

LINAIR TECHNOLOGIES LIMITED

(Registration No: 199505699D)

Full Year Financial Statement Announcement for the year ended 31 December 2013

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS**1(a) (i) Statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	FY2013	FY2012	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	28,665	33,933	(15.52)
Cost of sales	(25,819)	(29,060)	(11.15)
Gross profit	2,846	4,873	(41.60)
Other operating income	1,088	242	N.M.
Administration expenses	(3,772)	(3,999)	(5.68)
Other operating expenses	(2,551)	(3,762)	(32.19)
Finance costs	(47)	(4)	N.M.
Loss before taxation	(2,436)	(2,650)	N.M.
Taxation	(20)	31	N.M.
Loss for the year	(2,456)	(2,619)	N.M.
Other comprehensive loss			
Exchange differences on translating foreign operations	(483)	(72)	
Total comprehensive loss for the year	(2,939)	(2,691)	
Loss attributable to:			
Shareholders of the Company	(2,540)	(2,619)	
Non-controlling interests	84	-	
	(2,456)	(2,619)	
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company	(3,006)	(2,691)	
Non-controlling interests	67	-	
	(2,939)	(2,691)	

The Group's loss before taxation is arrived at after (crediting)/ charging :

	FY2013	FY2012
	S\$'000	S\$'000
Depreciation of property, plant and equipment	505	556
Gain on disposal of property, plant and equipment	(198)	(15)
Impairment of goodwill	708	583
Impairment of property, plant and equipment	-	755
Property, plant and equipment written off	-	13
Allowance for impairment of trade receivables	352	311
Allowance for impairment of trade receivables written back	(336)	(98)
Bad debts recovered	(292)	(111)
Bad debts written off	53	-
Exchange (Gain)/Loss	(374)	63
Interest income	(14)	(18)
Interest expense	47	4
Provision for warranty	-	196
Write back provision for warranty	(202)	-
Amortisation of intangible assets	402	402
Provision for slow-moving inventories	124	85
Write back provision for slow-moving inventories	(16)	(82)
Fair value adjustment on financial asset, fair value through profit or loss	(11)	(4)

1 (b) (i) Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31/12/2013 S\$'000	31/12/2012 S\$'000	31/12/2013 S\$'000	31/12/2012 S\$'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	660	1,051	87	73
Investment in subsidiaries	-	-	7,683	8,390
Intangible assets	1,208	1,611	-	-
Goodwill	-	708	-	-
	<u>1,868</u>	<u>3,370</u>	<u>7,770</u>	<u>8,463</u>
Current Assets				
Inventories	1,611	1,508	161	115
Gross amount due from customers for contract work-in-progress	866	1,358	47	184
Trade and other receivables	7,720	11,059	14,606	13,400
Financial asset at fair value through profit or loss	40	29	-	-
Fixed deposits pledged	1,170	4,956	224	1,329
Cash and cash equivalents	8,822	4,215	1,020	484
	<u>20,229</u>	<u>23,125</u>	<u>16,058</u>	<u>15,512</u>
Total Assets	<u>22,097</u>	<u>26,495</u>	<u>23,828</u>	<u>23,975</u>
EQUITY AND LIABILITIES				
Capital and Reserve				
Share capital	17,580	17,580	17,580	17,580
Accumulated losses	(3,933)	(1,393)	(10,240)	(8,550)
Translation difference reserve	(483)	(17)	-	-
Attributable to equity holders of parent	<u>13,164</u>	<u>16,170</u>	<u>7,340</u>	<u>9,030</u>
Non controlling interests	67	-	-	-
Total equity	<u>13,231</u>	<u>16,170</u>	<u>7,340</u>	<u>9,030</u>
Non-Current Liabilities				
Deferred tax liabilities	77	125	-	-
Bank borrowings	471	-	-	-
	<u>548</u>	<u>125</u>	<u>-</u>	<u>-</u>
Current Liabilities				
Trade and other payables	7,460	8,091	16,488	14,945
Gross amount due to customers for contract work-in-progress	652	877	-	-
Current tax payable	14	39	-	-
Bank borrowings	192	1,193	-	-
	<u>8,318</u>	<u>10,200</u>	<u>16,488</u>	<u>14,945</u>
Total Equity and Liabilities	<u>22,097</u>	<u>26,495</u>	<u>23,828</u>	<u>23,975</u>

1 (b) (ii) Aggregate amount of actual group's borrowings and debt securities.

Amount repayable in one year or less

As at 31 December 2013		As at 31 December 2012	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
192	-	1,193	-

Amount repayable after one year

As at 31 December 2013		As at 31 December 2012	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
471	-	-	-

Details of collaterals

The bank borrowings are secured by a subsidiary's fixed deposits of \$609,490 (2012: \$2,730,561) and corporate guarantee by the Company.

1(c) Statement of cash flow (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	FY2013	FY2012
	S\$'000	S\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before taxation	(2,436)	(2,650)
Adjustments for:		
Depreciation of property, plant and equipment	505	556
Impairment of goodwill	708	583
Gain on disposal of property, plant & equipment	(198)	(15)
Impairment of property, plant & equipment	-	755
Property, plant and equipment written off	-	13
Allowance for impairment on trade receivables	352	311
Allowance for impairment on trade receivables written back	(336)	(98)
Bad debt recovered	(292)	(111)
Bad debt written off	53	-
Provision for warranty	-	196
Provision for warranty written back	(202)	-
Interest expense	47	4
Interest income	(14)	(18)
Amortisation of intangible assets	402	402
Provision for slow-moving inventories	124	85
Write-back provision for slow-moving inventories	(16)	(82)
Fair value adjustment on financial asset, fair value through profit or loss	(11)	(4)
Operating loss before working capital changes	(1,314)	(73)
Translation difference	(469)	(106)
Increase in inventories	(211)	(102)
Decrease/(Increase) in amount due from customers for contract work-in-progress	267	(3,072)
Decrease in trade and other receivables	3,601	3,360
Decrease in trade and other payables	(428)	(2,476)
Cash generated from/(used in) operations	1,446	(2,469)
Interest received	3	14
Tax paid	(92)	(275)
Net cash generated from/(used in) operating activities	1,357	(2,730)

1(c) Statement of cash flow (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	FY2013 S\$'000	FY2012 S\$'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(128)	(46)
Repayment of loan from associated company	-	138
Proceeds from disposal of property, plant and equipment	170	33
Net cash generated from investing activities	42	125
CASH FLOW FROM FINANCING ACTIVITIES		
Bank loan repaid	(1,330)	(206)
Bank borrowings drawn down	800	1,193
Interest paid	(47)	-
Decrease in fixed deposits pledged	3,785	385
Net cash generated from financing activities	3,208	1,372
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,607	(1,233)
EFFECTS OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS	-	(1)
CASH AND CASH EQUIVALENTS AT THE BEGINNING	4,215	5,449
CASH AND CASH EQUIVALENTS AT THE END	8,822	4,215

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statement of financial position:-

	31/12/2013	31/12//2012
Fixed deposits	2,752	-
Cash at bank and in hand	6,070	4,215
Cash and cash equivalents	8,822	4,215

1(d)(i) A statement (for the company and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital	Translation difference reserve	Accumulated Losses	Non- controlling Interests	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group					
At 1 January 2012	17,580	55	1,226	-	18,861
Loss for the year	-	-	(2,619)	-	(2,619)
<u>Other comprehensive loss</u>					
Exchange differences on translating foreign operations	-	(72)	-	-	(72)
Total comprehensive loss for the year	-	(72)	(2,619)	-	(2,691)
At 31 December 2012	17,580	(17)	(1,393)	-	16,170
At 1 January 2013	17,580	(17)	(1,393)	-	16,170
Loss for the year	-	-	(2,540)	84	(2,456)
<u>Other comprehensive loss</u>					
Exchange differences on translating foreign operations	-	(466)	-	(17)	(483)
Total comprehensive loss for the year	-	(466)	(2,540)	67	(2,939)
At 31 December 2013	17,580	(483)	(3,933)	67	13,231
The Company					
At 1 January 2012	17,580	-	(3,990)	-	13,590
Total comprehensive loss for the year	-	-	(4,560)	-	(4,560)
At 31 December 2012	17,580	-	(8,550)	-	9,030
At 1 January 2013	17,580	-	(8,550)	-	9,030
Total comprehensive loss for the year	-	-	(1,690)	-	(1,690)
At 31 December 2013	17,580	-	(10,240)	-	7,340

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the financial year, no shares has been issued. There are no outstanding convertibles that will result in the issuance of shares as at 31 December 2013 and 31 December 2012.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

There were no treasury shares as at 31 December 2013 and 31 December 2012. The total number of issued shares as at 31 December 2013 and 31 December 2012 was 348,783,140.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the company's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2012.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

The Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current reporting period compared with the latest audited financial statements for the financial year ended 31 December 2012.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for dividends.

	FY2013	FY2012
	S\$'000	S\$'000
Net loss attributable to shareholders	(2,540)	(2,619)
Earnings per share for the period based on the weighted average number of shares in issue of 348,783,140 for FY2013 (FY2012:348,783,140)		
	Cents	Cents
Basic earnings per share	(0.73)	(0.75)
Diluted earnings per share	(0.73)	(0.75)

There is no dilutive effect for the year ended 31 December 2013.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	Cents	Cents	Cents	Cents
Net asset value per share	3.79	4.64	2.10	2.59

Net asset value per ordinary share as at 31 December 2013 and 31 December 2012 has been computed based on 348,783,140 ordinary shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period on, including (where applicable) seasonal or cyclical factors: and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of comprehensive income (FY2013 vs. FY2012)

Revenue

The Group registered a decrease in revenue in the current financial period. Revenue decreased from S\$33.93 million in FY2012 to S\$28.66 million in FY2013, a decrease of approximately 15.52 % or S\$5.27 million.

This was mainly due to the decrease in revenue of approximately S\$5.44 million in the Singapore engineering segment in FY2013 as compared to FY2012 due to fewer projects secured and some delays in our projects. The revenue in the manufacturing segment improved by 2.3% or S\$0.119 million due to a slight increase in demand.

Gross profit margin

Gross profit margin for FY2013 was 9.93% as compared to 14.36% in FY2012. The decrease was mainly due to the current engineering projects having a lower gross profit margin as compared to FY2012 as a result of intense competitions.

Other operating income

Other operating income increased by S\$0.84 million from S\$0.24 million in FY2012 to S\$1.08 million in FY2013. This increase was due mainly to the write back of provision of warranty for S\$0.20 million, exchange gain of S\$0.37 million and gain in disposal of fixed assets of S\$0.198 million in FY2013.

Administrative expenses

Administrative expenses decreased from S\$3.99 million in FY2012 to S\$3.77 million in FY2013. This was mainly due to decrease in staff costs of S\$0.22 million.

Other operating expenses

The other operating expenses decreased from S\$3.76 million in FY2012 to S\$2.55 million in FY2013. This was mainly due to the impairment of S\$0.75 million in FY2012 with respect to certain property, plant and equipment in Suzhou subsidiary. Another reason for the decrease was due to the provision of warranty for S\$0.19 million in FY2012 followed by a write back of warranty in FY2013. Bad debt recovered and allowance for impairment of trade receivables written back also contributed to the decrease by S\$0.42 million in FY2013. The allowance for impairment of trade receivables written back of S\$0.336 million was due to impairment made in previous years but the debts have been recovered in FY2013. The bad debt recovery of S\$0.292 million was written off previously but this amount has been recovered in FY2013 and this amount was used to repaid trade creditors.

The remaining goodwill balance of S\$0.708 million was fully impaired after impairment test was done at year end of FY2013 to assess the future value of cash generating units of the engineering segment. This was an increase of S\$0.125 million compared to FY2012.

Finance costs

Finance costs increased from S\$3,927 in FY2012 to S\$47,214 in FY2013. The increase in finance cost was due to an increase in interest expense as a result of an increase in long term bank loan in FY2013.

Taxation

Tax expense increased from tax credit of S\$31,236 in FY2012 to tax expense of S\$20,320 in FY2013. In FY2013, there was an over-provision of taxation of S\$49,752 from previous years and the current tax expense was due to the Malaysian subsidiary.

Profit after taxation

Overall, the Group made a loss of S\$2.456 million in FY2013 as compared to a loss of S\$2.619 million in FY2012.

Statement of Financial Position (FY2013 vs. FY2012)

In FY2013, the value of the property, plant and equipment decreased from S\$1.05 million in FY2012 to S\$0.66 million mainly due to depreciation charges.

The intangible asset decreased from S\$1.61 million in FY2012 to S\$1.21 million in FY2013 due to amortisation of S\$0.40 million in the financial year.

Goodwill of S\$0.708 million was fully impaired and recognised to other operating expenses after goodwill impairment test was done to assess the recoverable amount of cash generating units. This refers to the impairment of goodwill relating to the acquisition of Air System Technology (S) Pte Ltd

Inventories increased from S\$1.50 million as at 31 December 2012 to S\$1.61 million as at 31 Dec 2013 due to higher stock holdings in anticipation of higher sales volume in all companies except for one subsidiary in China which commenced voluntary liquidation in Sep 2013.

Gross amount due from customers for contract work-in-progress and gross amount due to customers for contract work-in-progress decreased by S\$0.49 million and S\$0.225 million respectively for the year ended 31 Dec 2013. This was due mainly to fewer projects particularly in second half of year 2013 as compared to the same period in year 2012.

Trade and other receivables fell by S\$3.34 million for the year ended 31 Dec 2013 mainly due to a drop in certification of work done as fewer projects were carried out.

There was a decrease in trade and other payables from S\$8.09 million as at 31 December 2012 to S\$7.46 million as at 31 December 2013 mainly due to fewer projects carried out in the second half of year 2013.

The short-term bank borrowings as at 31 Dec 2012 comprised bank borrowings of S\$0.267 million by Suzhou subsidiary as well as bank borrowing to finance suppliers' invoices totalling S\$0.926 million. The decrease in short term borrowing was mainly due to repayment of S\$0.926 million in the beginning of year 2013. During the year, bank borrowing by Suzhou subsidiary was repaid.

Long-term bank borrowings of S\$0.8 million was obtained in FY2013 in anticipation of operational needs. During the year, S\$0.137 million was repaid and as at 31 Dec 2013, S\$0.663 million was outstanding.

Liquidity

The Group maintained a healthy liquidity position as shown by a current ratio of 2.43 as at 31 December 2013. The Group's cash and cash equivalents, excluding pledged bank deposits of S\$1.17 million, stood at S\$8.82 million as at 31 December 2013.

Net cash generated from operating activities for FY2013 was S\$1.36 million as compared to net cash used of S\$2.73 million for FY2012. This was mainly due to a decrease in working capital requirements.

Net cash generated from investing activities for FY2013 was S\$42,000 as compared to S\$125,000 for FY2012. This was due mainly to the repayment of loan from associated company in FY2012 and the proceeds obtained from the disposal of fixed assets in Suzhou factory in FY2013.

Net cash generated from financing activities was S\$3.208 million in FY2013 as compared to S\$1.37 million in FY2012. This was mainly due to the short term borrowing of S\$1.193 million in FY2012 and subsequent full repayment in FY2013. During the year, a long term bank loan of S\$0.8 million was taken up and more fixed deposits became unpledged as banking guarantees expired.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There was no variance between the announcement on business update released on 21 November 2013 and the actual unaudited results released in this announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

As reflected in our results, our business faced intense competition which resulted in lower sales and worsening margins in 2013.

Going forward, the Group expects these challenging conditions to persist and will continue to be vigilant in managing costs and working capital while seeking opportunities to grow either organically or through strategic acquisition.

11. Dividend

(a) Current Financial Period Report on

Any dividend declared for the current financial period reported on?

N/A

(b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

N/A

(c) Date payable

N/A

(d) Books closure date

N/A

12. If no dividend has been declared/recommended, a statement to that effect

No.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half year results)

13. Segmented revenue and results for business or geographical segments (of the group) in the company's most recently audited annual financial statements, which comparative information for the immediately preceding year.

	Manufacturing		Engineering Services		Distribution & Services		Total	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
REVENUE								
External sales	5,184	5,065	23,189	28,629	292	239	28,665	33,933
RESULTS								
Segment results	(2,249)	(3,086)	522	1,000	(27)	19	(1,754)	(2,067)
Unallocated finance costs								-
Taxation							(20)	31
Impairment of goodwill							(708)	(583)
Other non-cash item							26	-
Non-controlling interest							(84)	-
Net loss attributable to shareholders							(2,540)	(2,619)
ASSETS								
Segment assets	6,530	8,896	14,373	16,345	1,194	1,254	22,097	26,495
Unallocated corporate assets							-	-
Total assets							22,097	26,495
LIABILITIES								
Segment liabilities	2,676	2,036	5,544	7,635	555	490	8,775	10,161
Unallocated corporate liabilities							91	164
Total liabilities							8,866	10,325

	Manufacturing		Engineering Services		Distribution & Services		Total	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
OTHER INFORMATION								
Capital expenditure	96	28	31	17	1	1	128	46
Depreciation	417	462	86	91	2	3	505	556
Allowance for impairment of trade receivables	352	217	-	94	-	-	352	311
Bad debt written off/ (recovered)	53	-	(292)	-	-	-	(239)	-
Gain on disposal of plant and equipment	(198)	-	-	(15)	-	-	(198)	(15)
Impairment of fixed assets	-	755	-	-	-	-	-	755

Geographical reporting

Revenue	S'pore & M'sia	China	Others	Total
FY2013 ('000)	28,155	510	-	28,665
FY2012 ('000)	33,528	405	-	33,933

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

None.

15. Breakdown of sales

	FY2013	FY2012	Increase/ (decrease)
Revenue reported for 1 st half year	16,410	17,713	-7.36%
Operating loss after tax before deducting minority interests reported for the 1 st half year	(965)	(536)	N.M
Revenue reported for 2 nd half year	12,255	16,220	-24.45%
Operating loss after tax before deducting minority interests reported for the 2 nd half year	(1,491)	(2,083)	N.M

16. Interested Party Transactions

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)	
	FY 2013	FY 2012	FY 2013	FY 2012
	\$'000	\$'000	\$'000	\$'000
Chern Dar Enterprise Co. Ltd				
Purchases	575	485	-	-

*Mr. Ho Ta-huang, a director and substantial shareholder of the Company, is deemed to be interested in the shares held by Chern Dar Enterprise Co. Ltd.

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

The Company wishes to advise that there is no general mandate obtained from shareholders for Interested Person Transactions.

17. Disclosure under Rule 704(10) of section B: Rules of Catalist of the SGX-ST Listing Manual

The Company wishes to confirm that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or the Chief Executive Officer or substantial shareholders of the Company.

By Order of the Board

Wong Kok Chye

Group Chief Executive Officer

28 February, 2014

By Order of the Board

This announcement 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 announcement.

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

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.