	10,829,910	9,840,101	12,607,522	12,844,930
Obligations under finance leases	21	125,814	678,603	125,814	682,396
Current tax payable		-	14,911	409,843	315,558
Bank borrowings	22	546,397	323,503	546,397	323,503
		<b>11,706,914</b>	<b>10,857,118</b>	<b>17,012,962</b>	<b>17,561,656</b>
<b>Net current (liabilities)/assets</b>		<b>(20,149)</b>	<b>2,756,159</b>	<b>9,969,272</b>	<b>7,194,605</b>
<b>Non-current liabilities</b>					
Obligations under finance leases	21	-	191,805	-	191,805
Bank borrowings	22	-	546,397	-	546,397
Deferred tax liabilities	23	-	-	203,337	187,533
		<b>-</b>	<b>738,202</b>	<b>203,337</b>	<b>925,735</b>
<b>Total liabilities</b>		<b>11,706,914</b>	<b>11,595,320</b>	<b>17,216,299</b>	<b>18,487,391</b>
<b>Net assets</b>		<b>16,580,173</b>	<b>19,516,779</b>	<b>17,763,125</b>	<b>16,690,188</b>
<b>Capital and reserves</b>					
Share capital	24	17,580,594	17,577,449	17,580,594	17,577,449
Retained earnings/(accumulated losses)		(1,000,421)	1,939,330	843	(1,061,992)
Foreign currency translation reserve		-	-	181,688	174,731
Attributable to equity holders of the Company		<b>16,580,173</b>	<b>19,516,779</b>	<b>17,763,125</b>	<b>16,690,188</b>
Non controlling interests		-	-	-	-
<b>Total equity</b>		<b>16,580,173</b>	<b>19,516,779</b>	<b>17,763,125</b>	<b>16,690,188</b>
<b>Total equity and liabilities</b>		<b>28,287,087</b>	<b>31,112,099</b>	<b>34,979,424</b>	<b>35,177,579</b>

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 2010

	← Attributable to equity holders of the Company →						Total
	Note	Share capital	Foreign currency translation reserve	Retained earnings / (accumulated losses)	Total	Non controlling interests	
		\$	\$	\$	\$	\$	
Balance at 1 January 2009		10,802,968	214,237	7,445,051	18,462,256	92,846	18,555,102
Total comprehensive loss for the year		–	(39,506)	(8,507,043)	(8,546,549)	(92,846)	(8,639,395)
Rights issue paid up	24	6,974,964	–	–	6,974,964	–	6,974,964
Issue of shares, arising from exercise of warrants	24	44,540	–	–	44,540	–	44,540
Rights issue expenses written off to share capital account		(245,023)	–	–	(245,023)	–	(245,023)
<b>Balance at 31 December 2009</b>		<b>17,577,449</b>	<b>174,731</b>	<b>(1,061,992)</b>	<b>16,690,188</b>	<b>–</b>	<b>16,690,188</b>
Balance at 1 January 2010		17,577,449	174,731	(1,061,992)	16,690,188	–	16,690,188
Profit for the year		–	–	1,062,835	1,062,835	–	1,062,835
Exchange difference on translating foreign operations		–	6,957	–	6,957	–	6,957
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>6,957</b>	<b>1,062,835</b>	<b>1,069,792</b>	<b>–</b>	<b>1,069,792</b>
Issue of shares, arising from exercise of warrants	24	3,145	–	–	3,145	–	3,145
<b>Balance at 31 December 2010</b>		<b>17,580,594</b>	<b>181,688</b>	<b>843</b>	<b>17,763,125</b>	<b>–</b>	<b>17,763,125</b>

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 2010

	Year ended 31 December 2010	Year ended 31 December 2009
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Net profit/(loss) before taxation	1,367,798	(8,287,684)
Adjustments for:		
Depreciation of property, plant and equipment	1,424,524	1,749,128
Allowance for impairment on trade receivables	258,492	1,370,515
Write-back for impairment on trade receivables	(467,108)	(35,024)
Allowance for impairment on other receivables	37,128	-
Recognised losses on contract work-in-progress	258,520	1,603,590
Warranty provided for projects	336,728	-
Exchange fluctuation difference	(118,108)	116,642
Interest expense	107,904	431,214
Interest income	(7,509)	-
Amortisation of intangible asset	402,625	402,625
Impairment loss recognised on property, plant and equipment	22,370	275,512
Gain on disposal of property, plant and equipment	(69,179)	(6,767)
Allowance for slow-moving inventories	214,848	1,180,129
Write-back for slow-moving inventories	(392,449)	(13,783)
Property, plant and equipment written off	154,168	8,825
Fair value adjustment on financial asset, fair value through profit or loss	(393)	(8,845)
Gain on disposal of investment in associated company	(131,800)	-
Impairment loss recognised on investment in associated company	74,193	-
Share of associated companies' results	73,465	(2,894)
Operating profit/(loss) before movements in working capital	3,546,217	(1,216,817)
Decrease in inventories	1,278,071	1,912,047
Increase in amount due from customers for contract work-in-progress	53,407	(350,954)
(Increase)/decrease in operating receivables	(2,327,629)	6,215,748
Decrease in operating payables	(574,134)	(2,751,890)
Cash generated from operations	1,975,932	3,808,134
Interest paid	(100,395)	(431,214)
Tax paid	(194,874)	(571,656)
Net cash generated from operating activities	1,680,663	2,805,264

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

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the financial year ended 31 December 2010

	Year ended 31 December 2010	Year ended 31 December 2009
	\$	\$
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(167,686)	(660,849)
Proceed from disposal of associate	131,800	-
Amount owing to the vendor of a subsidiary cum substantial shareholder	-	(4,908,000)
Proceeds from disposal of property, plant and equipment	316,581	56,488
Net cash generated from/(used in) investing activities	280,695	(5,512,361)
<b>Cash Flows from Financing Activities</b>		
Bank borrowings repaid	(323,503)	(1,181,393)
Proceeds from bank borrowing	-	1,000,000
Decrease/(increase) in fixed deposits pledged	306,576	(302,287)
Finance lease obligations paid (Note A)	(671,395)	(901,876)
Proceeds from shares issued	3,145	7,019,504
Share issuance expense	-	(245,023)
Amount due to a substantial shareholder	-	(2,500,000)
Net cash (used in)/generated from financing activities	(685,177)	2,888,925
Net increase in cash and cash equivalents	1,276,181	181,828
Effects of currency translation on cash and cash equivalents	(17,379)	(29,942)
Cash and cash equivalents at the beginning of the year	5,203,383	5,051,497
Cash and cash equivalents at the end of the year	6,462,185	5,203,383

**NOTE:**

- A. During the year, the Group disposed of certain property, plant and equipment for consideration of \$393,574, of which \$316,581 was settled by cash and \$76,993 was by settlement of outstanding hire purchase creditor by the buyer.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 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 2010 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

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

The registered office and principal place of business of the Company is located at 110 Paya Lebar Road #04-01 Singapore Warehouse Singapore 409009.

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

## 2(a) BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRSs") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, unless 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 judgement that have the most significant effect on the amounts recognised in the financial statements.

### Impairment of goodwill

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.

### Impairment of other intangible asset

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

### Depreciation of property, plant and equipment

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 2(a) BASIS OF PREPARATION (CONT'D)

### Significant accounting estimates and judgements (cont'd)

#### 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 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.

#### 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 is recognised as an expense immediately.

#### Income tax

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

#### Operating lease commitments - as lessor

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

#### Allowance for trade and other receivables

The Group provides allowance for trade and other receivables mainly based on the collectability of the individual receivable at the end of the year. The balance of impairment for doubtful debts as at 31 December 2010 amounted to \$2,148,663 (2009: \$2,738,415).

#### Allowance for slow-moving inventories

The Group assesses the allowance for slow-moving inventories when the related inventories are not saleable above their carrying amounts. An allowance of \$214,848 (2009: \$1,180,129) is made and is recognised in "Other operating expenses". The Group have recognised a reversal of allowance of \$392,449 (2009 :\$13,783) as the inventories were sold above the carrying amount.

#### Provision for warranties

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

The provision for warranties has been included in the budgeted costs for each of the projects in the current year and the amount recognised as at year end is \$336,728 (2009: \$593,400) (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 2010.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 2(b) ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS (CONT'D)

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

### FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

### FRS 103 Business Combinations (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in statement of comprehensive income;
- The group elects for each acquisition of a business, to measure non-controlling interest ("NCI") at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is measurable to fair value at the acquisition date with any corresponding gain or loss recognised in statement of comprehensive income, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

### FRS 27 Consolidated and Separate financial Statements (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in statement of comprehensive income;
- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity and;
- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in statement of comprehensive income.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attributable losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 2(b) ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS (CONT'D)

### Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
Amendment to FRS 32 Financial Instruments: Presentation – Classification of Rights Issues	1 February 2010
INT FRS 119 extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Revised FRS 24 Related Party Disclosures	1 January 2011

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

### Revised FRS 24 Related Party Disclosures

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

The adoption of the above amended FRSs did not have a significant impact to the Group's financial statements.

## 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 be remeasured until it is finally settled within equity.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### Basis of consolidation (cont'd)

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 identifiable net assets.

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

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

Non-controlling interest is presented in the consolidated statements of financial position within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated statement of comprehensive income.

### 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.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### Property, plant and equipment

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

Furniture and fittings	3 - 10 years
Plant and machinery	3 - 10 years
Renovations	10 years
Motor vehicles	5 years
Leasehold property	over the period of lease
Freehold property	33 <sup>1</sup> / <sub>3</sub> years
Computers and office equipment	3 -10 years

No depreciation is provided for construction-in-progress.

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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

### Subsidiaries

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

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

### Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated statements of financial position includes any goodwill (net of any accumulated impairment losses) identified on acquisition.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### Associated companies (cont'd)

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group's share of the net assets and post-acquisition reserves of associated companies is reflected in the book value of the investments in the consolidated statements of financial position.

### Related parties

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes freight and handling charges. Allowance is made, where necessary, for obsolete, slow-moving and defective inventory in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### Investment in financial assets

#### a) Classification

The Group classifies its investments in 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) Financial assets, fair value through profit or loss

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) Loans and receivables

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 are included in trade and other receivables on the statements of financial position.

#### (iii) Held-to-maturity investments

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) Available-for-sale financial assets

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 investments 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.

A gain or loss on an available-for-sale financial asset shall be recognised in other comprehensive income except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised. At that time the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to statement of income as a reclassification adjustment.

#### (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 statement of comprehensive income.

#### (d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### Investment in financial assets (cont'd)

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 statement of income 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 other comprehensive income.

(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 statements of financial position date whether there is an 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 statement of comprehensive income.

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

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

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

(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 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 statement of comprehensive income.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits, net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

### Financial liabilities

The Company's and the Group's financial liabilities include trade and other payables, finance lease liabilities and related company balances. 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 the statement of income.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relate to an expense item, it is recognised in the statement of income 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.

### 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 income when the liabilities are derecognised as well as through the amortisation process.

### Finance 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 statement of income over the leased 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 useful life of the asset.

#### (b) Operating leases

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

Rental expenses on operating leases are charged to the statement of comprehensive income 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 statement of income when incurred. There are no contingent rentals.

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

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### **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 statement of income 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.

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

### **Employee benefits**

#### Pension obligations

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

#### Key management personnel

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.

### **Income taxes**

The liability method of tax effect accounting is adopted by the Company and the Group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the statements of financial position date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

The statutory tax rates enacted at the statement of financial position date are used to determine deferred income tax.

### **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 statement 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### Impairment of non-financial assets (cont'd)

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 net selling price.

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.

### 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.

### 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 stainless steel ducts, Ethylene Tetrafluoroethylene ("ETFE") coated ducts which will be integrated with third-party equipment such as fume-hoods, scrubbers and fans for a complete environment-control system. Manufacturing revenue is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to survey of work performed.
- (b) Engineering revenue is recognised using the percentage of completion method. The percentage of completion for a given project is by reference to the work performed certified by the site engineers.
- (c) Distribution revenue relates to sale from the distribution of the Metu-System, a ducting joint system for the installation and fitting of exhaust systems in Singapore and Malaysia; Phoenix Controls System, a critical airflow control system in Singapore, Malaysia and Taiwan; ClorDisys Chlorine Dioxide Decontamination Systems and Individual Ventilated Caging Systems to laboratories, animal facilities and research centre. Distribution revenue is recognised upon passage of title to customer which generally coincides with their delivery and acceptance.
- (d) Interest income is recognised using the effective interest method.
- (e) Rental income from operating leases on property, plant and equipment is recognised on a straight-line basis over the lease term.

### Functional and presentation currency

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

### Conversion of foreign currencies

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

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

### Conversion of foreign currencies (cont'd)

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 are measured at fair value in a foreign currency are translated using the exchange rates as the date when the fair value was determined.

Assets and liabilities of the foreign subsidiaries are translated at the rates of exchange ruling at the statement of financial position date. The statement of comprehensive income of the foreign subsidiaries are translated at the average monthly rates. Foreign currency translation adjustments arising are recorded directly in other comprehensive income and then transfer to the foreign currency translation reserve in equity.

### Financial instruments

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

### Segment reporting

As of 1 January 2009, the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors ("BOD"), who is the Group's operating decision maker. This change in accounting policy is due to the adoption of FRS 108 Operating Segments. Previously operating segments were determined and presented in accordance with FRS 14 Segment Reporting. The new accounting policy in respect of operating segment disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's reporting results are reviewed regularly by the BOD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## 3 REVENUE

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

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Group</b>		
Manufacturing	12,417,550	5,112,660
Engineering services	27,987,618	36,286,958
Distribution & services	2,116,302	2,564,360
	<b>42,521,470</b>	<b>43,963,978</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 4 OTHER OPERATING INCOME

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Group</b>		
Interest income	7,509	–
Rental income	107,208	135,773
Gain on disposal of property, plant and equipment	69,179	6,767
Write back for warranty provision no longer required	–	174,345
Subcontract revenue	–	47,230
Miscellaneous sales	–	63,573
Other income	71,566	47,258
Gain on disposal of investment in associated company	131,800	–
	<b>387,262</b>	<b>474,946</b>

## 5(a) EMPLOYEE BENEFITS

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Group (including directors' remuneration)</b>		
Salary and related costs	3,292,990	6,461,068
Central provident fund contributions	296,331	449,150
	<b>3,589,321</b>	<b>6,910,218</b>
Less : Government grant – jobs credit scheme	(13,380)	(216,368)
	<b>3,575,941</b>	<b>6,693,850</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 5(b) OTHER OPERATING EXPENSES

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Group</b>		
Depreciation of property, plant and equipment	971,836	919,927
Write-back for slow-moving inventories	(392,449)	(13,783)
Allowance for slow-moving inventories	214,848	1,180,129
Bad debts written off	203,159	19,835
Write back of allowance for doubtful debts	(467,108)	–
Operating lease rentals	559,762	766,803
Amortisation of intangible assets	402,625	402,625
Provision for overbilling on contract sum	–	478,927
Allowance for impairment loss on receivables		
- trade	258,492	1,335,491
- others	37,128	–
Recognised losses on contract work-in-progress	258,520	1,603,590
Impairment loss recognised on property, plant and equipment	22,370	275,512
Property, plant and equipment written off	154,168	8,825
Transport and travelling expenses	332,472	347,115
Entertainment expenses	127,656	124,850
Upkeep of motor vehicles	110,408	127,230
Upkeep of equipment	21,694	41,101
Upkeep and maintenance of office	56,294	55,213
Water and electricity	87,040	84,658
Exchange loss	83,435	46,842
Insurance	97,490	84,723
Licence fee	41,936	43,149
Training cost	19,135	35,399
Warranty expenses	336,728	–
General expenses	17,406	40,713
Others	244,427	309,828
	<b>3,799,472</b>	<b>8,318,702</b>

### 5(c) FINANCE COSTS

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Group</b>		
Obligation under finance leases	62,732	90,709
Trust receipts	9,024	1,796
Bank loans	36,148	93,594
Amount owing to substantial shareholders	–	230,833
Others	–	14,282
	<b>107,904</b>	<b>431,214</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 5(d) PROFIT/ (LOSS) BEFORE TAXATION

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Group</b>		
Profit/ (loss) before taxation has been arrived at after (crediting)/charging:		
Bad debts written off	203,159	19,835
Directors' fees	148,500	99,000
Directors' remuneration	443,861	416,222
Depreciation of property, plant and equipment	971,837	919,927
Depreciation of property, plant and equipment included in costs of sales	452,687	829,201
Foreign exchange loss	82,986	46,842
Operating lease rentals	559,762	766,803
Operating lease rentals included in costs of sales	103,973	101,485
Finance costs	107,904	431,214
Gain on disposal of property, plant and equipment	(69,179)	(6,767)
Property, plant and equipment written off	154,168	8,825
Allowances for impairment loss on receivables		
- trade	258,492	1,335,491
- others	37,128	-
Write back for impairment on trade receivables	(467,108)	(35,024)
Warranty provided for projects	336,728	-
Recognised losses on contract work-in-progress	258,520	1,603,590
Recognised loss for completed project	-	541,055
Interest income	(7,509)	-
Fair value adjustment on financial asset, fair value through profit or loss	-	(8,845)
Inventories written off	8,720	-
Write-back for slow-moving inventories	(392,449)	(13,783)
Allowance for slow-moving inventories	214,848	1,180,129
Amortisation of intangible assets	402,625	402,625
Impairment loss recognised on property, plant and equipment	22,370	275,512

## 6 KEY MANAGEMENT PERSONNEL COMPENSATION

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Group</b>		
Short-term benefits	860,542	1,019,822
Comprise amounts paid to:		
Directors of the Company	510,254	407,112
Other key management personnel	350,288	612,710
	860,542	1,019,822

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 7 TAXATION

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Group</b>		
Current taxation	416,528	383,711
Deferred taxation (Note 23)	13,473	(18,152)
	<b>430,001</b>	<b>365,559</b>
Over provision of current taxation in respect of prior years	(125,038)	(18,145)
	<b>304,963</b>	<b>347,414</b>

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

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
Profit/ (loss) before taxation	<b>1,367,798</b>	<b>(8,287,684)</b>
Tax at statutory income tax rate of 17%	232,526	(1,408,906)
Tax effect on non-deductible expenses	124,311	393,576
Tax effect on non-taxable income	(77,689)	(51,093)
Statutory stepped income exemption	(25,925)	(78,000)
Difference in foreign tax rates	48,148	(512,548)
Utilisation of reinvestment allowances	(479)	53,311
Deferred tax benefit not recognised	128,616	1,871,254
Over provision of taxation in respect of prior years	(125,038)	(18,145)
Others	493	97,965
Income tax expenses recognised in the statement of comprehensive income	<b>304,963</b>	<b>347,414</b>

### The Group

As at statement of financial position date, the Company and its Singapore subsidiaries have unutilized tax losses of approximately \$602,730 (2009:\$1,882,119) and unabsorbed capital allowances of \$81,100 (2009:\$142,000) available for set off against future profits. In addition, certain overseas subsidiaries have unutilized tax losses carried forward of approximately \$3,166,729 (2009:\$3,167,279) available for set off against future profits. The utilisation of these losses and capital allowances to set off against future profits is subject to the meeting of the statutory requirements by those subsidiaries in their countries of incorporation.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 8 EARNINGS/(LOSS) PER SHARE

### The Group

The calculation of earnings per share for the financial year ended 31 December 2010 is based on the Group's profit/(loss) after taxation and non controlling interests of \$1,062,835 (2009 - (\$8,507,043)) divided by the weighted average number of shares of 348,781,896 ordinary shares (2009 - 140,877,902) during the financial year.

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

## 9 GOODWILL

The Group	31.12.2010	31.12.2009
	\$	\$
Balance at beginning	1,291,100	969,054
Adjustment (Note 11)	-	322,046
Balance at year end	1,291,100	1,291,100

The goodwill represents the excess of purchase consideration 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.

In 2009, the goodwill arising from acquisition of the subsidiary has been adjusted as the fair values of the acquiree's identifiable assets, particularly intangible assets as disclosed in note 11 to the financial statements have been determined in accordance with the provisions of FRS103.

### Impairment testing for goodwill

Goodwill arising from business combination is allocated to the cash-generating units ("CGUs"), categorized under 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 management covering a ten-year period.

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

	2010	2009
Growth rate	5%	5%
Discount rate	14.8%	6%

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

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

Discount rate – The cash flows are discounted using an after tax weighted average cost of capital.

As a result of the impairment testing performed, management does not consider that any impairment write-down is necessary in relation to the goodwill as at 31 December 2010.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 10 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Plant and machinery	Renovations	Motor vehicles	Leasehold property	Computers and office equipment	Total
	\$	\$	\$	\$	\$	\$	\$
<b>The Company</b>							
<u>Cost</u>							
At 1.1.2009	64,860	1,251,431	317,387	287,038	599,520	155,971	2,676,207
Additions	731	13,934	54,024	-	-	20,720	89,409
Disposals	-	-	-	-	-	(28,453)	(28,453)
At 31.12.2009	65,591	1,265,365	371,411	287,038	599,520	148,238	2,737,163
Additions	-	7,889	1,050	-	-	11,353	20,292
Disposals	(36,280)	-	(178,978)	(234,888)	-	(7,716)	(457,862)
<b>At 31.12.2010</b>	<b>29,311</b>	<b>1,273,254</b>	<b>193,483</b>	<b>52,150</b>	<b>599,520</b>	<b>151,875</b>	<b>2,299,593</b>
<u>Accumulated depreciation</u>							
At 1.1.2009	52,220	445,357	175,039	131,928	119,769	135,047	1,059,360
Depreciation for the year	12,759	420,522	66,330	38,777	9,000	19,932	567,320
Impairment loss	-	-	84,791	-	-	-	84,791
Disposals	-	-	-	-	-	(28,237)	(28,237)
At 31.12.2009	64,979	865,879	326,160	170,705	128,769	126,742	1,683,234
Depreciation for the year	370	397,471	11,014	22,620	9,000	14,138	454,613
Disposals	(36,280)	-	(178,978)	(141,175)	-	(7,716)	(364,149)
<b>At 31.12.2010</b>	<b>29,069</b>	<b>1,263,350</b>	<b>158,196</b>	<b>52,150</b>	<b>137,769</b>	<b>133,164</b>	<b>1,773,698</b>
<u>Net book value</u>							
<b>At 31.12.2010</b>	<b>242</b>	<b>9,904</b>	<b>35,287</b>	<b>-</b>	<b>461,751</b>	<b>18,711</b>	<b>525,895</b>
At 31.12.2009	612	399,486	45,251	116,333	470,751	21,496	1,053,929

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture and fittings	Plant and machinery	Renovations	Motor vehicles	Freehold Property	Leasehold property	Computers and office equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>The Group</b>								
<u>Cost</u>								
At 1.1.2009	205,610	8,836,940	780,169	849,247	702,176	599,520	466,249	12,439,911
Additions	8,632	72,378	75,244	461,309	-	-	43,286	660,849
Disposals	-	(85,628)	(26,460)	(72,800)	-	-	(30,343)	(215,231)
Exchange fluctuation difference	(434)	(124,498)	(9,421)	(5,765)	-	-	(5,756)	(145,874)
At 31.12.2009	213,808	8,699,192	819,532	1,231,991	702,176	599,520	473,436	12,739,655
Additions	8,986	129,371	6,596	-	-	-	22,733	167,686
Disposals	(330)	(65,818)	-	(693,947)	-	-	-	(760,095)
Write-off	(36,280)	(403,935)	(179,424)	(57,730)	-	-	(44,532)	(721,901)
Exchange fluctuation difference	703	(152,457)	(12,707)	(9,992)	-	-	(10,063)	(184,516)
<b>At 31.12.2010</b>	<b>186,887</b>	<b>8,206,353</b>	<b>633,997</b>	<b>470,322</b>	<b>702,176</b>	<b>599,520</b>	<b>441,574</b>	<b>11,240,829</b>
<u>Accumulated depreciation</u>								
At 1.1.2009	129,082	3,119,713	453,832	546,611	207,620	119,769	323,810	4,900,437
Depreciation for the year	18,983	1,285,635	165,307	159,085	21,066	9,000	90,052	1,749,128
Disposals	-	(82,966)	(6,984)	(40,567)	-	-	(26,168)	(156,685)
Exchange fluctuation difference	(267)	(43,052)	(5,726)	(2,927)	-	-	(2,905)	(54,877)
Impairment loss	-	190,560	84,791	-	-	-	161	275,512
At 31.12.2009	147,798	4,469,890	691,220	662,202	228,686	128,769	384,950	6,713,515
Depreciation for the year	16,469	1,157,687	61,991	110,277	21,066	9,000	48,034	1,424,524
Disposals	(330)	(43,528)	-	(391,842)	-	-	-	(435,700)
Write-off	(36,280)	(252,844)	(179,364)	(55,422)	-	-	(43,823)	(567,733)
Exchange fluctuation difference	541	(44,761)	(10,991)	(6,457)	-	-	(6,774)	(68,442)
Impairment loss	-	22,522	-	-	-	-	(152)	22,370
<b>At 31.12.2010</b>	<b>128,198</b>	<b>5,308,966</b>	<b>562,856</b>	<b>318,758</b>	<b>249,752</b>	<b>137,769</b>	<b>382,235</b>	<b>7,088,534</b>
<u>Net book value</u>								
<b>At 31.12.2010</b>	<b>58,689</b>	<b>2,897,387</b>	<b>71,141</b>	<b>151,564</b>	<b>452,424</b>	<b>461,751</b>	<b>59,339</b>	<b>4,152,295</b>
At 31.12.2009	66,010	4,229,302	128,312	569,789	473,490	470,751	88,486	6,026,140

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company and the Group had motor vehicles under finance leases with net book value of \$nil (2009 - \$116,333) and \$nil (2009 - \$116,333) respectively.

The Company and the Group had machinery under finance leases with net book value of \$nil (2009 - \$267,445) and \$245,079 (2009 - \$1,986,144) respectively.

The leasehold property with carrying amount of \$461,751 (2009: \$470,751) is pledged for bank facilities granted to the Company.

The freehold property with carrying amount of \$452,424 (2009: \$473,490) is pledged for bank facilities granted to a subsidiary (Note 27).

During the year, the Group carried out a review of the recoverable amount of its property, plant and equipment particularly on plant and machinery because of the expected reduction in usage of certain plant and machinery. An additional impairment loss of \$22,370 (2009: \$275,512) representing the write-down of these plant and machinery to recoverable amount was recognised in "Other operating expenses".

## 11 OTHER INTANGIBLE ASSETS

	31.12.2010	31.12.2009
	\$	\$
<b>The Group</b>		
Cost:		
Balance at beginning	3,221,000	3,543,046
Adjustment on fair value	-	(322,046)
Balance at end of year	<u>3,221,000</u>	<u>3,221,000</u>
Amortisation:		
Balance at beginning	402,625	-
Additions	402,625	402,625
Balance at end of year	<u>805,250</u>	<u>402,625</u>
Carrying value	<u>2,415,750</u>	<u>2,818,375</u>

In financial year 2008, the fair value of the license is determined provisionally. In financial year 2009, the Group engaged an independent professional company to determine the fair value of the intangible asset, BCA L6 license, which was valued at \$3,221,000. Accordingly, the provisional value of the license had been restated in accordance with the provisions of FRS 103. As a result of the change in value of the license, the goodwill arising from acquisition is adjusted accordingly (Note 9).

## 12 INVESTMENT IN SUBSIDIARIES

	31.12.2010	31.12.2009
	\$	\$
<b>The Company</b>		
Unquoted equity investments, at cost	17,536,012	17,536,012
Allowance for impairment loss	<u>(1,599,630)</u>	<u>(1,599,630)</u>
	<u>15,936,382</u>	<u>15,936,382</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 12 INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries as at 31 December 2010 are:

Name of subsidiary	Country of incorporation/ Place of business	Cost of investment		Percentage of equity held		Principal activities
		31.12.2010	31.12.2009	31.12.2010	31.12.2009	
		\$	\$			
<b>Held by the Company:</b>						
Linair Technologies (M) Sdn. Bhd. <sup>(1)</sup>	Malaysia	268,563	268,563	100%	100%	Manufacture of air related ducts and accessories
Linair Engineering Pte. Ltd. <sup>(3)</sup>	Singapore	130,880	130,880	100%	100%	Dormant
Linair Bio-Science Pte. Ltd. <sup>(3)</sup>	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. <sup>(2)</sup>	People's Republic of China	8,253,461	8,253,461	100%	100%	Manufacture of air related ducts and accessories
Linair Bio-Energy Pte Ltd. <sup>(5)</sup>	Singapore	10,000	10,000	100%	100%	Dormant *
Shanghai XianDa Industry Equipment Installation Co., Ltd <sup>(2)</sup>	People's Republic of China	750,750	750,750	70%	70%	Dormant **
Linair Technologies (Taiwan) Co., Ltd <sup>(4)</sup>	Republic of China (Taiwan)	208,000	208,000	100%	100%	Dormant ***

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 12 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Country of incorporation/ Place of business	Cost of investment		Percentage of equity held		Principal activities
		31.12.2010	31.12.2009	31.12.2010	31.12.2009	
		\$	\$			
Air System Technology (S) Pte Ltd <sup>(3)</sup>	Singapore	7,414,358	7,414,358	100%	100%	General contractors for building construction, plumping and air-conditioning
		<b>17,536,012</b>	<b>17,536,012</b>			

(1) Audited by PKF Malaysia

(2) Audited by PKF Consulting Inc., Shanghai

(3) Audited by PKF-CAP LLP, Singapore

(4) Audited by PKF Taiwan

(5) Reviewed by PKF-CAP LLP, Singapore

\* On 20 January 2011, the directors of the subsidiary have passed a resolution to strike off the subsidiary from the Accounting and Corporate Regulatory Authority.

\*\* The subsidiary is currently dormant.

\*\*\* Under voluntary liquidation.

#### **Impairment in investment in subsidiaries**

During the previous financial year, management performed an impairment test for the investment in Linair Engineering Pte Ltd, Linair Bio-Science Pte Ltd, Shanghai Xianda Industry Equipment Installation Co., Ltd and Linair Technologies (Taiwan) Co., Ltd as these subsidiaries had been making losses. An impairment loss of \$1,599,550 was made to write-down the carrying value to its recoverable amount. The recoverable amount of the investment has been determined on the basis of their net assets value at the statement of financial position date as in the opinion of the directors of the company, the net asset value of these subsidiaries reasonably approximate their net carrying value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 13 INVESTMENT IN ASSOCIATED COMPANIES

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Cost:				
Costs of investment – unquoted shares	<b>646,220</b>	646,220	<b>646,220</b>	646,220
Disposal of associated companies	<b>(484,532)</b>	–	<b>(484,532)</b>	–
Balance at end	<b>161,688</b>	646,220	<b>161,688</b>	646,220
Allowance for impairment loss:				
Balance at beginning	<b>(275,754)</b>	(120,363)	–	–
Current year	<b>(370,466)</b>	(155,391)	<b>(74,193)</b>	–
Disposal	<b>484,532</b>	–	–	–
Balance at end	<b>(161,688)</b>	(275,754)	<b>(74,193)</b>	–
Share of post-acquisition profit/(loss):				
Balance at beginning	–	–	<b>(498,562)</b>	(501,456)
Share of associated result after tax	–	–	<b>(73,465)</b>	2,894
Disposal of associated companies	–	–	<b>484,532</b>	–
Balance at end	–	–	<b>(87,495)</b>	(498,562)
Net carrying value	–	370,466	–	147,658
Loan to associated company	<b>138,045</b>	138,045	<b>138,045</b>	138,045
Investment in associated company	<b>138,045</b>	508,511	<b>138,045</b>	285,703

The associated company as at 31 December 2010 is as follows:-

Name of associated company	Place of business/ Country of incorporation	Percentage of equity held		Principal activities
		2010	2009	
Metal Technologies LLC <sup>(1)</sup>	Dubai	24%	24%	Manufacturing of galvanized steel ventilation ductwork and accessories
Linair-Yingta Technologies (Beijing) Co., Ltd <sup>(2)</sup>	People's Republic of China	–	49%	Manufacturing of galvanized steel ventilation ductwork and accessories

<sup>(1)</sup> Reviewed by Abdul Majid Hamadeh & Co., Dubai

<sup>(2)</sup> Disposed off in December 2010

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 13 INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

Summary of financial information of associated company, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2010	2009
	\$	\$
Total assets	1,640,488	5,109,279
Total liabilities	1,169,857	4,273,094
Revenue	1,654,571	5,868,152
Profit after taxation for the year	<u>33,437</u>	<u>340,180</u>

The Company and the Group measured the recoverable amount of its investment in Linair Yingta Technologies (Beijing) Co. Ltd ("Linair Beijing") and made an allowance for impairment of the carrying value of \$289,622 (2009: \$155,391) due to the losses incurred.

On 6 December 2010, in the shareholders' meeting the joint venture partners of Metal Technologies LLC ("Metal Technologies") had resolved to close the operation after the financial year. Accordingly, the management reassess the carrying amount of the investment in Metal Technologies and fully impaired the carrying value of the Company's investment in Metal Technologies of \$80,844 and the post acquisition share of profit amounting to \$74,193 as it is assessed that the distribution of residual amount after repayment of liabilities is insignificant.

In December 2010, the Group disposed Linair Beijing for a consideration of USD100,000 (approximately \$131,800).

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

### 14 INVENTORIES

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Work-in-progress	-	-	149,659	83,064
Raw materials	-	194,994	1,262,439	1,993,904
Finished goods	<u>24,334</u>	<u>284,832</u>	<u>442,311</u>	<u>877,912</u>
	<u>24,334</u>	<u>479,826</u>	<u>1,854,409</u>	<u>2,954,880</u>

Allowance for slow-moving inventories

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Balance at beginning	28,220	13,783	1,307,783	152,699
Allowance for current year	28,354	28,220	214,848	1,180,129
Reversal of allowance	(2,822)	(13,783)	(392,449)	(13,783)
Exchange differences	-	-	(8,310)	(11,262)
Balance at end	<u>53,752</u>	<u>28,220</u>	<u>1,121,872</u>	<u>1,307,783</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 14 INVENTORIES (CONT'D)

The cost of inventories recognised as expense and included in "Cost of sales" in the statement of comprehensive income amounted to \$10,392,750 (2009: \$14,420,612).

Due to obsolescence and decline in net realisable value below cost, the Group tested the inventories for impairment. Consequently, an allowance for slow-moving inventories amounting to \$214,848 (2009: \$1,180,129) was provided.

During the current year, the Group wrote off \$8,720 (2009: \$nil) of damaged inventory.

The Company and the Group have recognised a reversal of allowance of \$2,822 (2009: \$13,783) and \$392,449 (2009: \$13,783) respectively as the inventories were sold above the carrying amount in 2010.

### 15 GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Costs incurred	1,282,899	-	35,564,179	25,251,597
Attributable profit	662,308	-	8,126,118	5,111,899
Recognised losses (a)	-	-	(1,718,872)	(1,603,590)
	1,945,207	-	41,971,425	28,759,906
Progress billings	(2,150,000)	-	(44,275,151)	(31,010,225)
Gross amount due from/(to) customers for contract work-in-progress	(204,793)	-	(2,303,726)	(2,250,319)
Gross amount due from customers for contract work-in-progress	-	-	1,019,660	1,144,950
Gross amount due to customers for contract work-in-progress	(204,793)	-	(3,323,386)	(3,395,269)
	(204,793)	-	(2,303,726)	(2,250,319)
Advances received on construction contracts (Note 20)	-	-	903,855	2,809,701
Retention on construction contract (Note 16)	170,172	-	2,952,651	2,183,980

- (a) The Group recognised losses on contract work-in-progress amounting to \$1,718,872 (2009: \$1,603,590) arising from a China subsidiary, Shanghai XianDa Industry Equipment Installation Co., Ltd as a result of the discontinuance of its projects in China.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 16 TRADE AND OTHER RECEIVABLES

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Trade receivables				
- Third parties	4,213,463	1,891,930	13,314,637	8,992,028
- Subsidiaries	731,993	913,385	-	-
- Related party	-	-	-	84,487
	<b>4,945,456</b>	<b>2,805,315</b>	<b>13,314,637</b>	<b>9,076,515</b>
Allowance for impairment loss (trade)				
- Third parties (Note 28.1(ii))	(81,975)	(33,789)	(2,148,663)	(2,491,986)
- Related party	(729,246)	(729,246)	-	-
Trade receivables, net	<b>4,134,235</b>	<b>2,042,280</b>	<b>11,165,974</b>	<b>6,584,529</b>
Trade receivables, net	4,134,235	2,042,280	11,165,974	6,584,529
Advance to suppliers	-	-	248,057	956,881
Deposits	50,150	45,127	163,744	257,467
Amount owing by subsidiaries, non-trade	9,142,945	9,713,408	-	-
Amount owing by associates - non-trade	79,957	380,311	79,957	380,311
Retention sum receivables (Note 15)	170,172	-	2,952,651	2,183,980
Unbilled revenue	104,367	128,742	68,367	1,375,205
Interest receivables	160,476	160,609	982	161,096
Other receivables	22,753	205,149	128,258	383,778
Allowance for impairment loss for amount due from related parties (non- trade)	(4,114,979)	(1,258,658)	-	-
	<b>9,750,076</b>	<b>11,416,968</b>	<b>14,807,990</b>	<b>12,283,247</b>

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.

#### Receivables that are impaired

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 16 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Singapore dollars	9,153,589	11,086,976	13,138,151	10,739,223
United States dollars	308,730	11,451	60,635	17,171
Taiwan dollars	-	-	3,248	117,910
Malaysia Ringgit	287,757	-	324,432	353,712
Renminbi	-	318,541	1,281,524	1,055,231
	<b>9,750,076</b>	<b>11,416,968</b>	<b>14,807,990</b>	<b>12,283,247</b>

The amount owing by subsidiaries and associates are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amount of trade and other receivables approximate its fair value.

## 17 FIXED DEPOSITS PLEDGED

### The Company

The fixed deposits earn interest at the rate of 0.33% (2009 – 0.5%) per annum and have been pledged to various banks for banking facilities granted to the Company.

### The Group

The fixed deposits earn interest at the rate of 0.1% - 0.47% (2009 – 0.1% - 0.71%) per annum and have been pledged to various banks for banking facilities granted to the Group (Note 27).

The carrying amount of fixed deposits pledged approximates its fair value.

Fixed deposits pledged are denominated in the following currencies:

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Singapore dollars	725,583	723,335	2,579,232	2,576,231
Malaysia Ringgit	-	-	58,492	56,896
Renminbi	-	-	-	311,173
	<b>725,583</b>	<b>723,335</b>	<b>2,637,724</b>	<b>2,944,300</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 18 FINANCIAL ASSET, FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2010	31.12.2009
	\$	\$
<b>The Group</b>		
Quoted investment, at cost	150,000	150,000
Less: Fair value adjustment	<u>(116,585)</u>	<u>(116,978)</u>
	<b>33,415</b>	<b>33,022</b>
Market value of quoted investment	<u>33,415</u>	<u>33,022</u>

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

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

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

### 19 CASH AND CASH EQUIVALENTS

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Cash and bank balances	<u>1,161,365</u>	945,215	<u>6,462,185</u>	5,203,383

Cash and cash equivalents approximate their fair value.

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2009	31.12.2009
	\$	\$	\$	\$
Singapore dollars	955,968	935,833	5,348,768	4,672,459
United States dollars	203,177	5,619	297,630	26,242
Taiwan dollars	-	-	5,575	9,049
Malaysia Ringgit	-	-	192,492	117,385
Renminbi	-	-	615,500	374,485
Euro	<u>2,220</u>	3,763	<u>2,220</u>	3,763
	<b>1,161,365</b>	945,215	<b>6,462,185</b>	5,203,383



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 20 TRADE AND OTHER PAYABLES

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Trade payables	1,646,073	850,644	9,116,897	6,089,569
Retention payables	–	–	1,002,125	853,162
Amount owing to subsidiaries - trade	7,880,151	5,221,951	–	–
Amount owing to subsidiaries - non-trade	772,413	3,094,550	–	–
Advance payments received	46,677	251,600	968,308	3,061,301
Accruals – directors’ fees	148,500	99,000	148,500	99,000
Accrued operating expenses	140,885	308,747	908,825	1,181,820
Provision for warranty	170,172	–	336,728	–
Provision for over-billing of contract sum	–	–	–	462,773
Other payables	25,039	13,609	126,139	1,097,305
	<b>10,829,910</b>	<b>9,840,101</b>	<b>12,607,522</b>	<b>12,844,930</b>

Included in the Group’s advance payments received are advances received on construction contracts of \$903,855 (2009: \$2,809,701) (Note 15).

Included in accrued operating expenses of the Group in 2009 were provision for warranties related to construction contracts of \$593,400.

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

Non trade amount owing to subsidiaries is interest free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Singapore dollars	10,204,225	9,252,301	9,207,978	8,523,772
United States dollars	–	2,448	72,506	135,517
Taiwan dollars	392,309	501,937	393,257	512,130
Malaysia Ringgit	228,501	4,061	526,649	216,421
Renminbi	–	78,467	2,402,257	3,456,203
Others	4,875	887	4,875	887
	<b>10,829,910</b>	<b>9,840,101</b>	<b>12,607,522</b>	<b>12,844,930</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 21 OBLIGATIONS UNDER FINANCE LEASES

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Minimum lease payments payable:				
Due not later than one year	138,471	742,941	138,471	747,449
Due later than one year and not later than five years	-	212,712	-	212,712
Due later than five years	-	-	-	-
	<b>138,471</b>	<b>955,653</b>	<b>138,471</b>	<b>960,161</b>
Finance charges allocated to future periods	<b>(12,657)</b>	<b>(85,245)</b>	<b>(12,657)</b>	<b>(85,960)</b>
Present value of minimum lease payments	<b>125,814</b>	<b>870,408</b>	<b>125,814</b>	<b>874,201</b>
Present value of minimum lease payments:				
Due not later than one year	125,814	678,603	125,814	682,396
Due later than one year and not later than five years	-	191,805	-	191,805
Due later than five years	-	-	-	-
	<b>125,814</b>	<b>870,408</b>	<b>125,814</b>	<b>874,201</b>

The effective interest rates for the Company and the Group are 2.01% p.a. (2009 – 2.74% p.a.) and 2.01% p.a. (2009 – 2.76% p.a.) respectively.

The amount payable after one year is shown under non-current liabilities whilst the amount payable within one year is shown under current liabilities.

Obligations under finance leases are denominated in Singapore dollars.

Obligations under finance leases approximate their fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 22 BANK BORROWINGS

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Term bank loan (unsecured)	546,397	869,900	546,397	869,900
Bank loan repayable after one year	546,397	869,900	546,397	869,900
	-	(546,397)	-	(546,397)
	546,397	323,503	546,397	323,503

Bank borrowings are denominated in the following currencies:

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Singapore dollars	546,397	869,900	546,397	869,900
	546,397	869,900	546,397	869,900

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

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

Bank borrowings approximate their fair value.

## 23 DEFERRED TAX LIABILITIES

	31.12.2010	31.12.2009
	\$	\$
<b>The Group</b>		
Balance at beginning	187,533	207,752
Transfer to statement of comprehensive income (Note 7)	13,473	(18,152)
Exchange difference on translation	2,331	(2,067)
Balance at end	203,337	187,533

The balance comprises tax on:

Excess of net book value over tax written down value of property, plant and equipment	203,337	187,533
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# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 24 SHARE CAPITAL AND RESERVES

	No. of shares	Share capital \$
<b>Share capital</b>		
Balance as at 31 December 2008	115,987,400	10,802,968
Issue of shares by way of rights issues	232,498,800	6,974,964
Share issue expenses written off to right issue expense account	–	(245,023)
Conversion of warrants to ordinary shares	<u>262,000</u>	<u>44,540</u>
Balance as at 31 December 2009	348,748,200	17,577,449
Conversion of warrants to ordinary shares	<u>34,940</u>	<u>3,145</u>
Balance as at 31 December 2010	<u>348,783,140</u>	<u>17,580,594</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares and with no restrictions.

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.

On 19 July 2007, the Company allotted 14,397,767 warrants at an issue price of \$0.13 for each warrant. Each warrant entitles the warrant holder to subscribe for one (1) new ordinary share. The warrants have an exercise period of 3 years from 19 January 2007 to 18 January 2010. In addition, pursuant to the rights issue in year 2009, the number of warrants was adjusted in accordance with the terms of the deed poll and the number of warrant increased from 13,330,767 to 25,877,257 and at an issue price of S\$0.09. The number of outstanding warrants as of 31 December 2009 and 18 January 2010 is 25,877,257 and nil respectively. During the financial year, 34,940 warrants were exercised at an issue price of S\$0.09. The warrants expired on 18 January 2010.

### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency translation differences arising from translation of the financial statements of foreign operations.

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS

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 the related parties on terms agreed between the parties concerned:

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Year ended 31.12.2010	Year ended 31.12.2009
	\$	\$
<b>The Company</b>		
Purchases from subsidiaries	<b>(5,620,350)</b>	<b>(3,453,414)</b>
Sales to subsidiaries	<b>13,665</b>	<b>2,995</b>
Interest on loan to substantial shareholders	-	<b>(230,833)</b>
Management fees from subsidiaries	<b>702,485</b>	<b>836,724</b>
<b>The Group</b>		
Purchase of motor vehicles from related parties	-	<b>(461,309)</b>
Interest on loan to substantial shareholders	-	<b>(230,833)</b>
Bad debt written off for an amount due from an associated company	<b>203,159</b>	-

## 26 OPERATING COMMITMENTS (NON-CANCELLABLE)

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

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

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Not later than one year	<b>139,002</b>	129,660	<b>475,581</b>	416,936
Later than one year and not later than five years	<b>27,075</b>	43,479	<b>298,357</b>	195,659

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

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

At the statement of financial position date, the Company and the Group were entitled to receive the following lease rental income under non-cancellable operating leases for its warehouse properties:

	The Company		The Group	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	\$	\$	\$	\$
Not later than one year	-	5,600	<b>13,308</b>	30,300
Later than one year and not later than five years	-	-	-	<b>13,308</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 27 CONTINGENT LIABILITIES

### Legal claim

- (i) A subcontractor had in 2006 commenced a lawsuit claiming for \$104,606 against a subsidiary for costs arising from the works carried out in respect of a particular project. The subsidiary had in turn initiated a counterclaim of \$95,885 against the subcontractor for what it believed to be sub-standard work by the subcontractor. The court had reviewed the merits of the first case and based on a partial judgment, the court had awarded a preliminary judgement for a sum of \$84,556 to the subcontractor. This amount of \$84,556 had been paid by the subsidiary in prior year.

For strategic reasons, the subsidiary had not pursued the counterclaim fully through the legal system as it believed that an out of court settlement would be more advantageous. Given this reason as well as there being no final judgment on the subcontractor's claim, there is uncertainty over the outcome of the claim and the Company's counterclaim. Nevertheless, the management is of the opinion that there should not be any more negative outcome. Accordingly no provision was made in the financial statements.

- (ii) A subsidiary had entered into an agreement to settle the outstanding amount of \$1,750,468 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 \$437,617. In respect of the balance of \$51,312,851, a sum of \$437,617 was paid to the suppliers during 2009.

On 17 December 2010, the suppliers collectively agreed that the remaining amount of \$ 875,234 is to be settled by the assignment of debts owing by the customers. The assignment of debts was executed by 2 representatives appointed by the suppliers and payment is over 4 tranches straddling over 4 financial years commencing 2010.

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. Accordingly, the subsidiary has assessed that any further cash outflow relating to this matter to be unlikely. Consequently, no provision of the remaining sum is made in the financial statements.

### Guarantees

#### The Company and the Group

- (i) The Company in the normal course of business, issued letters of indemnities to various customers for warranty on the exhaust systems installed.
- (ii) The Company has given guarantee to banks for subsidiaries in connection with bank loans and bank facilities granted to subsidiaries amounting to \$6,959,372 (2009: \$6,174,819). No liability is expected to arise from the guarantee given.
- (iii) A subsidiary has provided banker's guarantee amounting to \$976,823 (2009: \$4,231,971) to third parties for performance of contracts at the statement of financial position date. The above facility is secured by the subsidiary's freehold property with carrying value of \$452,424 (2009: \$473,490), fixed deposits of \$1,638,000 (2009: \$2,038,000), quoted investments with market value of \$33,415 (2009: \$33,022) and it is also secured by a corporate guarantee for \$4,070,000 executed by the Company as mentioned in preceding paragraph.

### Financial support given to subsidiary companies

#### The Company

The Company has given letters of financial support in proportion to its shareholdings for certain subsidiary companies to continue to operate as going concern and to meet their respective obligations as and when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 28 FINANCIAL RISK MANAGEMENT

The Group and the Company is 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.

### 28.1 Credit risk

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

For trade and other receivables, the Group's policy is to deal with creditworthy counterparties and/or obtaining sufficient rental deposits or bankers' guarantees, where appropriate, to mitigate credit risk. In addition, these receivables are monitored closely on an ongoing basis. The Group is not exposed to any significant concentration of credit risk, except approximately 17% of the Group's trade receivables were due from one major customer who is located in Singapore at the statement of financial position date.

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

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets in the statements of financial position.

#### Credit risk concentration profile

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

	2010	2010	2009	2009
	\$	%	\$	%
<b>The Group</b>				
<b>By country:</b>				
Singapore	9,971,888	89%	5,684,055	86%
People's Republic of China	1,194,086	11%	883,728	13%
Republic of China (Taiwan)	-	-	16,746	1%
	<b>11,165,974</b>	<b>100%</b>	<b>6,584,529</b>	<b>100%</b>
<b>By segment:</b>				
Manufacturing	5,072,129	45%	2,384,310	36%
Engineering services	4,859,361	44%	3,001,773	46%
Distribution & services	1,234,484	11%	1,198,446	18%
	<b>11,165,974</b>	<b>100%</b>	<b>6,584,529</b>	<b>100%</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 28.1 CREDIT RISK (CONT'D)

- (i) Financial assets that are past due but not impaired

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

	2010	2009
	\$	\$
<b>The Group</b>		
Trade receivables past due:		
One month or less	4,227,197	1,500,480
More than one but less than two months	1,509,709	1,399,891
More than two but less than three months	781,680	211,477
More than three months but less than one year	1,501,545	919,222
More than one year	343,348	976,581

These receivables are unsecured.

- (ii) Financial assets that are past due and impaired

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

	2010	2009
	\$	\$
<b>The Group</b>		
Gross amount	2,148,663	2,491,986
Less: Allowance for impairment	(2,148,663)	(2,491,986)
	-	-
Movement in allowance for impairment:		
At beginning of the year	2,491,986	1,272,526
Current year allowance	258,492	1,370,515
Exchange differences	(109,624)	(73,816)
Allowance written back	(467,108)	(35,024)
Allowance written back in other income	(25,083)	-
Bad debts written off	-	(42,215)
At end of year	2,148,663	2,491,986

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 that there are objective evidence that these financial assets are impaired.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 28.2 FOREIGN EXCHANGE RISK

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

Sensitivity analysis for foreign currency risk

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

		2010	2009
		\$	\$
		Profit	Profit
<b>The Group</b>			
USD/SGD	–strengthened 5% (2009: 5%)	11,859	(3,822)
	–weakened 5% (2009: 5%)	(11,859)	3,822
NTD/SGD	–strengthened 5% (2009: 5%)	(16,281)	20,430
	–weakened 5% (2009: 5%)	16,281	(20,430)
RM/SGD	–strengthened 5% (2009: 5%)	2,459	13,051
	–weakened 5% (2009: 5%)	(2,459)	(13,051)
AED/SGD	–strengthened 5% (2009: 5%)	(5,729)	(5,729)
	–weakened 5% (2009: 5%)	5,729	5,729

## 28.3 INTEREST RATE RISK

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

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

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

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

Sensitivity analysis for interest rate risk

At the statement of financial position date, if SGD interest rates had been 75 basis points lower/higher with all other variables held constant, the Group's profit and loss would have been \$4,095 lower/higher, arising mainly as a result of lower/higher interest expense on floating loans and borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 28.3 INTEREST RATE RISK (CONT'D)

In respect of interest-bearing financial assets the following table indicates their effective interest rates at statement of financial position date:-

	Note	Effective interest rate %	Total \$'000	Less than 1 year \$'000	1 to 5 years \$'000
<b>The Company and the Group</b>					
<b>31 December 2010</b>					
<b>Financial liabilities</b>					
Bank borrowings	22	5.00	546	546	-
<b>31 December 2009</b>					
<b>Financial liabilities</b>					
Bank borrowings	22	5.00	870	324	546

### 28.4 MARKET RISK

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

The Group's market risk is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 28.5 LIQUIDITY RISK

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

The Group and the Company monitor their 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.

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:

	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
	\$	\$	\$	\$
<b>The Group</b>				
<b>As at 31 December 2010</b>				
<b>Financial assets:</b>				
Trade and other receivables	14,807,990	-	-	14,807,990
Fixed deposits pledged	2,637,724	-	-	2,637,724
Financial asset, fair value through profit or loss	33,415	-	-	33,415
Cash and bank balances	6,462,185	-	-	6,462,185
<b>Financial liabilities:</b>				
Trade and other payables	12,607,522	-	-	12,607,522
Obligations under finance leases	125,814	-	-	125,814
Bank borrowings	546,397	-	-	546,397
<b>As at 31 December 2009</b>				
<b>Financial assets:</b>				
Trade and other receivables	12,283,247	-	-	12,283,247
Fixed deposits pledged	2,944,300	-	-	2,944,300
Financial asset, fair value through profit or loss	33,022	-	-	33,022
Cash and bank balances	5,203,383	-	-	5,203,383
<b>Financial liabilities:</b>				
Trade and other payables	12,844,930	-	-	12,844,930
Obligations under finance leases	682,396	210,748	-	893,144
Bank borrowings	323,503	546,397	-	869,900

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 28.5 LIQUIDITY RISK (CONT'D)

	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
	\$	\$	\$	\$
<b>The Company</b>				
<b>As at 31 December 2010</b>				
<b>Financial assets:</b>				
Trade and other receivables	9,750,076	–	–	9,750,076
Fixed deposits pledged	725,583	–	–	725,583
Cash and bank balances	1,161,365	–	–	1,161,365
<b>Financial liabilities:</b>				
Trade and other payables	10,829,910	–	–	10,829,910
Obligations under finance leases	125,814	–	–	125,814
Bank borrowings	546,397	–	–	546,397
<b>As at 31 December 2009</b>				
<b>Financial assets:</b>				
Trade and other receivables	11,416,968	–	–	11,416,968
Fixed deposits pledged	723,335	–	–	723,335
Cash and bank balances	945,215	–	–	945,215
<b>Financial liabilities:</b>				
Trade and other payables	9,840,101	–	–	9,840,101
Obligations under finance leases	678,603	210,590	–	889,193
Bank borrowings	323,503	546,397	–	869,900

### 29 CAPITAL MANAGEMENT

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

The Group manages the capital structure and makes adjustments to it accordingly 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%.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 29 CAPITAL MANAGEMENT (CONT'D)

	2010	2009
	\$	\$
<b>The Group</b>		
Net debt	6,691,734	8,511,447
Total equity	<u>17,763,125</u>	<u>16,690,188</u>
Total Capital	<u>24,454,859</u>	<u>25,201,635</u>
Gearing ratio	<u>27%</u>	<u>34%</u>

The Group and Company are in compliance with all loan covenants for the financial year ended 31 December 2010.

## 30 STATEMENT OF OPERATIONS BY SEGMENTS

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

### Manufacturing

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

### Engineering services

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

### Distribution & services

Distribution relates to revenue generated from the distribution of the Metu-System, a ducting joint system for the installation and fitting of exhaust systems in Singapore and Malaysia; Phoenix Controls System, a critical airflow control system in Singapore, Malaysia and Taiwan; ClorDisys Chlorine Dioxide Decontamination Systems and Individual Ventilated Caging Systems to laboratories, animal facilities and research centres.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 30.1 (a) BUSINESS SEGMENTS

Financial year ended 31 December 2010

	Manufacturing	Engineering services	Distribution & services	Total
	\$	\$	\$	\$
<b>REVENUE</b>				
Total Segment	18,051,565	28,349,475	2,116,302	48,517,342
Less: Inter-segment	(5,634,015)	(361,857)	–	(5,995,872)
External sales	12,417,550	27,987,618	2,116,302	42,521,470
<b>RESULTS</b>				
Segment results	255,332	1,211,625	82,210	1,549,167
Finance costs	(63,092)	–	(4,882)	(67,974)
Unallocated finance costs				(39,930)
Share of associated companies' results				(73,465)
Taxation				(304,963)
Non controlling interests				–
Net profit attributable to shareholders				1,062,835
<b>ASSETS</b>				
Segment assets	15,679,298	15,660,374	1,752,805	33,092,477
Unallocated corporate assets				1,886,947
Total assets				34,979,424
<b>LIABILITIES</b>				
Segment liabilities	4,790,134	11,152,093	660,892	16,603,119
Unallocated corporate liabilities				613,180
Total liabilities				17,216,299
<b>OTHER INFORMATION</b>				
Capital expenditure	142,040	21,970	3,676	167,686
Depreciation	1,101,199	154,762	168,562	1,424,523
Loss/(gain) on disposal of property, plant and equipment	5,601	(74,780)	–	(69,179)
Property, plant and equipment written off	138,637	15,531	–	154,168
Allowance for impairment loss on receivables	419,084	(158,842)	29,949	290,191
Bad debts written off	203,159	–	–	203,159
Impairment loss recognised on property, plant and equipment	(87,383)	(47,346)	157,099	22,370

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 30.1 (a) BUSINESS SEGMENTS (CONT'D)

Financial year ended 31 December 2009

	Manufacturing	Engineering services	Distribution & services	Total
	\$	\$	\$	\$
<b>REVENUE</b>				
Total Segment	7,699,650	37,269,954	2,703,440	47,673,044
Less : Inter-segment	(2,586,990)	(982,996)	(139,080)	(3,709,066)
External sales	5,112,660	36,286,958	2,564,360	43,963,978
<b>RESULTS</b>				
Segment results	(4,394,281)	(3,088,188)	(376,895)	(7,859,364)
Finance costs	(161,620)	(12,487)	(1,363)	(175,470)
Unallocated finance costs				(255,744)
Share of associated companies' results				2,894
Taxation				(347,414)
Non controlling interests				128,055
Net loss attributable to shareholders				(8,507,043)
<b>ASSETS</b>				
Segment assets	16,232,812	15,336,028	1,940,189	33,509,029
Unallocated corporate assets				1,668,550
Total assets				35,177,579
<b>LIABILITIES</b>				
Segment liabilities	5,470,798	11,974,284	539,217	17,984,299
Unallocated corporate liabilities				503,092
Total liabilities				18,487,391

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

### 30.1 (a) BUSINESS SEGMENTS (CONT'D)

Financial year ended 31 December 2009

	Manufacturing	Engineering services	Distribution & services	Total
	\$	\$	\$	\$
<b>OTHER INFORMATION</b>				
Capital expenditure	139,986	505,366	15,497	660,849
Depreciation	1,317,519	222,857	208,752	1,749,128
Gain on disposal of property, plant and equipment	–	(6,767)	–	(6,767)
Property, plant and equipment written off	4,685	4,140	–	8,825
Allowance for impairment loss on receivables	258,456	1,057,035	20,000	1,335,491
Recognised losses on contract work-in-progress	–	1,603,590	–	1,603,590
Bad debts written off	19,778	57	–	19,835
Impairment loss recognised on property, plant and equipment	176,936	58,828	39,748	275,512
Recognised losses on completed project	–	541,055	–	541,055

### 30.1 (b) GEOGRAPHICAL SEGMENTS

	2010	2009
	\$	\$
<b>Revenue</b>		
Singapore	<b>40,087,988</b>	42,013,723
People's Republic of China	<b>2,398,451</b>	1,683,034
Republic of China (Taiwan)	<b>35,031</b>	267,221
	<b>42,521,470</b>	43,963,978

The following table shows the assets by geographical area as at 31 December 2010:

	2010	2009
	\$	\$
<b>Total assets</b>		
Singapore	<b>28,052,404</b>	26,591,850
Malaysia	<b>2,467,404</b>	3,012,944
People's Republic of China	<b>4,450,794</b>	5,339,884
Republic of China (Taiwan)	<b>8,823</b>	232,901
	<b>34,979,425</b>	35,177,579



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2010

## 31 FINANCIAL INSTRUMENTS

### Fair value

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

### Fair value of financial assets and financial liabilities

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

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

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Group does not have financial instruments recorded at fair value except a financial asset under fair value through profit or loss category amounting to \$33,415 (2009: \$33,022). Other financial instruments such as loans and receivables that are recorded at amortized cost are excluded from the fair value hierarchy disclosure.

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

## 32 SUBSEQUENT EVENT

On 2 February 2011, the Company entered into a Sale and Purchase Agreement with a third party for the sale of its leasehold property for a cash consideration of \$705,000. This transaction is expected to be completed in April 2011.

## 33 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 15 March 2011.

## SHAREHOLDINGS STATISTICS

As at 16 March 2011

Number of issued shares : 348,783,140  
Class of shares : Ordinary shares  
Voting rights : One vote per share

### DISTRIBUTION OF SHAREHOLDINGS AS AT 16 MARCH 2011

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	19	2.70	1,798	0.00
1,000 - 10,000	187	26.56	1,159,675	0.33
10,001 - 1,000,000	463	65.77	56,856,626	16.30
1,000,001 and above	35	4.97	290,765,041	83.37
<b>Total</b>	<b>704</b>	<b>100.00</b>	<b>348,783,140</b>	<b>100.00</b>

### LIST OF 20 LARGEST SHAREHOLDERS AS AT 16 MARCH 2011

No.	Name	No. of shares	%
1	TAT HONG CAPITAL PTE LTD	94,500,000	27.09
2	DMG & PARTNERS SECURITIES P L	48,190,000	13.82
3	LOH TOH YONG	32,800,000	9.40
4	SENG SOON HIANG	15,212,541	4.36
5	WONG KOK CHYE	6,822,000	1.96
6	CHANG CHEN YU	6,698,000	1.92
7	YUEN CHEE KIN	6,469,000	1.85
8	HUANG LING JUNG	6,235,000	1.79
9	OCBC SECURITIES PRIVATE LTD	6,222,000	1.78
10	DAIWA CAPITAL MKTS S'PORE LTD	6,000,000	1.72
11	NG KAH HOCK	5,767,000	1.65
12	TAN CHOW KHONG	5,342,000	1.53
13	LAW CHWEE KIAT	5,035,500	1.44
14	RAMESH S/O PRITAMDAS CHANDIRAMANI	4,000,000	1.15
15	KIM ENG SECURITIES PTE. LTD.	3,547,000	1.02
16	HSBC (SINGAPORE) NOMS PTE LTD	3,357,000	0.96
17	GAY SOON WATT	3,124,000	0.90
18	LOH YIH	2,900,000	0.83
19	UNITED OVERSEAS BANK NOMINEES	2,776,000	0.80
20	DBS NOMINEES PTE LTD	2,566,000	0.74
	<b>TOTAL</b>	<b>267,563,041</b>	<b>76.71</b>

# SHAREHOLDINGS STATISTICS

As at 16 March 2011

## SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2011

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

### Notes:

<sup>(1)</sup> Mr Ho Ta-Huang is deemed to be interested in the 45,583,000 held by Chern Dar Enterprise Co. Ltd.

<sup>(2)</sup> Chern Dar Enterprise Co. Ltd's shares are held in the name of a nominee.

## PUBLIC FLOAT

Based on information available to the Company as at 16 March 2011, approximately 48.45% 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, Section B: Rules of Catalist has been complied with.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Orchid Country Club, 1 Orchid Club Road, Ruby Suite, Singapore 769162 on Friday, 29 April 2011 at 10.00 a.m., to transact the following business: -

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2010 together with the reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To re-elect Mr Tan Hup Foi @ Tan Hup Hoi, a Director retiring under Article 89 of the Articles of Association of the Company.

Mr Tan Hup Foi @ Tan Hup Hoi will, upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited, Section B: Rules of Catalyst. **(Resolution 2)**

3. To re-elect Mr Tan Chee Meng William, a Director retiring under Article 88 of the Articles of Association of the Company. **(Resolution 3)**

4. To re-elect Mr Teo Beng Teck, a Director retiring under Article 88 of the Articles of Association of the Company. **(Resolution 4)**

5. To re-elect Mr See Yen Tarn, a Director retiring under Article 88 of the Articles of Association of the Company.

Mr See Yen Tarn will, upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited, Section B: Rules of Catalyst. **(Resolution 5)**

6. To approve payment of Directors' Fee of S\$148,500 for the financial year ended 31 December 2010 (2009: \$99,000). **(Resolution 6)**

7. To re-appoint PKF-CAP LLP as auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 7)**

### Note:

In relation to the retirement of Directors by rotation at the forthcoming Annual General Meeting, BG(Ret) Law Chwee Kiat is also due to retire by rotation but has given notice to the Company that he does not wish to be re-elected to office thereat.

## SPECIAL BUSINESS

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

### 8. Authority to allot and issue shares

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

- (i) issue ordinary shares in the capital of the Company (the “Shares”) whether by way of rights, bonus or otherwise; and/ or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors in their absolute discretion deem fit;

## NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority 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 100% of the total number of issued Shares, excluding treasury shares, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 50% of the total number of issued Shares excluding treasury shares, and for the purpose of this resolution, the total number of issued Shares excluding treasury shares shall be the Company's total number of issued Shares excluding treasury shares at the time this resolution is passed, after adjusting for:
- (a) new Shares arising from the conversion or exercise of convertible securities;
- (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
- (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (ii) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST or the Sponsor of the Company) and the Articles of Association for the time being of the Company; and
- (iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

**(Resolution 8)**  
**(See Explanatory Note 1)**

### 9. Renewal of the Share Buy Back Mandate

"That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
- (i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited ("SGX-ST"); and/or
- (ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

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

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

## NOTICE OF ANNUAL GENERAL MEETING

- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next annual general meeting of the Company is held or is required by law to be held;
  - (ii) the date on which the share buy back is carried out to the full extent mandated; or
  - (iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked;

- (d) for purposes of this Resolution:

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

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

- (i) in the case of a Market Purchase: 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

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

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

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

**(Resolution 9)**  
**(See Explanatory Note 2)**

### 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 issue and allot from time to time such number of fully-paid up shares as may be required to be issued and allotted pursuant to the vesting of the awards under the Plan provided that the aggregate number of shares to be issued and allotted pursuant to the Plan shall not exceed 15% of the Company’s issued share capital of the Company on the day preceding the date of grant of awards (excluding treasury shares) ”

**(Resolution 10)**  
**(See Explanatory Note 3)**

# NOTICE OF ANNUAL GENERAL MEETING

## ANY OTHER BUSINESS

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

By Order of the Board

**Goh Tcheng Hion**  
Company Secretary  
Singapore, 14 April 2011

## Explanatory Notes on Special Business to be transacted: -

1. The Ordinary Resolution 8, if passed, will empower the Directors of the Company from the date of the above Meeting until the next annual general meeting to issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate 100 per cent of the total number of issued Shares excluding treasury shares of the Company, of which the total number of Shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50 percent of the total number of issued Shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. The Rules of Catalist currently provide that the total number of issued Shares excluding treasury shares of the Company for this purpose shall be the total number of issued Shares excluding treasury shares at the time this resolution is passed (after adjusting for new Shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares). This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting of the Company.
2. Resolution 9, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next annual general meeting is to be held or is required by law to be held, whichever is the earlier, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 8 per cent of the total number of issued Shares excluding any Shares which are held as treasury shares of the Company at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate are set out in greater detail in the Addendum accompanying this Notice.
3. Resolution 10, 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 issue and allot shares in the Company pursuant to the Share Plan, provided that the aggregate number of shares to be issued and allotted shall not exceed 15 percent of the total number of issued shares excluding treasury shares in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution.

## Notes:

1. A Depositor's name must appear on the Depository Register not less than 48 hours before the time of the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead and any such proxy need not be a member of the Company.
3. The instrument appointing a proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting.

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## PROXY FORM

# LINAIR TECHNOLOGIES LIMITED

Registration No. 199505699D

(Incorporated in the Republic of Singapore)

### IMPORTANT:

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

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

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

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

and/or [delete as appropriate]

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as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at **Orchid Country Club, 1 Orchid Club Road, Ruby Suite, Singapore 769162** on Friday, 29 April 2011 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, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Ordinary Resolutions	For*	Against*
1.	To receive and adopt the Audited Financial Statements for the year ended 31 December 2010 together with the reports of the Directors and the Auditors thereon.		
2.	To re-elect Mr Tan Hup Foi @ Tan Hup Hoi, a Director retiring under Article 89 of the Articles of Association of the Company.		
3.	To re-elect Mr Tan Chee Meng William, a Director retiring under Article 88 of the Articles of Association of the Company.		
4.	To re-elect Mr Teo Beng Teck, a Director retiring under Article 88 of the Articles of Association of the Company.		
5.	To re-elect Mr See Yen Tarn, a Director retiring under Article 88 of the Articles of Association of the Company.		
6.	To approve payment of Directors' Fee of S\$148,500 for the financial year ended 31 December 2010.		
7.	To re-appoint PKF-CAP LLP as Auditors of the Company and to authorize Directors to fix their remuneration.		
<b>Special Business</b>			
8.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		
9.	To renew the share buy back mandate.		
10.	To renew the Linair Performance Bonus Share Plan.		

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

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

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

**IMPORTANT: PLEASE READ NOTES FOR PROXY FORM**

**IMPORTANT: PLEASE READ NOTES FOR PROXY FORM**

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, must be deposited at the registered office of the Company at the Registered Office at 110 Paya Lebar Road, #04-01 Singapore Warehouse, Singapore 409009, not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

# CORPORATE INFORMATION

<b>Directors</b>	BG (Ret) Law Chwee Kiat Ho Ta-Huang Ong Chin Lin Leong Horn Kee Tan Hup Foi @ Tan Hup Hoi Tan Chee Meng William (appointed on 01.08.2010) Teo Beng Teck (appointed on 01.08.2010) See Yen Tarn (appointed on 01.08.2010)
<b>Audit Committee</b>	Ong Chin Lin ( <i>Chairman</i> ) BG (Ret) Law Chwee Kiat Ho Ta-Huang Tan Hup Foi @ Tan Hup Hoi See Yen Tarn (appointed on 01.08.2010)
<b>Nominating Committee</b>	BG (Ret) Law Chwee Kiat ( <i>Chairman</i> ) Ong Chin Lin Teo Beng Teck (appointed on 01.08.2010)
<b>Remuneration Committee</b>	BG (Ret) Law Chwee Kiat ( <i>Chairman</i> ) Ong Chin Lin Ho Ta-Huang Leong Horn Kee
<b>Company Secretary</b>	Goh Tcheng Hion (appointed on 03.12.2010)
<b>Bankers</b>	United Overseas Bank Limited Malayan Banking Berhad
<b>Auditors</b>	PKF-CAP LLP 146 Robinson Road #08-01 Singapore 068909
<b>Partner-In-Charge</b>	Lee Eng Kian (with effect from financial year ended 2008)
<b>Share Registrar</b>	KCK CorpServe Pte Ltd. 333 North Bridge Road #08-00 KH KEA Building Singapore 188721
<b>Company registration number</b>	199505699D
<b>Registered office</b>	110 Paya Lebar Road #04-01 Singapore Warehouse Singapore 409009 Tel: (65) 6757 5310 Fascimile: (65) 6757 5319 Registration No: 199505699D Coporate Website: <a href="http://www.linair.com.sg">http://www.linair.com.sg</a>

**LINAIR TECHNOLOGIES LIMITED**

110 Paya Lebar Road,  
#04-01 Singapore Warehouse,  
Singapore 409009

Tel: (65) 6757 5310  
Fax: (65) 6757 5319

[www.linair.com.sg](http://www.linair.com.sg)