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VISION

We envision being a preferred GLOBAL One-Stop Solutions Provider for Integrated Mechanical Components.

MISSION

We deliver our vision by being a LONG-TERM partner to our customers with the provision of QUALITY products, COMPETITIVE pricing, ON-TIME delivery and RESPONSIVE service through continuous investment in technology and active involvement in customer product development.

CORE VALUES

We aim to be a corporateSOCIALY-RESPONSIBLEcitizen by REDUCING, RECYCLING and RE-USING relevant resources in order to be accountable to the environment.

We aim to be a PEOPLE DEVELOPER by inculcating a sense of affiliation and belonging amongst the management and workers. We value PEOPLE AS ASSETS and will continuously provide an environment of personal learning and upgrading.
metallic

elastomeric

polymeric
CHAIRMAN & CEO’S STATEMENT

It is our pleasure to present to our valued shareholders the annual report of HLN Technologies Limited covering our performance for the financial year ended 31 December 2006.

The Group has grown from a 5-company outfit since its IPO in November 2005 to a 13-company team today. We have also grown from a dual product group of Elastomeric molding of rubber parts and Polymeric conversion of foam and plastic materials to include a new complementary business in metallic machining and turning. The Metallic Division contributed its maiden sales in the financial year 2006, paving the pathway for more contribution in the road ahead.

Besides the organic growth, 2006 also marks a significant year of acquisitions for the Group. Some of the notable acquisitions include HLN Promax Pte Ltd and Pri-V International Pte Ltd.

Through HLN Promax, we invested S$494,000 to acquire the fixed assets of Promax Precision Engineering Pte Ltd, a metallic machining company in Singapore. Process Innovation Technology Pte Ltd, a wholly-owned subsidiary of HLN Tech, invested S$540,000 to hold a 60% stake in Pri-V International Pte Ltd. Pri-V possesses the lucrative rights to manufacture brand-identification nameplates for office automation and consumer electronic powerhouse.

From 2007 onwards, the Group will switch its gear from acquisition mode to more of consolidation and augmentation of the expansion done in 2006. However, we do not rule out more acquisitions if the candidates are worthy of consideration.

Group revenue grew 74.1% from S$14.1m to S$24.5m in the current financial year while the gross profit increased from S$7.2m in 2005 to S$8.9 m in 2006. All the three Strategic Business Units, namely; Metallic, Elastomeric and Polymeric, contributed to the Group’s record high revenue.

The Group has spent S$6.1m in capital expenditure in the current financial year. Besides M&A activities, the Group has completed the expansion of the elastomeric production facility in Suzhou, China and the establishment of a new elastomeric factory in Johor, Malaysia to cater to a surge in demand for our precision rubber parts used in consumer electronic products. We have also expanded production capacity in our Polymeric plant in Singapore due to increased orders.

During the year, we declared and paid an interim dividend of S$0.005 per share to our valued shareholders.

Appreciation

There have been some changes to the Board during the year. Mr Chow Kok Kee resigned as Non-Executive Chairman of the Company. In his place, Mr Ng Khoon Seng, our Executive Director, has been appointed Executive Chairman of the Company. Ms Kong Yim Pui, Susan resigned as an Independent Director and we appointed Mr Tang Chi Loong, a practicing lawyer, to the Board as an Independent Director. We have also appointed Mr Joventral P. Santiago, the other Independent Director, as the Company’s Lead Independent Director.

We would like to place on record the Board’s appreciation of both Mr Chow and Ms Susan’s invaluable services and contributions since they were first appointed to the Board.

Moving Forward with 3 Growth Engines

Metallic Division

In 2007, the Metallic division will further increase its production capacity in order to meet anticipated increased demand. We have also established a new subsidiary, HLN Metal Centre Pte Ltd, and an overseas subsidiary, HLN Metal (Shenzhen) Co., Ltd (供应金属（深圳）有限公司) to focus on the precision aluminium sawing and machining business. The Group is confident that its extensive product know-how and wide marketing network will position itself as a Market Leader in Machining Technologies.
Elastomeric Division

The expansion in Suzhou, China and Johor, Malaysia have laid strong foundation to meet anticipated surge in demand from the automotive sector in China as well as the consumer electronics sector in Malaysia. The Elastomeric division is continuously investing in Research and Development activities for new rubber compound used for unique purposes that will command higher premium and profit margin. Being one of the market leaders in rubber formulation, the Elastomeric Division hopes to springboard from this platform to become a Market Leader in Product Functioning Technologies.

Polymeric Division

The Polymeric division has completed its capacity expansion in 2006. Through the newly acquired company, Pri-V International Pte Ltd and its production arm in Johor, Malaysia, the Group has gained in-road into the lucrative intellectual property business. Name-plate manufacturing is a form of intellectual property business as it involves differentiating customer products from their competitors. Moreover, there is a piece of adhesive at the back of every name-plate. Such vertical integration not only provides the Polymeric division with a value-added manufacturing opportunity but also strengthens its vision of being a Market Leader in Converting Technologies.

In all, the Group is confident that it will ride on the three main cylinders of growth and propel the Group toward better and profitable years ahead.

On behalf of the Board, we would like to thank our valued stakeholders, namely; shareholders, customers, suppliers, fellow directors and staff for the strong support and contribution and we certainly look forward to your continued support in the years ahead.

Ng Khoon Seng
Executive Chairman

Wa Kok Liang, Leslie
Chief Executive Officer
Mr Ng Khoon Seng, 50, was appointed Executive Chairman of our Company on 27 November 2006. He has been our Executive Director since its incorporation on 26 February 2004 (date of last re-election: 21 April 2006). As the Executive Chairman, Mr Ng’s role is to manage the Board, to ensure timely and accurate flow of information between the Management and the Board, to encourage constructive relations among the directors and to promote harmonious relations with the shareholders. Mr Ng schedules Board meetings, prepares Board agendas and ensures compliance with the Group’s corporate governance. He also oversees the Group’s corporate governance and serves as a member of the Nominating and Remuneration Committees.

Together with the CEO, Mr Wa Kok Liang, Leslie, Mr Ng is responsible for making key decisions on the management and operations of the Group. Mr Ng is responsible for overseeing the production operations of our Group’s business units in Singapore, Malaysia, Indonesia and the PRC and for ensuring that optimal production efficiency is achieved. Being in charge of the production operations of our Group, Mr Ng is also responsible for the production planning and strategic production decision making of our Group. Mr Ng is also responsible for the maintenance of relations with certain of our Group’s key customers. Mr Ng also manages the Group’s Polymeric Business Unit. He has more than 28 years of experience in the stamping and die-cutting industry.

Mr Ng is also a non-executive director of Pro-stamping Industrial, a company engaged in providing subcontracting services for the commissioning of printed circuit boards, which he founded in March 1992 together with his family members. From May 2003 to June 2004, Mr Ng was the owner of Pro-stamping Enterprise, a sole proprietorship engaged in the business of stamping printed circuit boards. From August 1981 to January 1990, Mr Ng has worked as a senior supervisor and technician in metal stamping industry. Mr Ng holds a Diploma in Business Efficiency and Productivity (Production Management) from the NP Institute for Productivity Training.

As at 31 December 2006, Mr Ng holds 8,597,040 shares (including deemed interest) in HLN Technologies, representing 8.77% of the Company’s total shares issued.

Mr Hein Ke Long, Henry, 51, was appointed as a Director and the Vice Chairman of our Company on 5 March 2004 (date of next re-election: 23 April 2007) and became our Executive Director on 23 March 2006. Mr Hein serves as a member of the Audit Committee.

Mr Hein also manages the Group’s Metallic Business Unit which was established in January 2006 to augment the Group’s focus into the metallic sector as part of the Group’s expansion plan. He was a non-executive Director of Innovations Precision Limited, a company listed on the SGX Main Board, engaged in the production of high precision turned parts and components, metal components machining, plating services and the assembly of rubber rollers and mechanical devices from February 2004 to November 2004 and an executive director from June 1998 to January 2004. As an executive director of Innovations Precision Limited, Mr Hein was responsible for the strategic marketing and sales functions of the group. Mr Hein has more than 23 years of experience in the precision engineering industry. From December 1981 to January 1997, Mr Hein was an executive director and then the Managing Director of TNH Metal Pte Ltd. Mr Hein left TNH Metal Pte Ltd in January 1997. In June 1998, Mr Hein founded Innovations Precision Limited and became its Executive Director.

Mr Wa Kok Liang, Leslie, 38, was appointed as an Executive Director and the Chief Executive Officer of our Company since its incorporation on 26 February 2004 (Date of last re-election: 21 April 2006). As our CEO, Mr Wa is responsible for our Group’s strategic marketing, financial planning and market development. He has been spearheading the expansion and growth of our Group, including the expansion of our Group’s production facilities and services in the region and in the PRC. He is overall responsible for the performance of the Group.

He also manages the Group’s Elastomeric Business Unit. Mr Wa has more than 10 years of experience in the elastomeric and polymeric products industry. Following his graduation in 1995, Mr Wa joined HLN Rubber in November 1995 as a Business Development Manager. He subsequently became the managing director of HLN Rubber. Mr Wa holds a MBA (International Management) degree and a Bachelor of Business in Business Administration degree from the RMIT University, Australia. Mr Wa also holds a Diploma in Business Administration from the Singapore Polytechnic, an Associate Degree in Rubber Technology from the Akron University, USA. Mr Wa has been a member of the Plastics and Rubber Institute of Singapore since April 2004 and a member of the Singapore Institute of Director since May 2006. He is voted amongst the Finalist for Rotary-ASME Entrepreneur of the Year Award 2006.

As at 31 December 2006, Mr Wa holds 4,105,000 shares (including deemed interest) in HLN Technologies, representing 4.19% of the Company’s total shares issued.

Mr Jovenal R. Santiago, 69, was appointed as an Independent Director of our Company on 30 September 2005 (Date of last re-election: 21 April 2006). Mr Santiago also serves as the Chairman of the Audit and Nominating Committees and as a member of the Remuneration Committee. He also holds directorships in other Singapore listed companies namely: Fastech Synergy Ltd, Ionics EMS, Inc., Giant Wireless Technology Ltd and Willas-Array Electronics (Holdings) Ltd.

A Certified Public Accountant, Mr Santiago has more than 40 years of experience in the accounting and auditing profession in Singapore and the Philippines before his retirement in 1998. From 1971 to 1998, he was an audit principal of an international accounting firm in Singapore where he was in charge of audit engagements of a wide portfolio of clients including several public listed companies. Mr Santiago holds a Bachelor of Science degree in Commerce from the University of Santo Tomas, Philippines and a MBA degree from New York University, USA.

As at 31 December 2006, Mr Santiago does not hold any share (including deemed interest) in HLN Technologies.

Mr Tang Chi Loong, 38, was appointed as an Independent Director of our Company on 14 September 2006 (Date of next re-election: 23 April 2007). Mr Tang also serves as the Chairman of the Remuneration Committee and as a member of the Audit and Nominating Committees.

Mr Tang is currently a partner of M’s Hin Tat Augustine and Partners, a law firm established in Singapore. He started his legal career at M’s Choo & Soh in 1995 and became partner in 1998. In 2003, M’s Choo & Soh merged with M’s Hin Tat & Partners to form M’s Hin Tat Augustine and Partners. Mr Tang is a founding member of that firm.

Mr Tang holds a Bachelor of Law (Honours) degree from the National University of Singapore.

As at 31 December 2006, Mr Tang does not hold any share (including deemed interest) in HLN Technologies.
CORPORATE PROFILE

HLN Technologies Limited was incorporated in Singapore on 26 February 2004 and subsequently listed on the SGX-ST on 25 November 2005. We are involved in the manufacture and sale of a wide range of customized precision metallic, elastomeric and polymeric components used in a variety of industries principally in the office automation, consumer electronics and automotive industries.

HLN offers a wide range of industry solutions covering precision rubber components, polymeric die-cutting, precision machined and turned parts, name-plates and aluminium parts in pursuit of our corporate vision to be a one-stop integrated mechanical components provider.

HLN organizes its business structure into three (3) business units and has strong presence in where our customers are located, primarily in South east and North Asia. The 3 business units are:

- Metallic – which provides machining engineering solutions;
- Elastomeric - which provides product functioning technology solutions; and
- Polymeric – which provides converting technology solutions.
Manufacturing facilities of HLN Technologies Limited and its subsidiaries
OPERATING & FINANCIAL REVIEW

OPERATIONS REVIEW

Since our successful IPO on 25 November 2005, we have grown our top line revenue from S$14.1 million in FY 2005 to S$24.5 million in FY 2006. More significantly, we have expanded our product offerings from the existing elastomeric and polymeric products to include metallic products. The metallic business unit, specifically the precision machining and precision turning operations have chalked up its maiden sales of S$4.5 million in FY 2006. Geographically, our manufacturing presence has spread to Johor, Malaysia and Shenzhen, China. Concurrently, we expanded our existing manufacturing capabilities in our Singapore, Batam and Suzhou plants. The Group now comprises 13 entities including the ultimate parent company HLN Technologies Limited.

Revenue

Total sales grew S$10.4 million or 74.1% year-on-year to S$24.5 million in FY2006.

Revenue by Business Segments (%)
- Office Automation: 47%
- Consumer Electronics: 38%
- Automotive: 5%
- Others: 12%

Revenue by Geographical Segments (%)
- South-East Asia: 77%
- North & East Asia: 13%
- US: 4%
- Europe: 5%
- Others: 1%

Total sales grew S$10.4 million or 74.1% year-on-year to S$24.5 million in FY 2006 with sales to the consumer electronics segment contributing approximately S$5.0 million to the increase and the office automation segment about S$3.5 million. In office automation segment which represents approximately 47% (FY 2005: 56%) of our Group sales, our products go into leading office automation products such as printers through reputable contract manufacturers including the Flextronics Group, Cal-Comp Group, Venture Group and Samsung Asia.
We manufacture various parts like bumpers, pads, ink absorbers, rollers and labels used in printers. We also supply motor dampeners used in vacuum cleaners, vibration dampeners and grommet camera cushion used in mobile phones and rubber tubes for coffee makers, to major customers including Philips, Escotec and the Schneider Group under the consumer electronics segment, which is our second largest revenue source contributing approximately 38% of our Group sales in FY 2006 (FY 2005: 31%).

We are primarily Asia based in terms of operations. Sales to our customers in the South East Asia segment represents approximately 77% (FY 2005: 82%) of our Group FY 2006 sales, followed by sales to the North and East Asia segment which contributed another 13% (FY 2005: 14%). Malaysia and Singapore remain our two largest revenue contributors, accounting for 62% (FY 2005: 77%) of our Group FY 2006 sales, followed by sales to the PRC market which has grown 58.0% from S$1.9 million in FY 2005 to S$3.0 million in FY 2006.
Mergers and Acquisition

2006 marked a significant milestone for the Group as it embarked on an expansionary trail. We spent S$6.1 million in capital expenditure toward acquisitions and fixed assets investment.

In the 1st half of 2006, we set up a precision turning operation in Johor, Malaysia serving reputable customers in the memory storage industry. We also acquired a majority stake in a precision machining entity in Singapore serving the defense and consumer electronics sectors. In the 2nd half, we further acquired a majority stake in a reputable name-plate manufacturer based in Johor, Malaysia and subsequently entered into a joint venture agreement to establish our aluminium precision machining business, HLN Metal Centre Pte Ltd. HLN Metal Centre subsequently incorporated a wholly-owned subsidiary in Shenzhen, China and the aluminium machining centre is expected to contribute significantly to the Group’s revenue in FY 2007.

The acquisitions bode well for the Group’s penetration into diversified but complementary business to its existing elastomeric and polymeric operations.

Expanding Manufacturing Capacity

In the 2nd half of 2006, we expanded our elastomeric capacity through establishing another wholly-owned rubber component manufacturing plant in Johor, Malaysia. Our Suzhou plant also relocated to a bigger premise in Suzhou Industrial Park, China. Both expansions were executed in response to our acquisition of new customers in the automotive and consumer electronics arena segments. We also leveraged on new product development capabilities and experienced new business growth in our Polymeric die-cutting division. Hence, we also expanded our die-cutting capabilities with newer and better machines in a bigger location in Singapore.

Customer Confidence and Service Excellence

We continued to acquire new customers in 2006. Our Suzhou plant has already supplied certain rubber parts to a world renowned heavy vehicle manufacturer based in China. Notably, we announced on 14 September 2006 the award of a US$7.5 million contract by a reputable Technology customer in Taiwan and the Company is confident of securing more such contracts moving forward.

We will continue to target high value-added customers and optimize our supply chain capabilities in order to enhance returns on our investments and maximize shareholder value.
FINANCIAL REVIEW

For the financial year ended 31 December 2006, we continued to be profitable, with net profits after tax and minority interest (PATMI) of S$2.84 million. Compared to FY 2005, earnings slid to S$0.67 million because of start-up losses, exchange losses and higher operating expenses.

Although our revenue increased S$10.4 million or 74.1%, our gross profit increased at a lower rate in 2006. While gross profit increased to S$8.9 million or 24.8% (FY 2005: S$7.2 million), gross profit % actually declined to 36.5% (FY 2005: 50.9%) due to higher material and production costs.

In line with higher sales, our sales and distribution costs also increased S$0.35 million or 50.7%. Our administrative expenses also went up S$1.56 million or 79.1% due to higher staff costs and depreciation and office expenses.

Although PATMI declined S$0.67 million, we still generate positive operating cash flow of S$2.0 million in FY 2006 (FY 2005: S$2.6 million). We spent S$6.1 million on capital expenditure, financed partly by bank borrowings. To reward shareholders, we also distributed in aggregate S$1.57 million dividends in FY 2006. Overall, net cash flow declined from S$7.1 million to S$4.4 million as at 31 December 2006. However, our financial position remains strong with current ratio of 1.94 times and company is in net cash position (gross gearing ratio is 15.7%). Our other liquidity indicators such as debtors’ and inventory turnover are in healthy level of 117 and 71 days respectively, which is well within industry standard. In addition, our ROE remains at 20.0%.

Our Growth Focus and Prospects

With our new metallic business unit, we believe the Group has significantly strengthened its competitiveness in terms of market penetration and solutions offered to our customers. Moreover, our strategic geographical spread has allowed us to be nearer to our customers and yet continue to be able to tap on the advantage of cost competitive manufacturing locations in Asia.

We believe our industry outlook is bright and we will continue to enjoy growth in the demand for our products over the next few years due to the increasing trend of MNCs and electronics manufacturers relocating and/or outsourcing their production facilities to regions with competitive costs of production such as South East Asia and the PRC. In addition, the significant increase in the frequency of new product introduction and technical innovation in the consumer electronics industry will bring about an increase in demand for our products.

2007 will be the next milestone period for us to consolidate and integrate our operations across the whole Group. We would also build on our success in our existing markets, especially Malaysia and China, as well as targeting new markets in Europe and the US.

While we expect increasing business costs and competitive market conditions to prevail in FY 2007, we are confident that being a bigger and more diversified Group now, we can better meet these challenges.
HLN supports global manufacturers by supplying parts for their end products
SENIOR MANAGEMENT

Mr Ee Teck Siew, 39, is our Group Financial Controller. He joined the Company on 27 December 2004 and is responsible for the Group’s financial and management reporting, tax planning, system processes and internal controls, treasury and banking matters, mergers and acquisitions and leases on Board and corporate secretarial matters. Mr Ee has more than 13 years of experience in finance and accounting, having worked in various companies mainly involved in manufacturing and distribution. He has also worked overseas in China for more than 4 years. Mr Ee has worked as Group Finance Manager of another Singapore Main Board listed company and held managerial positions in subsidiaries of other listed companies. Mr Ee graduated with a Bachelor degree in Accountancy (2nd class upper) from the Nanyang Technological University in 1994 and has worked as an audit assistant with Deloitte & Touche from 1994 to 1995. He also holds a Specialist Diploma in Supply Chain Management from the Nanyang Polytechnic in 2003. Mr Ee is a non-practising member of the Institute of Certified Public Accountants, Singapore.

Mr Ng Koon Chuan, Francis, 45, is our General Manager and Head of our Polymeric Business Unit. He is responsible for spearheading the Group’s expansion into the metallic segment covering the precision turning, precision machining and aluminium machining businesses. He is also responsible for managing the daily operations of HLN Micron including sales and marketing, sourcing and procurement, production and engineering activities. Mr Ng has more than 23 years of experience in the die casting and precision machining industry, starting as a trainee supervisor to become an executive director in Pioneer Die Casting Industries Pte Ltd from November 1980 to February 2004. He joined HLN Micron on 1 September 2005 and has been instrumental in pioneering the setting up of our precision turning operations in Johor, Malaysia. Mr Ng holds an Advanced Diploma in Business Administration from the Association of Business Executives, UK in March 1991.

Ms Ng Lian Hong, Elsie, 47, is our Senior Operations Manager at Process Innovation. She is responsible for the preparation of the management accounts, human resource management, purchasing and general administration of Process Innovation. Ms Ng is currently also a non-executive director of Pro-Stamping Industrial, a company engaged in providing subcontracting services for the punching of printed circuit boards, which she founded in March 1992 together with her family members including our Executive Chairman, Mr Ng Khoon Seng. Ms Ng holds a Higher Accounting and Business Statistics Certificate from the London Chamber of Commerce and Industry.

Mr Tan Chong Hwa, Christopher, 36, is our General Manager of our Suzhou, PRC operations. He is responsible for the general management and operations of HLN (Suzhou) and for developing our Group’s businesses in East Asia. Mr Tan has more than 10 years of sales and marketing experience. Prior to joining our Group in July 2003, Mr Tan was an assistant sales manager at Nitto Denko (S) Pte Ltd, a company engaged in the manufacture of tapes and electronic components from April 1997 to June 2003. From January 1994 to March 1996, Mr Tan was a sales and marketing executive at Futaba Denishi (S) Pte Ltd, a company engaged in the manufacture of vacuum fluorescent displays. Mr Tan holds a Bachelor of Science degree in Economics and Management from the University of London.

Ms Ng Sock Yin, Yvonne, 34, is our General Manager and Head of our Elastomer Business Unit and General Manager of Batam, Indonesia operations. She is responsible for supervising the daily operations, cost budgeting and customer accounts management of HLN Rubber. Ms Wa is also responsible for ensuring that the overseas subsidiaries of our Group keep to planned sales targets and cost budgets. Ms Wa is also the General Manager of our subsidiary, PT HLN Batam. Ms Wa joined our Group in April 1996 as an accounts executive. She became a marketing manager in July 1999 and the General Manager of HLN Rubber in January 2004. Prior to joining our Group in April 1996, Ms Wa was an assistant accountant at DBS Asset Management Limited, a fund management company from May 1993 to March 1996. Ms Wa holds a Diploma in Accountancy with Merit from Ngee Ann Polytechnic.